

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED JULY 4, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Change of Title:

|   |   |         |
|---|---|---------|
| 2 | The Fidelity Trust Co., New York, N. Y., has changed its title to "The Marine Midland Trust Company of New York". | 7- 1-30 |
|---|---|---------|

Absorption of Nonmember:

|   |  |         |
|---|--|---------|
| 2 | The Power City Trust Co., Niagara Falls, N. Y., member, has absorbed the Niagara Falls Trust Co., Niagara Falls, N. Y., nonmember. | 6-30-30 |
|---|--|---------|

Closed:

|   |  |         |
|---|--|---------|
| 6 | Bank of Winter Park, Winter Park, Fla. | 6-30-30 |
|---|--|---------|

Voluntary Withdrawal:

|   |   |         |
|---|---|---------|
| 9 | Montana Trust & Savings Bank, Helena, Mont. | 6-30-30 |
|---|---|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED JULY 11, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Merger of State Members:

|   |  |         |
|---|--|---------|
| 2 | The Pacific Trust Co., New York, N. Y., a member, has merged with and under the title of the Manufacturers Trust Co., New York, N. Y., a member. | 6-28-30 |
|---|--|---------|

Absorption of National Bank:

|   |  |         |
|---|--|---------|
| 4 | The Central Trust Co., Cincinnati, Ohio, a member, has absorbed the Brotherhood of Railway Clerks National Bank, Cincinnati, Ohio. | 7- 2-30 |
|---|--|---------|

Voluntary Withdrawal:

|   |  |         |
|---|--|---------|
| 7 | Royal Oak State Trust & Savings Bank, Royal Oak, Mich. | 7- 5-30 |
|---|--|---------|

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

|   |                                    |         |
|---|------------------------------------|---------|
| 6 | First National Bank, Laurel, Miss. | 7- 8-30 |
|---|------------------------------------|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |         |
|---|--|---------|
| 2 | Prospect Park National Bank, Prospect Park, N. J.<br>(Full powers) | 7-10-30 |
| 2 | First National Bank, Rockaway, N. J. (Full powers)                 | 7-10-30 |
| 3 | First Nat. Bank & Trust Co., Bedford, Pa. (Full powers)            | 7- 1-30 |
| 5 | First National Bank, Lynchburg, Va. (Full powers)                  | 7-10-30 |
| 7 | Terminal National Bank, Chicago, Ill. (Full powers)                | 7-10-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED JULY 18, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

| <u>Dis-</u><br><u>trict</u> |  | <u>Capital</u> | <u>Surplus</u> | <u>Total</u><br><u>resources</u> | <u>Date</u> |
|-----------------------------|--|----------------|----------------|----------------------------------|-------------|
| 8                           | Natural Bridge Trust Co.,<br>St. Louis, Mo.<br>(Succession to Natural Bridge Bank<br>& Trust Co., St. Louis, Mo., a member). | \$200,000      | \$50,000       | \$2,471,313                      | 7-15-30     |

Voluntary Withdrawals:

|   |  |  |  |  |         |
|---|--|--|--|--|---------|
| 2 | Hudson Trust Co., Union City, N. J.      |  |  |  | 7-16-30 |
| 7 | Rochester Savings Bank, Rochester, Mich. |  |  |  | 7-16-30 |

Consolidation of State Members:

|   |  |  |  |  |         |
|---|--|--|--|--|---------|
| 7 | The Bank of Michigan and the Peninsular State Bank, both of Detroit, Mich., both members, have consolidated with and under the charter and title of Peoples Wayne County Bank, Detroit, Mich., a member. |  |  |  | 5- 1-30 |
|---|--|--|--|--|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None..

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED JULY 25, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Consolidation of State Members:

|   |  |         |
|---|--|---------|
| 7 | The Bank of Detroit, Detroit, Mich., member, has consolidated with and under the charter and title of the Guardian Detroit Bank, Detroit, Mich., a member. | 6-30-30 |
|---|--|---------|

Absorption of National Bank:

|    |  |         |
|----|--|---------|
| 12 | The Commercial Bank, Spanish Fork, Utah, member, has absorbed the First National Bank of Spanish Fork. | 7-14-30 |
|----|--|---------|

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

|   |  |         |
|---|--|---------|
| 8 | Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.     | 7-22-30 |
| 8 | Union Planters National Bank & Trust Co., Memphis, Tenn. | 7-22-30 |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |         |
|---|--|---------|
| 2 | FIRST NATIONAL BANK & TRUST CO., WOODBRIDGE, N. J.<br>(Confirmatory)   | 7-22-30 |
| 4 | First National Bank, Georgetown, Ky. (Full powers)                     | 7-25-30 |
| 4 | Butler County National Bank & Trust Co., Butler, Pa.<br>(Confirmatory) | 7-22-30 |
| 4 | McDowell National Bank, Sharon, Pa. (Supplemental)                     | 7-22-30 |
| 9 | Lake Norden National Bank, Lake Norden,<br>(Limited powers)            | 7-22-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED AUGUST 1, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Consolidation with National Bank:

|   |   |         |
|---|---|---------|
| 1 | The Beacon Trust Co., Boston, Mass., member, has consolidated with and under the charter and title of the Atlantic National Bank of Boston. | 7-31-30 |
|---|---|---------|

Consolidation:

|   |  |         |
|---|--|---------|
| 5 | The Drovers & Mechanics National Bank, Baltimore, Md., and the Continental Trust Co., Baltimore, Md., nonmember, have merged with and under the charter and title of the Maryland Trust Co., Baltimore, Md., a member. | 7-28-30 |
|---|--|---------|

Voluntary Withdrawals:

|   |  |         |
|---|--|---------|
| 7 | Farmers State Bank, Ellsworth, Iowa    | 7-28-30 |
| 9 | Swift County Bank, Inc., Benson, Minn. | 7-25-30 |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |         |
|---|---|---------|
| 9 | First National Bank & Trust Co., Chamberlain, S.Dak.<br>(Full powers) | 7-29-30 |
|---|---|---------|

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED AUGUST 8, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>    |   | <u>Capital</u> | <u>Surplus</u> | <u>Total</u><br><u>resources</u> | <u>Date</u> |
|--------------------------------|---|----------------|----------------|----------------------------------|-------------|
| <u>Admitted to Membership:</u> |   |                |                |                                  |             |
| 3                              | Industrial Trust Company,<br>Wilmington, Del.   | \$1,250,000    | \$400,000      | \$5,130,588                      | 8- 2-30     |
| <u>Change of Title:</u>        |   |                |                |                                  |             |
| 1                              | The Columbus Exchange Bank, Providence, R. I., has changed its<br>title to Columbus Exchange Trust Company. |                |                |                                  | 8- 4-30     |
| <u>Voluntary Liquidation:</u>  |   |                |                |                                  |             |
| 9                              | Reed Point State Bank, Reed Point, Mont.  |                |                |                                  | 7-25-30     |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |                |         |
|---|---|----------------|---------|
| 3 | Montgomery National Bank, Norristown, Pa.     | (Full powers)  | 8- 8-30 |
| 3 | Central-Penn National Bank, Philadelphia, Pa. | (Confirmatory) | 8- 8-30 |
| 6 | First National Bank, Birmingham, Ala.         | (Confirmatory) | 8- 8-30 |
| 7 | Poweshiek County National Bank, Grinnell, Ia. | (Full powers)  | 8- 8-30 |
| 8 | Carrollton National Bank, Carrollton, Ky.     | (Full powers)  | 8- 5-30 |

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED AUGUST 15, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

| <u>Dis-</u><br><u>trict</u> |  | <u>Capital</u> | <u>Surplus</u> | <u>Total</u><br><u>resources</u> | <u>Date</u> |
|-----------------------------|--|----------------|----------------|----------------------------------|-------------|
| 2                           | Peoples Banking & Trust Co.,<br>Elizabeth, N. J.                                 | \$300,000      | \$200,000      | \$8,684,270                      | 8-15-30     |
| 8                           | Shaw Bank & Trust Co.,<br>St. Louis, Mo.<br>(Succession to Shaw Bank, a member). | 200,000        | 80,000         | 1,590,190                        | 8-12-30     |

Voluntary Withdrawal:

|   |   |  |  |  |         |
|---|---|--|--|--|---------|
| 1 | New Britain Trust Co., New Britain, Conn. |  |  |  | 8-11-30 |
|---|---|--|--|--|---------|

Succeeded by State Member:

|   |  |  |  |  |         |
|---|--|--|--|--|---------|
| 8 | The Shaw Bank, St. Louis, Mo., a member, has been succeeded<br>by the Shaw Bank & Trust Co., St. Louis, Mo., a member. |  |  |  | 8-12-30 |
|---|--|--|--|--|---------|

Absorption of National Bank:

|    |  |  |  |  |         |
|----|--|--|--|--|---------|
| 12 | The Commercial Security Bank, Ogden, Utah, a member, has ab-<br>sorbed the National Bank of Commerce, Ogden, Utah. |  |  |  | 6-10-30 |
|----|--|--|--|--|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED AUGUST 22, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Absorption of Nonmember:

|   |   |         |
|---|---|---------|
| 4 | The Fifth-Third Union Trust Co., Cincinnati, Ohio, a member, has absorbed the Cosmopolitan Bank & Trust Co., Cincinnati, Ohio, a nonmember. | 8-11-30 |
|---|---|---------|

Closed:

|   |   |         |
|---|---|---------|
| 4 | Dollar Savings Bank Co., St. Clairsville, Ohio. | 8-21-30 |
|---|---|---------|

Voluntary Withdrawal:

|    |   |         |
|----|---|---------|
| 12 | Farmers Commercial & Savings Bank, Oakley, Idaho. | 8-22-30 |
|----|---|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |                |         |
|---|---|----------------|---------|
| 2 | First National Bank, Merrick, N. Y.       | (Full powers)  | 8-19-30 |
| 3 | Farmers National Bank, Lititz, Pa.        | (Supplemental) | 8-19-30 |
| 6 | Snell National Bank in Winter Haven, Fla. | (Full powers)  | 8-19-30 |



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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED AUGUST 29, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Voluntary Withdrawal:

|   |                                   |         |
|---|-----------------------------------|---------|
| 9 | State Bank of Anoka, Anoka, Minn. | 8-25-30 |
|---|-----------------------------------|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |         |
|---|--|---------|
| 4 | National Bank & Trust Co., Connellsville, Pa.<br>(Full powers) | 8-26-30 |
|---|--|---------|

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED SEPTEMBER 5, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

| <u>Dis-<br/>trict</u> |   | <u>Capital</u> | <u>Surplus</u> | <u>Total<br/>resources</u> | <u>Date</u> |
|-----------------------|---|----------------|----------------|----------------------------|-------------|
| 8                     | State Bank of Collinsville,<br>Collinsville, Ill. | \$100,000      | \$50,000       | \$1,448,934                | 9- 4-30     |

Consolidated with Nonmember:

|   |   |  |  |  |         |
|---|---|--|--|--|---------|
| 3 | The Northeast-Tacony Bank & Trust Co., Philadelphia, Pa., a member, has consolidated with the County Trust Co., Philadelphia, Pa., a nonmember. |  |  |  | 8-30-30 |
|---|---|--|--|--|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |                |         |
|---|--|----------------|---------|
| 2 | First National Bank, Central Square, N. Y. | (Full powers)  | 9- 3-30 |
| 3 | First National Bank, Avoca, Pa.            | (Full powers)  | 9- 3-30 |
| 6 | Andalusia National Bank, Andalusia, Ala.   | (Supplemental) | 9- 3-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED SEPTEMBER 12, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dist.</u> |                                       | <u>Date</u> |
|--------------|---------------------------------------|-------------|
|              | No admissions.                        |             |
|              | <u>Voluntary Withdrawal:</u>          |             |
| 7            | Western State Bank, Cicero, Illinois. | 9-12-30     |

PERMISSION GRANTED TO EXERCISE TRUST POWERS

|    |  |         |
|----|--|---------|
| 11 | Homer National Bank, Homer, La. (Limited powers) | 9-12-30 |
|----|--|---------|

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED SEPTEMBER 19, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Closed:

|   |                                    |         |
|---|------------------------------------|---------|
| 7 | Farmers Savings Bank, Grant, Iowa. | 9-16-30 |
|---|------------------------------------|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS

|   |  |         |
|---|--|---------|
| 1 | First National Bank, Webster, Mass.<br>(Full Powers) | 9-17-30 |
|---|--|---------|

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED SEPTEMBER 26, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Merged with Nonmember:

|   |   |         |
|---|---|---------|
| 7 | The Commercial State Bank, Mediapolis, Iowa, a member, has merged with the Citizens State Bank, Mediapolis, Iowa, a nonmember, under the title of Mediapolis State Bank, a nonmember. | 9-19-30 |
|---|---|---------|

Closed:

|    |                                   |         |
|----|-----------------------------------|---------|
| 12 | Farmers State Bank, Almira, Wash. | 9-22-30 |
|----|-----------------------------------|---------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED OCTOBER 3, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Capital      Date

Admitted to Membership:

None.

Merger of Member Banks:

|   |  |            |         |
|---|--|------------|---------|
| 2 | Park Row Trust Co., New York, N. Y., member  | \$ 500,000 |         |
|   | Broadway National Bank & Trust Co.,<br>New York, N. Y.   | 2,000,000  |         |
|   | Above banks merged into the Plaza Trust Co.,<br>New York, N. Y., a member, under the title of<br>Broadway & Plaza Trust Co., New York, N. Y. |            |         |
|   |  | 2,000,000  | 9-29-30 |

Absorption of Nonmember:

|   |   |         |         |
|---|---|---------|---------|
| 2 | The Peoples Banking & Trust Co., Elizabeth,<br>N. J., a member, has absorbed the following non-<br>member: Downtown Trust Co., Elizabeth, N. J. | 100,000 | 9-30-30 |
|---|---|---------|---------|

Consolidated with National Bank:

|   |  |         |         |
|---|--|---------|---------|
| 6 | Continental Trust Co., Macon, Ga.  | 350,000 | 8-30-30 |
|   | Consolidated with Macon National Bank, Macon, Ga.,<br>under title of First National Bank & Trust Co. |         |         |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|    |   |          |
|----|---|----------|
| 2  | Sunrise National Bank, Baldwin, N. Y. (Full powers)     | 10- 3-30 |
| 7  | Farmers National Bank, Kingsley, Iowa (Full powers)     | 10- 1-30 |
| 12 | Salinas National Bank, Salinas, Calif. (Limited powers) | 10- 3-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED OCTOBER 10, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>         |   | <u>Capital</u> | <u>Date</u> |
|-------------------------------------|---|----------------|-------------|
| <u>Admitted to Membership:</u>      |   |                |             |
| None                                |   |                |             |
| <u>Absorption of National Bank:</u> |   |                |             |
| 3                                   | The Cambridge Trust Company, Chester, Pa., a member, has absorbed the Chester National Bank, Chester, Pa.   | \$300,000      | 10-4-30     |
| <u>Absorption of Nonmember:</u>     |   |                |             |
| 4                                   | The First-Citizens Trust Company, Columbus, Ohio, a member, has absorbed the following nonmember: Jeffry Building & Loan Company, Columbus, Ohio, a non-member. |                | 10-1-30     |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED OCTOBER 17, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>                         |  | <u>Capital</u> | <u>Date</u> |
|---|--|----------------|-------------|
| <u>Admitted to Membership:</u>                      |  |                |             |
| 6   | Florida Bank & Trust Co., West Palm Beach, Fla.  | \$100,000      | 10-14-30    |
| <u>Change of Title:</u>                             |  |                |             |
| 3   | The Cambridge Trust Co., Chester, Pa., has<br>changed its title to Chester-Cambridge Bank &<br>Trust Co.                 |                | 10- 4-30    |
| <u>Absorbed by Nonmember:</u>                       |  |                |             |
| 4   | The Guaranty Trust Co., Butler, Pa., a member,<br>has been absorbed by the Union Trust Co., Butler,<br>Pa., a nonmember. | \$500,000      | 9-23-30     |
| <u>PERMISSION GRANTED TO EXERCISE TRUST POWERS:</u> |  |                |             |
| 4   | Fayette National Bank, Lexington, Ky. (Limited powers)   |                | 10-13-30    |
| 4   | Security Central National Bank, Portsmouth, Ohio<br>(Limited powers)   |                | 10-17-30    |
| 12  | Bank of Woodland National Association, Woodland, Calif.<br>(Limited powers)  |                | 10-15-30    |



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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED OCTOBER 24, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Voluntary Withdrawals:

|    |  |          |
|----|--|----------|
| 7  | Farmers State Bank, Elberon, Iowa          | 10-20-30 |
| 12 | Thatcher Brothers Banking Co., Logan, Utah | 10-20-30 |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |          |
|---|--|----------|
| 9 | Deuel County National Bank, Clear Lake, S. Dak.<br>(Full powers) | 10-22-30 |
|---|--|----------|

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED OCTOBER 31, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

| <u>Dis-</u><br><u>trict</u> |                                   | <u>Capital</u> | <u>Date</u> |
|-----------------------------|-----------------------------------|----------------|-------------|
| 10                          | First State Bank, Newcastle, Wyo. | \$25,000       | 10-29-30    |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |  |          |
|---|--|----------|
| 2 | Central Valley National Bank, Central Valley, N. Y.<br>(Full powers) | 10-29-30 |
| 5 | Farmers & Mechanics National Bank, Frederick, Md.<br>(Supplemental)  | 10-30-30 |
| 6 | Andalusia National Bank, Andalusia, Ala. (Supplemental)              | 10-29-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED NOVEMBER 7, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Date

Admitted to Membership:

None.

Merged with National Bank:

4           The Fayette Title & Trust Co., Uniontown, Pa., member,  
has merged with and under the title of the National Bank of  
Fayette County, Uniontown, Pa.

11- 1-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

7           First National Bank & Trust Co., Bloomington, Ill.  
(Full powers)

11- 1-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED NOVEMBER 14, 1930

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>       |   | <u>Capital</u> | <u>Date</u> |
|-----------------------------------|---|----------------|-------------|
| <u>Admitted to Membership:</u>    |   |                |             |
| None.                             |   |                |             |
| <u>Voluntary Withdrawals:</u>     |   |                |             |
| 7                                 | State Bank of Seneca, Seneca, Ill.  | \$50,000       | 11-13-30    |
| 9                                 | First State Bank, Stratford, S. Dak.  | 30,000         | 11-10-30    |
| <u>Merged with Nonmember:</u>     |   |                |             |
| 7                                 | Capital State Savings Bank, Chicago, Ill., member.<br>Merged with Builders & Merchants State Bank,<br>Chicago, Ill., nonmember, under new charter and title<br>of Builders & Merchants Bank & Trust Co., nonmember. | 400,000        | 11-10-30    |
| <u>Merger of State Members:</u>   |   |                |             |
| 12                                | Bank of Helix, Helix, Oreg., member.  | 50,000         | 11- 5-30    |
|                                   | Inland Empire Bank, Pendleton, Oreg., member.   | 250,000        |             |
|                                   | Merged under charter and title of the<br>Inland Empire Bank, Pendleton, Oreg., member.  | 250,000        |             |
| <u>Absorbed by National Bank:</u> |   |                |             |
| 11                                | Anson State Bank, Anson, Texas, a member.   | 50,000         | 11- 8-30    |
|                                   | Absorbed by First National Bank of Anson, Texas.  |                |             |
| 11                                | First State Bank, Kerens, Texas, a member.  | 50,000         | 11- 5-30    |
|                                   | Absorbed by First National Bank of Kerens, Texas.   |                |             |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED NOVEMBER 21, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Capital

Date

Admitted to Membership:

None.

Merger of State Members:

|   |  |             |          |
|---|--|-------------|----------|
| 2 | American Trust Co., New York, N. Y.          | \$5,000,000 |          |
|   | Bank of Manhattan Trust Co., New York, N.Y.  | 22,250,000  |          |
|   | Merged under charter and title of the        |             |          |
|   | Bank of Manhattan Trust Co., New York, N. Y. | 22,250,000  | 11-17-30 |

Closed:

|   |  |           |          |
|---|--|-----------|----------|
| 8 | American Exchange Trust Co., Little Rock, Ark. | 1,000,000 | 11-17-30 |
| 8 | State Savings Loan & Trust Co., Quincy, Ill.   | 1,000,000 | 11-15-30 |
| 8 | Louisville Trust Co., Louisville, Ky.          | 1,750,000 | 11-17-30 |

Absorption of National Bank:

|    |   |        |          |
|----|---|--------|----------|
| 11 | Farmers & Merchants State Bank, Ferris, Tex.,       | 50,000 |          |
|    | a member, has absorbed the following national bank: |        |          |
|    | Ferris National Bank, Ferris, Texas.                | 65,000 | 11-17-30 |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |          |
|---|---|----------|
| 1 | First National Bank, Farmington, Maine (Full powers)        | 11-17-30 |
| 4 | Second National Bank, Uniontown, Pa. (Confirmatory)         | 11-17-30 |
| 5 | Charleston National Bank, Charleston, W. Va. (Confirmatory) | 11-15-30 |

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FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED NOVEMBER 28, 1930

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>       |   | <u>Capital</u>                  | <u>Date</u> |
|-----------------------------------|---|---------------------------------|-------------|
| <u>Admitted to Membership:</u>    |   |                                 |             |
| None.                             |   |                                 |             |
| <u>Merged with National Bank:</u> |   |                                 |             |
| 7                                 | Federal Commercial & Savings Bank, Port Huron, Mich.,<br>a member, has merged with the<br>First National Bank & Trust Co., Port Huron, Mich.,<br>under title of<br>First National Trust & Savings Bank, Port Huron, Mich. | \$400,000<br>300,000<br>600,000 | 11-22-30    |
| 11                                | First State Bank, Savoy, Texas, a member, . . . . .<br>has merged with and under the title of the<br>First National Bank, Bonham, Texas, . . . . .  | 25,000<br>200,000               | 11-22-30    |
| <u>Closed:</u>                    |   |                                 |             |
| 8                                 | Paoli State Bank, Paoli, Ind., a member, . . . . .  | 40,000                          | 11-24-30    |
| 8                                 | Pike County Bank, Bowling Green, Mo., a member, . . . . .   | 25,000                          | 11-22-30    |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |          |
|---|---|----------|
| 5 | Federal-American National Bank & Trust Co., Washington, D. C.<br>(Confirmatory) | 11-25-30 |
| 6 | First National Bank, Greenville, Ala.<br>(Supplemental)                         | 11-25-30 |
| 9 | Empire National Bank, St. Paul, Minn.<br>(Full powers)                          | 11-25-30 |
| 9 | National Park Bank in Livingston, Mont.<br>(Full powers)                        | 11-25-30 |

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED DECEMBER 5, 1930

CHANCES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>                         |  | <u>Capital</u> | <u>Date</u> |
|---|--|----------------|-------------|
| <u>Admitted to Membership:</u>                      |  |                |             |
| None.   |  |                |             |
| <u>Merged with National Bank:</u>                   |  |                |             |
| 2   | Colonial Trust Co., Newark, N. J., a member, . . . . .     | \$300,000      |             |
|   | has merged with and under the title of the                 |                |             |
|   | Lincoln National Bank of Newark, N. J., . . . . .          | 600,000        | 11-29-30    |
| <u>Merger of State Banks:</u>                       |  |                |             |
| 4   | Bank of Commerce & Trust Co., Cincinnati, O., member,      | 1,000,000      |             |
|   | has merged with  |                |             |
|   | Provident Savings Bank & Trust Co., a member, . . . . .    | 1,700,000      |             |
|   | under title of the   |                |             |
|   | Provident Savings Bank & Trust Co., a member, . . . . .    | 2,000,000      | 11- 1-30    |
| 7   | Union Industrial Trust Co., Flint, Mich., nonmember,       | 300,000        |             |
|   | has merged with  |                |             |
|   | Union Industrial Bank, Flint, Mich., a member, . . . . .   | 2,000,000      |             |
|   | under title of the   |                |             |
|   | Union Industrial Trust & Savings Bank, a member, . . . . . | 2,000,000      | 11- 5-30    |
| <u>Voluntary Withdrawal:</u>                        |  |                |             |
| 7   | Grant Trust & Savings Company, Marion, Ind., . . . . .     | 240,600        | 12- 4-30    |
| <u>Closed:</u>                                      |  |                |             |
| 7   | Farmers State Bank, Grand River, Iowa, . . . . .           | 25,000         | 11-28-30    |
| <u>PERMISSION GRANTED TO EXERCISE TRUST POWERS:</u> |  |                |             |
| 1   | Citizens National Bank, Newport, N. H. (Supplemental)      |                | 12- 2-30    |
| 4   | Central National Bank, Cambridge, Ohio (Full powers)       |                | 11-29-30    |

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED DECEMBER 12, 1930

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>       |   | <u>Capital</u> | <u>Date</u> |
|-----------------------------------|---|----------------|-------------|
| <u>Admitted to Membership:</u>    |   |                |             |
| None                              |   |                |             |
| <u>Closed:</u>                    |   |                |             |
| 2                                 | Morsemere Trust Co., Palisades Park, Morsemere, N.J.        | \$100,000      | 12- 6-30    |
| 2                                 | Bank of United States, New York, N. Y.                      | 25,250,000     | 12-11-30    |
| 5                                 | Bank of Darlington, Inc., Darlington, S. C.                 | 100,000        | 12- 1-30    |
| 9                                 | Brown County Banking Co., Groton, S. Dak.                   | 25,000         | 12-11-30    |
| <u>Merger of State Banks:</u>     |   |                |             |
| 5                                 | West End Bank, Richmond, Va., nonmember, . . . . .          | 100,000        |             |
|                                   | has merged with   |                |             |
|                                   | American Bank & Trust Co., Richmond, Va., member, . . . . . | 3,500,000      |             |
|                                   | under charter and title of                                  |                |             |
|                                   | American Bank & Trust Co., Richmond, Va., member, . . . . . | 3,500,000      | 12- 9-30    |
| 6                                 | New Orleans Bank & Trust Co., New Orleans, La., . . . . .   | 1,200,000      |             |
|                                   | a member, has merged with and under title of                |                |             |
|                                   | Interstate Trust & Banking Co., New Orleans, La., . . . . . | 750,000        | 12- 2-30    |
|                                   | a member, . . . . .   |                |             |
| <u>Merged with National Bank:</u> |   |                |             |
| 6                                 | Bank of Wetumpka, Wetumpka, Ala., a member, . . . . .       | 25,000         |             |
|                                   | has merged with and under the title of                      |                |             |
|                                   | First National Bank, Wetumpka, Ala., . . . . .              | 25,000         | 12- 3-30    |

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |   |  |          |
|---|---|--|----------|
| 5 | National Capital Bank, Washington, D. C. (Limited powers) |  | 12-11-30 |
|---|---|--|----------|



X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED DECEMBER 19, 1930

CHANGES IN STATE BANK MEMBERSHIP:

| <u>Dis-</u><br><u>trict</u>                         |   | <u>Capital</u> | <u>Date</u> |
|---|---|----------------|-------------|
| <u>Admitted to Membership:</u>                      |   |                |             |
| 2   | State Bank & Trust Co., Hackensack, N. J., . . . . .  | \$100,000      | 12-13-30    |
| <u>Voluntary Withdrawal:</u>                        |   |                |             |
| 6   | Bank of Portal, Portal, Ga., . . . . .                | 25,000         | 12-16-30    |
| 7   | Ladoga State Bank, Ladoga, Ind., . . . . .            | 25,000         | 12-13-30    |
| <u>Merger of State Banks:</u>                       |   |                |             |
| 12  | Bank of Commerce, Wasco, Oreg., nonmember, . . . . .  | 40,000         |             |
|   | has merged with                                       |                |             |
|   | Bank of Wasco, Wasco, Oreg., a member, . . . . .      | 25,000         |             |
|   | under charter of Bank of Wasco and title of           |                |             |
|   | Bank of Commerce, Wasco, Oreg., a member, . . . . .   | 55,000         | 12-13-30    |
| <u>Closed:</u>                                      |   |                |             |
| 12  | Columbia Trust Co., Salt Lake City, Utah, member, . . | 200,000        | 12-16-30    |
| <u>PERMISSION GRANTED TO EXERCISE TRUST POWERS:</u> |   |                |             |
| 1   | Union Market National Bank, Watertown, Mass.          | (Supplemental) | 12-15-30    |
| 11  | American National Bank, Austin, Tex.                  | (Supplemental) | 12-15-30    |

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT  
WEEK ENDED DECEMBER 26, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Dis-  
trict

Capital      Date

Admitted to Membership:

None.

Closed:

|   |  |           |          |
|---|--|-----------|----------|
| 8 | Greenwood Bank & Trust Co., Greenwood, Miss. | \$200,000 | 12-20-30 |
| 8 | Bolivar County Bank, Rosedale, Miss.         | 25,000    | 12-22-30 |

Voluntary Withdrawal:

|    |  |        |          |
|----|--|--------|----------|
| 12 | W. G. Jenkins & Company, Mackay, Idaho | 25,000 | 12-22-30 |
|----|--|--------|----------|

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

|   |                                      |                |          |
|---|--------------------------------------|----------------|----------|
| 1 | Home National Bank, Brockton, Mass.  | (Supplemental) | 12-26-30 |
| 6 | First National Bank, Gulfport, Miss. | (Supplemental) | 12-26-30 |

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED JULY 4, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank   | City                             | State                   | Date closed                 | Capital                                 | Surplus & profits       | Total deposits               |
|--|----------------------------------|-------------------------|-----------------------------|---|-------------------------|------------------------------|
| <u>District No. 4.</u>   |                                  |                         |                             |   |                         |                              |
| Highland County Bank   | Greenfield                       | O.                      | July 2                      | 125,000                                 | 79,000                  | 1,207,000                    |
| *Union National Bank<br>Title & Trust Co. of<br>Western Penna.               | Connellsville, Pa.               |                         | " 2                         | 50,000                                  | 14,000                  | 732,000                      |
| Sabina Bank  | Sabina                           | O.                      | July 2<br>" 1               | 250,000<br>50,000                       | 228,000<br>10,000       | 3,806,000<br>339,000         |
| <u>District No. 6.</u>   |                                  |                         |                             |   |                         |                              |
| Orlando Bank &<br>Trust Co.  | Orlando                          | Fla.                    | July 3                      | 100,000                                 | 200,000                 | 2,206,000                    |
| <u>District No. 7.</u>   |                                  |                         |                             |   |                         |                              |
| Kudron Exchange Bank<br>Vents Five Per Cent<br>Bank                          | Detroit                          | Mich.                   | June 20                     | (Private bank).                         |                         |                              |
| Domeinik Exchange<br>Bank  | Detroit                          | Mich.                   | June 20                     | (Private bank).                         |                         |                              |
| Gravity State Bank<br>Farmers & Merchants<br>Savings Bank                    | Hamtramck<br>Gravity             | Mich.<br>Iowa           | June 20<br>July 1           | (Private bank).<br>40,000 8,000 250,000 |                         |                              |
| *First National Bank   | Moravia<br>Williams              | Iowa<br>Iowa            | July 1<br>" 1               | 15,000<br>25,000                        | 23,000<br>1,000         | 450,000<br>159,000           |
| <u>District No. 8.</u>   |                                  |                         |                             |   |                         |                              |
| Crisp Prairie State<br>Bank  | Dadeville                        | Mo.                     | June 28                     | 15,000                                  | 6,000                   | 50,000                       |
| Citizens State &<br>Savings Bank   | Murphysboro                      | Ill.                    | June 30                     | 50,000                                  | 33,000                  | 356,000                      |
| <u>District No. 9.</u>   |                                  |                         |                             |   |                         |                              |
| *First National Bank<br>Bank of McCanna<br>Farmers & Merchants<br>State Bank | Litchville<br>McCanna<br>Yankton | N.Dak.<br>" "<br>S.Dak. | June 30<br>July 1<br>July 3 | 25,000<br>10,000<br>50,000              | 6,000<br>2,000<br>8,000 | 265,000<br>93,000<br>229,000 |
| <u>District No. 10.</u>  |                                  |                         |                             |   |                         |                              |
| Deerfield State Bank   | Deerfield                        | Mo.                     | June 27                     | 10,000                                  | 4,000                   | 50,000                       |
| Denton State Bank  | Denton                           | Nebr.                   | July 3                      | 15,000                                  | 2,000                   | 130,000                      |
| <u>Closed Banks Reopened:</u>  |                                  |                         |                             |   |                         |                              |
| <u>District No. 9.</u>   |                                  |                         |                             |   |                         |                              |
| Alberta State Bank<br>Farmers & Merchants<br>State Bank                      | Alberta<br>Donnelly              | Minn.<br>Minn.          | 6-18-29<br>3-14-30          | 10,000<br>15,000                        | 6,000<br>4,000          | 7- 1-30<br>7- 1-30           |

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED JULY 11, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank                      | City                 | State | Date closed | Capital                | Surplus & profits | Total deposits |
|-----------------------------------|----------------------|-------|-------------|------------------------|-------------------|----------------|
| <u>District No. 4.</u>            |                      |       |             |                        |                   |                |
| Elsmere Svgs. Bank, Inc.          | Elsmere              | Ky.   | July 5      | 30,000                 | 11,000            | 209,000        |
| Farmers & Merchants Bank Co.      | Amanda               | Ohio  | July 8      | 25,000                 | 52,000            | 315,000        |
| *First National Bank              | Bowerton             | "     | June 11     | 25,000                 | 14,000            | 414,000        |
| <u>District No. 5.</u>            |                      |       |             |                        |                   |                |
| Bank of Swansea                   | Swansea              | S. C. | July 9      | 50,000                 | 15,000            | 217,000        |
| <u>District No. 6.</u>            |                      |       |             |                        |                   |                |
| Bank of Wildwood                  | Wildwood             | Fla.  | July 5      | 15,000                 | 8,000             | 210,000        |
| *Bank of Winter Park              | Winter Park, Fla.    |       | June 30     | 60,000                 | 25,000            | 584,000        |
| Lake Butler Bank                  | Lake Butler, Fla.    |       | July 7      | 15,000                 | 5,000             | 97,000         |
| State Bank of                     | Haines City, Fla.    |       | July 9      | 50,000                 | 20,000            | 815,000        |
| *First National Bank,             | St. Petersburg, Fla. |       | June 9      | 600,000                | 565,000           | 6,680,000      |
| *First National Bank              | Jasper               | Fla.  | May 13      | 30,000                 | 12,000            | 195,000        |
| <u>District No. 7.</u>            |                      |       |             |                        |                   |                |
| Commercial Bank                   | Hornick              | Iowa  | July 7      | 5,000                  | 48,000            | 255,000        |
| Glennie Bank of Mores Marks & Co. | Glennie              | Mich. | July 7      | (no figures available) |                   |                |
| Hersey Banking Co.                | Hersey               | Mich. | " 8         | (no figures available) |                   |                |
| Union State Bank                  | Mio                  | Mich. | " 8         | 20,000                 | 8,000             | 104,000        |
| Comins Bank of Charles D. Lewis   | Comins               | Mich. | July 5      | 5,000                  | - -               | 28,000         |
| Gilman State & Svgs. Bk.          | Gilman               | Ill.  | " 10        | 25,000                 | 15,000            | 150,000        |
| <u>District No. 8.</u>            |                      |       |             |                        |                   |                |
| *City National Bank               | Shawneetown, Ill.    |       | May 26      | 25,000                 | 13,000            | 175,000        |
| <u>District No. 9.</u>            |                      |       |             |                        |                   |                |
| *First National Bank              | Grass Range, Mont    |       | July 9      | 30,000                 | 4,000             | 173,000        |
| <u>District No. 10.</u>           |                      |       |             |                        |                   |                |
| Union State Bank                  | St. Joseph Mo.       |       | July 7      | 20,000                 | 16,000            | 49,000         |
| <u>District No. 12.</u>           |                      |       |             |                        |                   |                |
| *First National Bank in Fresno    | Calif.               |       | July 7      | 400,000                | 45,000            | 4,819,000      |

Member banks indicated by an asterisk (\*).

| Name of Bank | City | State | Date closed | Capital | Surplus & profits | Date reopened |
|--------------|------|-------|-------------|---------|-------------------|---------------|
|--------------|------|-------|-------------|---------|-------------------|---------------|

Closed Banks Reopened:

District No. 4.

\*Brotherhood of Railway

|                  |                |         |         |         |         |
|------------------|----------------|---------|---------|---------|---------|
| Clerks Nat. Bank | Cincinnati, O. | 6-26-30 | 400,000 | 149,000 | 7- 2-30 |
|------------------|----------------|---------|---------|---------|---------|

(Restored to solvency and sold to Central Trust Co., Cincinnati, O., member).

District No. 5.

|                      |       |        |  |  |  |
|----------------------|-------|--------|--|--|--|
| *First National Bank | Welch | W. Va. | (Reported closed 6-20-30; now going into voluntary liquidation). |  |  |
|----------------------|-------|--------|--|--|--|

District No. 10.

|                     |       |       |         |        |        |         |
|---------------------|-------|-------|---------|--------|--------|---------|
| State Bank of Colon | Colon | Nebr. | 4-16-30 | 20,000 | 15,000 | 7- 3-30 |
|---------------------|-------|-------|---------|--------|--------|---------|

X-3962

**BANKS REPORTED CLOSED**  
**WEEK ENDED JULY 18, 1930.**

Member banks indicated by an asterisk (\*).

| Name of Bank                 | City               | State   | Date closed | Capital                 | Surplus & profits | Total deposits |
|------------------------------|--------------------|---------|-------------|-------------------------|-------------------|----------------|
| <u>District No. 1.</u>       |                    |         |             |                         |                   |                |
| West Rutland Tr. Co.         | W.Rutland          | Vt.     | July 17     | 50,000                  | 103,000           | 916,000        |
| <u>District No. 6.</u>       |                    |         |             |                         |                   |                |
| Citizens State Bank          | Vincent            | Ala.    | July 12     | 10,000                  | 2,000             | 64,000         |
| Bank of Canal Point          | Canal Point        | Fla.    | " 16        | 25,000                  | 6,000             | 62,000         |
| First Bank of                | Lake Worth         | Fla.    | " 16        | 175,000                 | 29,000            | 941,000        |
| Reddick State Bank           | Reddick            | Fla.    | " 16        | 15,000                  | 2,000             | 98,000         |
| <u>District No. 7.</u>       |                    |         |             |                         |                   |                |
| *First Nat. Bank of<br>Lyons | Clinton            | Iowa    | July 12     | 100,000                 | 44,000            | 440,000        |
| Lyons Savings Bank           | Clinton            | Iowa    | " 12        | 100,000                 | 78,000            | 1,450,000      |
| State Bank of<br>Warrenton   | Warren             | Ill.    | July 15     | 75,000                  | 59,000            | 498,000        |
| <u>District No. 8.</u>       |                    |         |             |                         |                   |                |
| Farmers & Merchants<br>Bank  | Montgomery<br>City | Mo.     | July 16     | 25,000                  | 4,000             | 150,000        |
| Bank of De Queen             | De Queen           | Ark.    | " 16        | 60,000                  | 25,000            | 392,000        |
| <u>District No. 9.</u>       |                    |         |             |                         |                   |                |
| First State Bank             | Plummer            | Minn.   | July 14     | 10,000                  | 5,000             | 140,000        |
| Plum City State Bank         | Plum City          | Wis.    | " 15        | 10,000                  | 6,000             | 175,000        |
| Farmers State Bank           | Chisago City,      | Minn.   | " 17        | 20,000                  | 7,000             | 325,000        |
| Galesburg State Bank         | Galesburg          | N. Dak. | " 16        | 20,000                  | 12,000            | 160,000        |
| <u>District No. 11.</u>      |                    |         |             |                         |                   |                |
| Gulf Bank & Trust Co.        | Port Arthur        | Texas   | July 18     | (no figures available). |                   |                |
| <u>District No. 12.</u>      |                    |         |             |                         |                   |                |
| Harper State Bank            | Harper             | Oreg.   | July 18     | 15,000                  | 2,000             | 90,000         |

Closed Banks Reopened:

None.

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED JULY 25, 1930.

Member banks indicated by an asterisk (\*).

| Name of bank                          | City               | State  | Date closed | Capital                 | Surplus & profits | Total deposits |
|---------------------------------------|--------------------|--------|-------------|-------------------------|-------------------|----------------|
| <u>District No. 4.</u>                |                    |        |             |                         |                   |                |
| Jubilärer Brothers                    | Brownsville Pa.    |        | July 19     | (no figures available). |                   |                |
| Farmers Bank                          | Jeffersonville, O. |        | " 23        | 20,000                  | 35,000            | 324,000        |
| <u>District No. 7.</u>                |                    |        |             |                         |                   |                |
| Bank of Drakesville                   | Drakesville Iowa   |        | July 19     | 6,000                   | 5,000             | None           |
| Delaware Svgs. Bank                   | Delaware           | "      | " 21        | 10,000                  | 2,000             | 67,000         |
| Wojcik Four Per<br>Cents Svgs. Bank   | Detroit            | Mich.  | " 22        | 300,000                 | 30,000            | 356,000        |
| Citizens Bank                         | No. Adams          | "      | " 23        | 5,000                   | 15,000            | 232,000        |
| Dakota State Bank                     | Dakota             | Ill.   | " 25        | 25,000                  | 10,000            | 183,000        |
| <u>District No. 8.</u>                |                    |        |             |                         |                   |                |
| Bank of McCaskill                     | McCaskill          | Ark.   | July 21     | 10,000                  | 2,000             | 85,000         |
| *National Bank of<br>Arkansas at      | Pine Bluff         | Ark.   | " 21        | 100,000                 | 220,000           | 2,848,000      |
| <u>District No. 10.</u>               |                    |        |             |                         |                   |                |
| Nebraska State Bank                   | Norfolk            | Nebr.  | July 23     | 100,000                 | 35,000            | 2,475,000      |
| <u>District No. 12.</u>               |                    |        |             |                         |                   |                |
| California Svgs. &<br>Commercial Bank | San Diego          | Calif. | July 23     | 500,000                 | 55,000            | 1,362,000      |

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED AUGUST 1, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank                   | City           | State | Date closed | Capital | Surplus & profits | Total deposits |
|--------------------------------|----------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 4.</u>         |                |       |             |         |                   |                |
| *Citizens National Bank,       | Galion,        | Ohio  | July 29     | 100,000 | 112,000           | 1,179,000      |
| *Citizens National Bank,       | Connellsville, | Pa.   | July 31     | 100,000 | 273,000           | 2,887,000      |
| <u>District No. 7.</u>         |                |       |             |         |                   |                |
| Central Oak Park<br>State Bank | Oak Park       | Ill.  | July 28     | 100,000 | 14,000            | 497,000        |
| <u>District No. 9.</u>         |                |       |             |         |                   |                |
| Bank of Luck                   | Luck           | Wis.  | July 29     | 45,000  | 15,000            | 412,000        |
| First State Bank               | Gaylord        | Minn. | " 30        | 30,000  | 5,000             | 400,000        |
| <u>District No. 10.</u>        |                |       |             |         |                   |                |
| Peoples State Bank             | Bronaugh       | Mo.   | July 30     | 15,000  | 7,000             | 242,000        |
| *First National Bank           | Fountain       | Colo. | " 31        | 25,000  | 4,000             | 148,000        |
| Railey & Bro. Bank-<br>ing Co. | Weston         | Mo.   | " 31        | 30,000  | 33,000            | 553,000        |
| <u>District No. 12.</u>        |                |       |             |         |                   |                |
| Citizens State Bank            | Phoenix        | Ariz. | July 31     | 100,000 | 4,000             | 1,290,000      |

Closed Banks Reopened:Date  
openedDistrict No. 6.

|                  |          |      |         |        |       |         |
|------------------|----------|------|---------|--------|-------|---------|
| Bank of Wildwood | Wildwood | Fla. | 7- 5-30 | 15,000 | 8,000 | 7-28-30 |
|------------------|----------|------|---------|--------|-------|---------|



## FEDERAL RESERVE BOARD

WASHINGTON

X-3962

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDBANKS REPORTED CLOSED  
WEEK ENDED AUGUST 8, 1930.

Member banks indicated by an asterisk (\*).

| Name of bank  | City         | State   | Date closed | Capital | Surplus & profits | Total deposits |
|---|--------------|---------|-------------|---------|-------------------|----------------|
| <u>District No. 2.</u>                                      |              |         |             |         |                   |                |
| Jayne & Mason,<br>Private Bankers                           | Webster      | N. Y.   | Aug. 1      | 40,000  | 60,000            | 694,000        |
| *Port Newark Nat. Bank                                      | Newark       | N. J.   | " 8         | 200,000 | 58,000            | 957,000        |
| <u>District No. 4.</u>                                      |              |         |             |         |                   |                |
| *First National Bank  | Vanderbilt   | Pa.     | Aug. 2      | 25,000  | 7,000             | 205,000        |
| <u>District No. 5.</u>                                      |              |         |             |         |                   |                |
| Citizens Bank & Tr. Co.                                     | New Bern     | N. C.   | Aug. 7      | 50,000  | 19,000            | 1,000,000      |
| Eastern Bank & Tr. Co.                                      | " "          | " "     | " 7         | 145,000 | 75,000            | 2,137,000      |
| <u>District No. 7.</u>                                      |              |         |             |         |                   |                |
| Binga State Bank  | Chicago      | Ill.    | July 31     | 200,000 | 48,000            | 1,466,000      |
| Roosevelt State Bank  | "            | "       | Aug. 2      | 100,000 | 54,000            | 540,000        |
| Citizens Tr. & Svgs. Bank                                   | "            | "       | " 5         | 200,000 | 55,000            | 1,888,000      |
| Shabbona Bank of<br>Thomas McConnell & Co., Shabbona, Mich. |              |         | July 30     | 7,000   | - -               | 43,000         |
| Commercial State Bank                                       | Argyle       | Wis.    | Aug. 4      | 32,000  | 15,000            | 495,000        |
| Standard Trust Co.  | Detroit      | Mich.   | " 8         | 300,000 | 29,000            | 114,000        |
| <u>District No. 8.</u>                                      |              |         |             |         |                   |                |
| First State Bank  | Broughton    | Ill.    | Aug. 4      | 25,000  | 11,000            | 116,000        |
| Bank of Caddo Gap   | Caddo Gap    | Ark.    | " 8         | 10,000  | 2,000             | 60,000         |
| Bank of Horatio   | Horatio      | "       | " 8         | 35,000  | 5,000             | 185,000        |
| Bank of Cove  | Cove         | "       | " 8         | 10,000  | 3,000             | 115,000        |
| First State Bank  | New Hampton, | Mo.     | " 8         | 20,000  | 8,000             | 300,000        |
| <u>District No. 9.</u>                                      |              |         |             |         |                   |                |
| Farmers State Bank  | Thomas       | S. Dak. | Aug. 4      | 15,000  | 8,000             | 115,000        |
| First State Bank  | Roosevelt    | Minn.   | " 7         | 10,000  | 3,000             | 82,000         |
| <u>District No. 10.</u>                                     |              |         |             |         |                   |                |
| Farmers & Merch. Bank                                       | McPherson    | Kans.   | Aug. 4      | 20,000  | 2,000             | 140,000        |
| Guarantee Title & Tr. Co.,                                  | Wichita      | "       | " 6         | 200,000 | 105,000           | 1,658,000      |
| Guarantee State Bank  | "            | "       | " 6         | 50,000  | 14,000            | 507,000        |
| <u>District No. 11.</u>                                     |              |         |             |         |                   |                |
| Farmers Improvement Bank,                                   | Waco         | Texas   | Aug. 7      | 14,000  | - -               | 119,000        |
| *First Nat. Bank (#3624)                                    | Farmersville | "       | " 6         | 50,000  | 40,000            | ?              |

- 2 -

Week ended Aug. 8, 1930.

I-3962

| Name of Bank             | City            | State | Date closed | Capital | Surplus | Date reopened |
|--------------------------|-----------------|-------|-------------|---------|---------|---------------|
| <u>District No. 7.</u>   |                 |       |             |         |         |               |
| Farmers & Merchants Bank | Richland Center | Wis.  | 4-21-30     | 50,000  | 42,000  | 8- 5-30       |
| Peoples Loan & Tr.Co.    | Decatur         | Ind.  | 6-16-30     | 50,000  | 15,000  | 7- 8-30       |
| <u>District No. 10.</u>  |                 |       |             |         |         |               |
| Oak Creek Valley Bank    | Valparaiso      | Nebr. | 4-16-30     | 20,000  | 16,000  | 7-26-30       |

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED AUGUST 15, 1930

Member Banks indicated by an asterisk (\*).

| Name of Bank                   | City               | State | Date closed | Capital | Surplus & profits. | Total deposits |
|--------------------------------|--------------------|-------|-------------|---------|--------------------|----------------|
| <u>District No. 2.</u>         |                    |       |             |         |                    |                |
| *First National Bank           | Argyle             | N. Y. | Aug. 15     | 30,000  | 39,000             | 441,000        |
| <u>District No. 7.</u>         |                    |       |             |         |                    |                |
| American State Bank            | Gary               | Ind.  | Aug. 11     | 50,000  | 56,000             | 932,000        |
| *First National Bank           | Ayrshire           | Iowa  | " 12        | 25,000  | 52,000             | 275,000        |
| Citizens Bank                  | Pleasantville, Ia. | "     | " 12        | 35,000  | 21,000             | 650,000        |
| Bartonville State Bank         | Bartonville Ill.   | "     | " 15        | 25,000  | 32,000             | 530,000        |
| Millard State Bank             | Chicago            | "     | " 15        | 100,000 | 82,000             | 980,000        |
| <u>District No. 8.</u>         |                    |       |             |         |                    |                |
| Commercial Bank                | Ladonia            | Mo.   | Aug. 11     | 20,000  | 8,000              | 180,000        |
| Bank of North View             | North View         | "     | " 9         | 10,000  | - -                | 38,000         |
| Bank of Rush Hill              | Rush Hill          | "     | " 12        | 20,000  | 6,000              | 114,000        |
| Farmers & Merchants Bank, Mena |                    | Ark.  | " 15        | 50,000  | 9,000              | 350,000        |
| Planters Bank                  | Lockesburg         | "     | " 15        | 35,000  | 8,000              | 87,000         |
| Kane State & Svgs. Bank        | Kane               | Ill.  | " 15        | 25,000  | 7,000              | 145,000        |

Closed Banks Reopened:

None.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED AUGUST 22, 1930

Member banks indicated by an asterisk (\*).

| Name of bank                  | City                | State | Date closed | Capital | Surplus & profits | Total deposits     |
|-------------------------------|---------------------|-------|-------------|---------|-------------------|--------------------|
| <u>District No. 4.</u>        |                     |       |             |         |                   |                    |
| Brownsville Trust Co.         | Brownsville, Pa.    |       | Aug. 19     | 125,000 | 73,000            | 590,000            |
| *Dollar Svgs. Bank Co.        | St. Clairsville, O. |       | " 21        | 50,000  | 45,000            | 700,000            |
| *Clymer National Bank         | Clymer Pa.          |       | " 22        | 75,000  | 100,000           | 1,200,000          |
| <u>District No. 5.</u>        |                     |       |             |         |                   |                    |
| Brunswick County State Bank   | Lawrenceville, Va.  |       | Aug. 20     | 100,000 | 22,000            | 482,000            |
| <u>District No. 7.</u>        |                     |       |             |         |                   |                    |
| Mid-City State Bank           | Gary                | Ind.  | Aug. 18     | 100,000 | 55,000            | 690,000            |
| Fifth Avenue Bank             | Gary                | Ind.  | " 18        | 50,000  | 20,000            | 187,000            |
| Laramie State Bank            | Chicago             | Ill.  | " 16        | 200,000 | 42,000            | 1,344,000          |
| Gary Labor Bank               | Gary                | Ind.  | " 19        | 50,000  | 14,000            | 546,000            |
| <u>District No. 8.</u>        |                     |       |             |         |                   |                    |
| Bank of Lockesburg            | Lockesburg Ark.     |       | Aug. 18     | 50,000  | 31,000            | 200,000            |
| Bank of Wickes                | Wickes "            |       | " 18        | 10,000  | 1,000             | 35,000             |
| Monroe County Exchange Bank   | Holliday Mo.        |       | Aug. 18     | 15,000  | 18,000            | 53,000             |
| Citizens State Bank           | Hidalgo Ill.        |       | " 19        | 15,000  | 2,000             | 76,000             |
| Farmersville State Bk.        | Farmersville, "     |       | " 21        | 35,000  | 5,000             | 200,000            |
| <u>District No. 10.</u>       |                     |       |             |         |                   |                    |
| Cherokee County State Bank    | Columbus Kans.      |       | Aug. 22     | 50,000  | 20,000            | 411,000            |
| Farmers State Bank            | Plymouth Nebr.      |       | " 22        | 20,000  | 3,000             | 300,000            |
| Farmers & Miners State Bank   | Crestline Kans.     |       | " 22        | 10,000  | 1,000             | 30,000             |
| <u>District No. 11.</u>       |                     |       |             |         |                   |                    |
| *First National Bank          | Lometa Texas        |       | Aug. 16     | 25,000  | 14,000            | 281,000            |
| <u>Closed Banks Reopened:</u> |                     |       |             |         |                   | <u>Date opened</u> |
| <u>District No. 7.</u>        |                     |       |             |         |                   |                    |
| Farmers State Bank            | Belmont Wis.        |       | 4-23-30     | 20,000  | 31,000            | 8-15-30            |

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED AUGUST 29, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank                          | City          | State  | Date closed | Capital | Surplus & profits | Total deposits |
|---------------------------------------|---------------|--------|-------------|---------|-------------------|----------------|
| <u>District No. 7.</u>                |               |        |             |         |                   |                |
| Argyle Bank                           | Argyle        | Mich.  | Aug. 23     | 20,000  | 1,000             | 183,000        |
| Peoples State Bank                    | Lacona        | Iowa   | " 25        | 28,000  | 3,000             | 135,000        |
| Farmers State Bank                    | Albion        | Ind.   | " 26        | 35,000  | 18,000            | 391,000        |
| Northern Trust & Savings Bank         | Hammond       | Ind.   | " 26        | 25,000  | 25,000            | 294,000        |
| <u>District No. 8.</u>                |               |        |             |         |                   |                |
| Farmers & Merchants Bank              | Centralia     | Mo.    | Aug. 23     | 25,000  | 9,000             | 200,000        |
| Bank of Palmyra                       | Palmyra       | Mo.    | " 25        | 50,000  | 14,000            | 322,000        |
| <u>District No. 9.</u>                |               |        |             |         |                   |                |
| *Farmers National Bank, Glenwood City | Glenwood City | Wis.   | Aug. 22     | 25,000  | 4,000             | 210,000        |
| Union Bank of Portal                  | Portal        | N.Dak. | " 22        | 20,000  | 7,000             | 135,000        |
| <u>District No. 10.</u>               |               |        |             |         |                   |                |
| South Haven Bank                      | South Haven   | Kans.  | Aug. 23     | 15,000  | 11,000            | 175,000        |
| Hamilton State Bank                   | Hamilton      | Kans.  | " 25        | 20,000  | 12,000            | 162,000        |
| Farmers & Merchants Bank              | Rich Hill     | Mo.    | " 27        | 25,000  | 16,000            | 337,000        |
| Peoples Bank                          | Rich Hill     | Mo.    | " 27        | 15,000  | 4,000             | 155,000        |
| <u>District No. 12.</u>               |               |        |             |         |                   |                |
| Salmon River State Bank               | Whitebird     | Idaho  | Aug. 23     | 25,000  | - -               | 82,000         |

Closed Banks Reopened:

None.

X-3962

**BANKS REPORTED CLOSED**  
**WEEK ENDED SEPTEMBER 5, 1930**

Member banks indicated by an asterisk (\*).

| Name of Bank                       | City       | State | Date closed | Capital | Surplus & profits | Total deposits |
|------------------------------------|------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 4.</u>             |            |       |             |         |                   |                |
| Farmers State Bank                 | Verona     | Ohio  | Aug. 30     | 50,000  | 8,000             | 256,000        |
| <u>District No. 6.</u>             |            |       |             |         |                   |                |
| Merchants & Mechanics Savings Bank | Macon      | Ga.   | Aug. 30     | 25,000  | 17,000            | 150,000        |
| <u>District No. 7.</u>             |            |       |             |         |                   |                |
| Warren County State Bk             | Indianola  | Iowa  | Sept. 2     | 50,000  | 32,000            | 443,000        |
| Worth Savings Bank                 | "          | "     | " 2         | 20,000  | 25,000            | 601,000        |
| Farmers & Merchants Bk             | Tracy      | "     | " 3         | 16,000  | 6,000             | 165,000        |
| *First National Bank               | Burt       | "     | " 4         | 40,000  | 13,000            | 394,000        |
| <u>District No. 8.</u>             |            |       |             |         |                   |                |
| Farmers State Bank                 | Mt. Vernon | Mo.   | Sept. 2     | 25,000  | 2,000             | 150,000        |
| Tri-City State Bank                | Madison    | Ill.  | " 3         | 50,000  | 6,000             | 300,000        |
| <u>District No. 10.</u>            |            |       |             |         |                   |                |
| State Bank of                      | Alexandria | Nebr. | Sept. 1     | 20,000  | 16,000            | 570,000        |
| Basehor State Bank                 | Basehor    | Kans. | " 2         | 16,000  | 2,000             | 86,000         |
| <u>District No. 11.</u>            |            |       |             |         |                   |                |
| *City National Bank                | Spur       | Texas | Sept. 2     | 40,000  | 30,000            | 618,000        |
| *City National Bank                | Bowie      | "     | " 2         | 50,000  | 56,000            | 544,000        |

Closed Banks Reopened:

Date opened

District No. 6.

|                     |                      |         |        |        |         |
|---------------------|----------------------|---------|--------|--------|---------|
| First Security Bank | St. Petersburg, Fla. | 6- 9-30 | 50,000 | 14,000 | 8-30-30 |
|---------------------|----------------------|---------|--------|--------|---------|

BANKS REPORTED CLOSED  
WEEK ENDED SEPTEMBER 12, 1930

39

Member banks indicated by an asterisk (\*).

| Name of Bank                        | City         | State  | Date closed | Capital | Surplus & profits.                                    | Total deposits       |
|-------------------------------------|--------------|--------|-------------|---------|---|----------------------|
| <u>District No. 6.</u>              |              |        |             |         |   |                      |
| *Fourth Nat'l Bank                  | Montgomery   | Ala.   | Sept. 6     | 500,000 | 383,000   | 6,447,000            |
| <u>District No. 7.</u>              |              |        |             |         |   |                      |
| Peoples Coopera-<br>tive State Bank | Hammond      | Ind.   | Sept. 6     | 100,000 | 57,000  | 1,784,000            |
| Arnolds Park<br>Savings Bank        | Arnolds Park | Iowa   | " 6         | 20,000  | 2,000   | 142,000              |
| *Citizens Nat'l Bk.                 | Grinnell     | Iowa   | " 6         | 75,000  | 28,000  | 1,200,000            |
| Maywood Trust &<br>Savings Bank     | Hammond      | Ind.   | " 8         | 50,000  | 10,000  | 288,000              |
| Citizens State Bank,                | Earlham      | Iowa   | " 8         | 25,000  | 7,000   | 275,000              |
| Gas City State Bank,                | Gas City     | Ind.   | " 9         | 25,000  | 5,000   | 273,000              |
| First Trust &<br>Savings Bank       | Nauvoo       | Ill.   | " 9         | 35,000  | 16,000  | 498,000              |
| Citizens Bank                       | Jonesboro    | Ind.   | " 9         | 10,000  | 6,000   | 162,000              |
| Farmers Svgs. Bank                  | Dallas       | Iowa   | " 9         | 10,000  | 6,000   | 120,000              |
| <u>District No. 8.</u>              |              |        |             |         |   |                      |
| Yell County Bank                    | Danville     | Ark.   | Sept. 9     | 25,000  | 5,000   | 261,000              |
| <u>District No. 9.</u>              |              |        |             |         |   |                      |
| Farmers State Bank                  | Rosemount    | Minn.  | Sept. 9     | 15,000  | 4,000   | 69,000               |
| Oak Park State Bk                   | Oak Park     | "      | " 12        | 10,000  | 2,000   | 46,000               |
| <u>District No. 10.</u>             |              |        |             |         |   |                      |
| Piper State Bank                    | Piper        | Kans.  | Sept. 6     | 10,000  | 3,000   | 51,000               |
| Farmers State Bank                  | Stockdale    | "      | " 6         | 10,000  | 9,000   | 34,000               |
| Washington Co. Bank                 | Ft. Calhoun  | Nebr.  | " 8         | 30,000  | 6,000   | 190,000              |
| Elmo State Bank                     | Elmo         | Kans.  | " 9         | 10,000  | 6,000   | 110,000              |
| Peoples State Bank                  | Wray         | Colo.  | " 9         | 15,000  | 19,000  | 63,000               |
| Adrian Banking Co.                  | Adrian       | Mo.    | " 11        | 25,000  | 15,000  | 380,000              |
| <u>District No. 11.</u>             |              |        |             |         |   |                      |
| Farmers & Merchants<br>State Bank   | Lindale      | Texas  | Sept. 10    | 25,000  | 2,000   | 200,000              |
| <u>Closed Banks Reopened:</u>       |              |        |             |         |   | <u>Date<br/>open</u> |
| <u>District No. 5.</u>              |              |        |             |         |   |                      |
| *First National Bank, Kimball       |              | W. Va. | 6-26-30     | 25,000  | 30,000 (Restored to<br>solvency; liquidating 8-14-30) |                      |
| <u>District No. 8.</u>              |              |        |             |         |   |                      |
| Bank of Horatio                     | Horatio      | Ark.   | 8- 8-30     | 35,000  | 5,000   | 8-30-30              |

BANKS REPORTED CLOSED  
WEEK ENDED SEPTEMBER 19, 1930.

40

Member banks indicated by an asterisk (\*).

| Name of bank   | City       | State  | Date closed | Capital                       | Surplus & profits. | Total deposits   |
|--|------------|--------|-------------|-------------------------------|--------------------|------------------|
| <u>District No. 4.</u>   |            |        |             |                               |                    |                  |
| Merchants Trust & Savings Bank   | Cleveland  | Ohio   | Sept.15     | 400,000                       | 124,000            | 2,182,000        |
| <u>District No. 5.</u>   |            |        |             |                               |                    |                  |
| Raleigh Banking & Trust Co.  | Raleigh    | N. C.  | Sept.15     | 200,000                       | 352,000            | 2,034,000        |
| <u>District No. 7.</u>   |            |        |             |                               |                    |                  |
| Farmers Savings Bank   | Runnells   | Iowa   | Sept.15     | 15,000                        | 12,000             | 200,000          |
| *First National Bank   | Guthrie    |        |             |                               |                    |                  |
|  | Center     | Iowa   | Sept.15     | 75,000                        | 17,000             | 667,000          |
| *Farmers Savings Bank  | Grant      | "      | " 16        | 25,000                        | 5,000              | 129,000          |
| Citizens Bank  | Hamtramck  | Mich.  | " 16        | 25,000                        | 4,000              | 441,510          |
| Divernon State Bank  | Divernon   | Ill.   | " 18        | 50,000                        | 24,000             | 318,000          |
| *Farmers National Bk   | Wilkinson  | Ind.   | " 18        | 25,000                        | 32,000             | 195,000          |
| Farmers State Bank   | Converse   | "      | " 17        | 25,000                        | 2,000              | 223,000          |
| Pawnee State Bank  | Pawnee     | Ill.   | " 19        | 50,000                        | 4,000              | 245,000          |
| <u>District No. 8.</u>   |            |        |             |                               |                    |                  |
| Vine Grove State Bk<br>Farmers & Merchants<br>Bank                               | Vine Grove | Ky.    | Sept.13     | 15,000                        | 3,000              | 130,000          |
|  | Lutesville | Mo.    | Sept.16     | 25,000                        | 25,000             | 221,000          |
| <u>District No. 9.</u>   |            |        |             |                               |                    |                  |
| Bank of Victor   | Victor     | S.Dak. | Sept.18     | 10,000                        | 5,000              | 104,000          |
| <u>District No. 10.</u>  |            |        |             |                               |                    |                  |
| Security State Bank  | Stilwell   | Okla.  | Sept.16     | 25,000                        | 11,000             | 391,000          |
| *First National Bank   | Fairview   | Mo.    | " 16        | 25,000                        | 1,000              | 73,000           |
| Commercial State<br>Bank   | Rosedale   | Mo.    | " 18        | (no figures given)            |                    |                  |
| Delia State Bank   | Delia      | Kans.  | " 19        | 10,000                        | 4,000              | 100,000          |
| <u>District No. 11.</u>  |            |        |             |                               |                    |                  |
| First State Bank   | Carbon     | Texas  | Sept.16     | 25,000                        | 10,000             | 321,000          |
| <u>District No. 12.</u>  |            |        |             |                               |                    |                  |
| Elsinore State Bank  | Elsinore   | Calif. | Sept.13     | 50,000                        | 5,000              | 248,000          |
|  |            |        |             | <u>Closed Banks Reopened:</u> |                    | <u>Date open</u> |
| <u>District No. 10.</u>  |            |        |             |                               |                    |                  |
| Arnold State Bank  | Arnold     | Nebr.  | 6-16-30     | 50,000                        | 19,000             | 9-15-30          |
| Security State Bank  | Arnold     | "      | 6-19-30     | 35,000                        | - -                | 9-15-30          |
| (Above banks reopened and consolidated same day under title: Arnold State Bank). |            |        |             |                               |                    |                  |



X-3962

BANKS REPORTED CLOSED  
WEEK ENDED SEPTEMBER 26, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank                         | City        | State | Date closed | Capital | Surplus & profits | Total deposits         |
|--------------------------------------|-------------|-------|-------------|---------|-------------------|------------------------|
| <u>District No. 2</u>                |             |       |             |         |                   |                        |
| Tomaino Brothers,<br>Private Bankers | Utica       | N. Y. | Sept.22     | 20,000  | 29,000            | 343,000                |
| <u>District No. 5</u>                |             |       |             |         |                   |                        |
| Bank of Dayton                       | Dayton      | Va.   | Sept.20     | 25,000  | 11,000            | 170,000                |
| <u>District No. 7</u>                |             |       |             |         |                   |                        |
| Lake View State Bank                 | Chicago     | Ill.  | Sept.22     | 700,000 | 417,000           | 7,187,000              |
| American State Bank                  | E.Chicago   | Ind.  | " 20        | 50,000  | 40,000            | 662,000                |
| Van Wert State Bank                  | Van Wert    | Iowa  | " 24        | 25,000  | 7,000             | 140,000                |
| Peoples Bank                         | Walled Lake | Mich. | " 25        | 10,000  | 2,000             | 98,000                 |
| <u>District No. 8</u>                |             |       |             |         |                   |                        |
| Illinois Bank & Tr.Co.               | Benton      | Ill.  | Sept.26     | 100,000 | 50,000            | 792,000                |
| <u>District No. 10</u>               |             |       |             |         |                   |                        |
| Bank of Creighton                    | Creighton   | Nebr. | Sept.22     | 25,000  | 13,000            | 1,081,000              |
| *First National Bank                 | Altus       | Okla. | " 22        | 60,000  | 47,000            | 567,000                |
| State Bank of Webber                 | Webber      | Kans. | " 24        | 10,000  | 1,000             | 51,000                 |
| <u>District No. 12</u>               |             |       |             |         |                   |                        |
| *Farmers State Bank                  | Almira      | Wash. | Sept.22     | 25,000  | 8,000             | 92,000                 |
| <u>Closed Banks Reopened:</u>        |             |       |             |         |                   | <u>Date<br/>opened</u> |
| <u>District No. 4</u>                |             |       |             |         |                   |                        |
| Peoples Bank Company                 | Alliance    | Ohio  | 4-22-30     | 100,000 | 66,000            | 9-22-30                |

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED OCTOBER 3, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank                   | City       | State   | Date closed | Capital | Surplus & profits | Total deposits |
|--------------------------------|------------|---------|-------------|---------|-------------------|----------------|
| <u>District No. 5</u>          |            |         |             |         |                   |                |
| Citizens Bank                  | Windsor    | N. C.   | Oct. 1      | 20,000  | 38,000            | 269,000        |
| Union Exchange Bank            | Hancock    | Md.     | " 3         | 50,000  | - -               | - -            |
| <u>District No. 6</u>          |            |         |             |         |                   |                |
| Bank of Sumter                 | Livingston | Ala.    | Sept. 29    | 30,000  | 65,000            | 334,000        |
| State Bank of                  | Silverhill | "       | " 22        | 20,000  | 1,000             | 113,000        |
| <u>District No. 7</u>          |            |         |             |         |                   |                |
| Farmers Trust & Savings Bank   | Castana    | Iowa    | Sept. 29    | 30,000  | 1,000             | 90,000         |
| <u>District No. 8</u>          |            |         |             |         |                   |                |
| Lagrange Savings Bank          | Lagrange   | Mo.     | Sept. 27    | 20,000  | 12,000            | 163,000        |
| Peoples Bank                   | Girard     | Ill.    | " 29        | 50,000  | 21,000            | 380,000        |
| Farmers & Merchants State Bank | Virden     | Ill.    | Oct. 1      | 85,000  | 22,000            | 989,000        |
| <u>District No. 9</u>          |            |         |             |         |                   |                |
| Farmers & Merchants State Bank | Russell    | Minn.   | Sept. 29    | 30,000  | 9,000             | 258,000        |
| State Bank of                  | Florence   | "       | " 29        | 15,000  | 5,000             | 81,000         |
| *First National Bank           | Washburn   | N. Dak. | " 29        | 25,000  | 6,000             | 139,000        |
| <u>District No. 10</u>         |            |         |             |         |                   |                |
| Farmers State Bank             | Braman     | Okla.   | Sept. 27    | 20,000  | 3,000             | 107,000        |
| Mineral Kansas State Bank      | W. Mineral | Kans.   | Oct. 2      | 15,000  | 3,000             | 125,000        |
| *Hartford Nat. Bank            | Hartford   | "       | " 2         | 25,000  | 8,000             | 117,000        |
| <u>District No. 11</u>         |            |         |             |         |                   |                |
| Dorchester State Bank          | Dorchester | Texas   | Sept. 29    | 18,000  | 1,000             | 33,000         |

Closed Banks Reopened:

None.

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED OCTOBER 10, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank               | City         | State  | Date closed | Capital | Surplus & profits | Total deposits |
|----------------------------|--------------|--------|-------------|---------|-------------------|----------------|
| <u>District No. 4</u>      |              |        |             |         |                   |                |
| Savings & Loan Banking Co. | New London   | Ohio   | Oct. 6      | 30,000  | 33,000            | 352,000        |
| <u>District No. 7</u>      |              |        |             |         |                   |                |
| Peoples State Bank         | South Bend   | Ind.   | Oct. 8      | 50,000  | 31,000            | 1,200,000      |
| Luverne State Bank         | Luverne      | Iowa   | " 8         | 25,000  | 17,000            | 300,000        |
| *First National Bank       | Martinsville | Ill.   | " 10        | 25,000  | 14,000            | 403,000        |
| <u>District No. 8</u>      |              |        |             |         |                   |                |
| *Farmers National Bank     | Clarkesville | Ark.   | Oct. 4      | 60,000  | 5,000             | 400,000        |
| <u>District No. 9</u>      |              |        |             |         |                   |                |
| McGregor State Bank        | McGregor     | N.Dak. | Oct. 4      | 15,000  | 4,000             | 62,000         |
| Tioga State Bank           | Tioga        | " "    | " 3         | 15,000  | 11,000            | 162,000        |
| <u>District No. 10</u>     |              |        |             |         |                   |                |
| Farmers State Bank         | Wabash       | Nebr.  | Oct. 6      | 10,000  | 5,000             | 50,000         |
| Knox County Bank           | Verdigre     | "      | " 7         | 25,000  | 3,000             | 522,000        |
| Citizens State Bank        | Pierce       | "      | " 7         | 30,000  | 12,000            | 198,000        |
| Farmers & Merchants Bank   | Yale         | Okla.  | " 9         | 25,000  | 3,000             | 200,000        |
| Commercial State Bk        | Waverly      | Kans.  | " 10        | 20,000  | 4,000             | 40,000         |
| <u>District No. 11</u>     |              |        |             |         |                   |                |
| *Farmers National Bk       | Howe         | Texas  | Oct. 3      | 30,000  | 12,000            | 197,000        |

Closed Banks Reopened Date open

|                       |          |        |         |        |       |          |
|-----------------------|----------|--------|---------|--------|-------|----------|
| <u>District No. 7</u> |          |        |         |        |       |          |
| Farmers State Bank    | Converse | Ind.   | 9-17-30 | 25,000 | 1,000 | 10- 6-30 |
| <u>District No. 8</u> |          |        |         |        |       |          |
| Peoples State Bank    | Lorraine | Ill.   | 5-16-30 | 20,000 | 7,000 | 10- 2-30 |
| <u>District No. 9</u> |          |        |         |        |       |          |
| Gwinner State Bank    | Gwinner  | N.Dak. | 1-11-30 | 20,000 | 5,000 | 10- 8-30 |

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED OCTOBER 17, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank                                    | City                | State   | Date closed | Capital | Surplus & profits | Total deposits |
|---|---------------------|---------|-------------|---------|-------------------|----------------|
| <u>District No. 1</u>                           |                     |         |             |         |                   |                |
| Millbury Svgs. Bank<br>(A mutual savings bank)  | Millbury            | Mass.   | Oct. 14     | None    | 403,000           | 5,500,000      |
| <u>District No. 7</u>                           |                     |         |             |         |                   |                |
| Farmers State Bank                              | Linden              | Iowa    | Oct. 13     | 25,000  | 1,000             | 94,000         |
| LeClaire Svgs. Bank                             | LeClaire            | "       | " 14        | 25,000  | 5,000             | 218,000        |
| *First National Bank                            | Villisca            | "       | " 14        | 50,000  | 42,000            | 591,000        |
| State Bank of Jewel                             | Jewel               | "       | " 14        | 25,000  | 6,000             | 210,000        |
| State Bank of Ellsworth,<br>(formerly a member) | Ellsworth           | "       | " 15        | 35,000  | 5,000             | 190,000        |
| Adams County Bank                               | Nodaway             | "       | " 14        | 25,000  | - -               | - -            |
| <u>District No. 8</u>                           |                     |         |             |         |                   |                |
| Guaranty Bank &<br>Trust Co.                    | Oxford              | Miss.   | Oct. 14     | 25,000  | 5,000             | 300,000        |
| New Florence Bank                               | New Florence, Mo.   | "       | " 16        | 20,000  | 7,000             | 193,000        |
| <u>District No. 9</u>                           |                     |         |             |         |                   |                |
| Farmers & Merchants<br>State Bank               | Eureka              | S. Dak. | Oct. 14     | 25,000  | 16,000            | 284,000        |
| Farmers & Merchants<br>Bank                     | Hurdsfield          | S. Dak. | " 14        | 10,000  | 10,000            | 51,000         |
| Farmers & Merchants<br>State Bank               | Litchfield          | Minn.   | " 16        | 35,000  | 10,000            | 698,000        |
| <u>District No. 10</u>                          |                     |         |             |         |                   |                |
| American State Bank                             | Covington           | Okla.   | Oct. 13     | 30,000  | 10,000            | 300,000        |
| *Billings Nat'l Bank                            | Billings            | "       | " 13        | 25,000  | 4,000             | 180,000        |
| Battle Creek Valley<br>Bank                     | Battle Creek, Nebr. | "       | " 14        | 40,000  | 2,000             | 395,000        |
| <u>District No. 11</u>                          |                     |         |             |         |                   |                |
| Farmers & Merchants<br>State Bank               | Conroe              | Texas   | Oct. 17     | 32,000  | 8,000             | 275,000        |
| <u>District No. 12</u>                          |                     |         |             |         |                   |                |
| Farmers Commercial<br>State Bank                | Somerton            | Ariz.   | Oct. 17     | 75,000  | 8,000             | 320,000        |

Closed Banks Reopened:

None.

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED OCTOBER 24, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank                         | City         | State  | Date closed | Capital | Surplus & profits | Total deposits     |
|--------------------------------------|--------------|--------|-------------|---------|-------------------|--------------------|
| <u>District No. 6</u>                |              |        |             |         |                   |                    |
| *First National Bank                 | Perry        | Fla.   | Oct. 18     | 50,000  | 52,000            | 551,000            |
| <u>District No. 7</u>                |              |        |             |         |                   |                    |
| Gates Bank                           | Cates        | Ind.   | Oct. 20     | 10,000  | 3,000             | 61,000             |
| Badger Savings Bank                  | Badger       | Iowa   | " 22        | 25,000  | 9,000             | 150,000            |
| City Trust Co.                       | Indianapolis | Ind.   | " 23        | 250,000 | 122,000           | 2,452,000          |
| Postal Station State Bank            | Indianapolis | Ind.   | " 24        | 25,000  | 18,000            | 376,000            |
| Citizens State Bank                  | Melrose Park | Ill.   | " 24        | 200,000 | 94,000            | 839,000            |
| <u>District No. 8</u>                |              |        |             |         |                   |                    |
| Com'l Bank & Trust Co.               | Okolona      | Miss.  | Oct. 20     | 25,000  | 8,000             | 608,000            |
| Okolona Banking Co.                  | "            | "      | " 20        | 50,000  | 18,000            | 370,000            |
| <u>District No. 9</u>                |              |        |             |         |                   |                    |
| Falkirk State Bank                   | Falkirk      | N.Dak. | Oct. 18     | 15,000  | 4,000             | 97,000             |
| Peoples State Bank                   | Linton       | " "    | " 22        | 25,000  | 5,000             | 150,000            |
| First Internat'l Bank                | Sherwood     | " "    | " 21        | 15,000  | 7,000             | 112,000            |
| Artesian State Bank                  | Artesian     | S.Dak. | " 23        | 25,000  | 4,000             | 210,000            |
| Templeton State Bank                 | Temvik       | N.Dak. | " 22        | 10,000  | 11,000            | 94,000             |
| <u>District No. 10</u>               |              |        |             |         |                   |                    |
| Union State Bank                     | Mound City   | Kans.  | Oct. 18     | 20,000  | 3,000             | 125,000            |
| Center State Bank                    | Center       | Nebr.  | " 21        | 10,000  | 9,000             | 166,000            |
| <u>Closed Banks Reopened:</u>        |              |        |             |         |                   | <u>Date opened</u> |
| <u>District No. 8</u>                |              |        |             |         |                   |                    |
| *Farmers National Bank               | Clarksville  | Ark.   | 10-4-30     | 60,000  | 5,000             | 10-18-30           |
| <u>District No. 7</u>                |              |        |             |         |                   |                    |
| Peoples State Bank, Prairie du Chien | Wis.         |        | 4-25-30     | 50,000  | 15,000            | 10-21-30           |
| Old Adams County Bank                | Decatur      | Ind.   | 6-13-30     | 120,000 | 31,000            | 10-24-30           |

BANKS REPORTED CLOSED  
WEEK ENDED OCTOBER 31, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank                   | City         | State  | Date closed | Capital | Surplus & profits      | Total deposits |
|--------------------------------|--------------|--------|-------------|---------|------------------------|----------------|
| <u>District No. 3</u>          |              |        |             |         |                        |                |
| Miners & Merchants Bank        | Nanty Glo    | Pa.    | Oct. 27     | 60,000  | 32,000                 | 771,000        |
| <u>District No. 5</u>          |              |        |             |         |                        |                |
| *Peoples National Bank         | Brookneal    | Va.    | Oct. 27     | 50,000  | 6,000                  | 450,000        |
| <u>District No. 7</u>          |              |        |             |         |                        |                |
| Washington Bank & Trust Co.    | Indianapolis | Ind.   | Oct. 28     | 200,000 | 93,000                 | 2,000,000      |
| <u>District No. 8</u>          |              |        |             |         |                        |                |
| Bank of Ava                    | Ava          | Mo.    | Oct. 24     | 36,000  | 54,000                 | 385,000        |
| Peoples Union Bank & Trust Co. | Camden       | Tenn.  | Oct. 25     | 25,000  | 25,000                 | 270,000        |
| <u>District No. 9</u>          |              |        |             |         |                        |                |
| Minnewaukan State Bank         | Minnewaukan  | N.Dak. | Oct. 24     | 25,000  | 8,000                  | 130,000        |
| Citizens State Bank            | Cayuga       | " "    | " 25        | 20,000  | 1,000                  | 67,000         |
| State Bank of Zahl             | Zahl         | " "    | " 26        | 20,000  | 5,000                  | 112,000        |
| Guaranty State Bank            | Cresbard     | S.Dak. | " 28        | 15,000  | 6,000                  | 130,000        |
| Bank of Cresbard               | Cresbard     | " "    | " 28        | 20,000  | 7,000                  | 219,000        |
| Security State Bank            | Lawton       | N.Dak. | " 30        | 15,000  | 8,000                  | 47,000         |
| Security State Bank            | Wallace      | S.Dak. | " 30        | 20,000  | 12,000                 | 72,000         |
| <u>District No. 10</u>         |              |        |             |         |                        |                |
| Commercial State Bk            | Hume         | Mo.    | Oct. 24     | 15,000  | 3,000                  | 138,000        |
| *First National Bank           | Lindsborg    | Kans.  | " 30        | 50,000  | 12,000                 | 259,000        |
| <u>District No. 11</u>         |              |        |             |         |                        |                |
| Connell & Hickman              | Liberty Hill | Texas  | Oct. 24     | 60,000  | (capital and surplus). |                |
| Sunset State Bank              | Sunset       | " "    | " 30        | 10,000  | 1,000                  | 60,000         |
| <u>District No. 12</u>         |              |        |             |         |                        |                |
| *First National Bank           | Auburn       | Wash.  | Oct. 25     | 75,000  | 20,000                 | 947,000        |

Closed Banks Reopened

None.

X-3962

BANKS REPORTED CLOSED  
WEEK ENDED NOVEMBER 7, 1930

Member banks indicated by an asterisk (\*).

| Name of Bank              | City        | State   | Date closed | Capital | Surplus & profits | Total deposits |
|---------------------------|-------------|---------|-------------|---------|-------------------|----------------|
| <u>District No. 6</u>     |             |         |             |         |                   |                |
| Commercial Bank           | Dallas      | Ga.     | Nov. 6      | 25,000  | 9,000             | 65,000         |
| <u>District No. 7</u>     |             |         |             |         |                   |                |
| Hogan State Bank          | Corning     | Iowa    | Nov. 7      | 25,000  | 3,000             | 215,000        |
| <u>District No. 8</u>     |             |         |             |         |                   |                |
| American Trust Co.        | Jonesboro   | Ark.    | Nov. 1      | 225,000 | 88,000            | 1394,000       |
| Citizens Bank             | Bradford    | "       | " 5         | 10,000  | 2,000             | 81,000         |
| White County Bank         | Beebe       | "       | " 5         | 15,000  | 3,000             | 254,000        |
| Union Bank & Trust Co.    | Searcy      | "       | " 5         | 50,000  | 13,000            | 285,000        |
| Randolph State Bank       | Pocahontas  | "       | " 5         | 65,000  | 13,000            | 735,000        |
| Bank of Shelby            | Shelby      | Miss.   | " 7         | 100,000 | 15,000            | 518,000        |
| <u>District No. 9</u>     |             |         |             |         |                   |                |
| Emmons County State Bank  | Braddock    | N. Dak. | Nov. 1      | 15,000  | 1,000             | 52,000         |
| Farmers State Bank        | Ottertail   | Minn.   | " 1         | 15,000  | 4,000             | 100,000        |
| First & Security State Bk | Crosby      | N. Dak. | " 4         | 25,000  | 15,000            | 282,000        |
| Farmers State Bank        | Braddock    | " "     | " 3         | 20,000  | 1,000             | 91,000         |
| <u>District No. 10</u>    |             |         |             |         |                   |                |
| *First National Bank      | Elgin       | Nebr.   | Nov. 3      | 50,000  | 5,000             | 150,000        |
| *First National Bank      | Berwyn      | Okla.   | " 4         | 25,000  | 25,000            | 100,000        |
| Exchange State Bank       | Nortonville | Kans.   | " 7         | 10,000  | 12,000            | 85,000         |
| <u>District No. 11</u>    |             |         |             |         |                   |                |
| Farmers State Bank        | Blum        | Texas   | Oct. 29     | 17,000  | 1,000             | 70,000         |

Closed Banks Reopened: Date  
open

|                          |            |       |         |        |        |          |
|--------------------------|------------|-------|---------|--------|--------|----------|
| <u>District No. 10</u>   |            |       |         |        |        |          |
| State Bank of Alexandria | Alexandria | Nebr. | 9- 1-30 | 20,000 | 16,000 | 11- 3-30 |

BANKS REPORTED CLOSED  
WEEK ENDED NOVEMBER 14, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank                                 | City        | State   | Date closed                   | Capital | Surplus & profits | Total deposits   |
|--|-------------|---------|-------------------------------|---------|-------------------|------------------|
| <u>District No. 4</u>                        |             |         |                               |         |                   |                  |
| Dollar Title & Trust Co.                     | Sharon      | Pa.     | Nov. 13                       | 200,000 | 51,000            | 667,000          |
| <u>District No. 5</u>                        |             |         |                               |         |                   |                  |
| Bank of Kline                                | Kline       | S.C.    | Nov. 10                       | 10,000  | 9,000             | 66,000           |
| Citizens Bank                                | Elk Park    | N.C.    | Oct. 29                       | 10,000  | 9,000             | 85,000           |
| <u>District No. 6</u>                        |             |         |                               |         |                   |                  |
| Citizens Floyd Bk & Tr. Co.                  | Rome        | Ga.     | Nov. 14                       | 100,000 | 29,000            | 477,000          |
| Bank of Tennessee                            | Nashville   | Tenn.   | Nov. 7                        | 500,000 | 378,000           | 12,000,000       |
| *Holston-Union Nat. Bank                     | Knoxville   | "       | " 12                          | 750,000 | 978,000           | 14,338,000       |
| Cochran Banking Co.                          | Cochran     | Ga.     | " 14                          | 75,000  | 83,000            | 237,000          |
| <u>District No. 7</u>                        |             |         |                               |         |                   |                  |
| Manilla Bank                                 | Manilla     | Ind.    | Nov. 10                       | 20,000  | 11,000            | 170,000          |
| First State Bank                             | Broadlands  | Ill.    | " 12                          | 30,000  | 4,000             | 195,000          |
| <u>District No. 8</u>                        |             |         |                               |         |                   |                  |
| Peoples Bank                                 | Imboden     | Ark.    | Nov. 10                       | 21,000  | 6,000             | 109,000          |
| Exchange State Bank                          | Golden      | Ill.    | " 10                          | 50,000  | 10,000            | 300,000          |
| Bank of Senath                               | Senath      | Mo.     | " 10                          | 15,000  | 19,000            | 160,000          |
| Security Bk & Tr. Co.                        | Paragould   | Ark.    | " 12                          | 100,000 | 61,000            | 598,000          |
| *First National Bank                         | West Salem  | Ill.    | " 12                          | 25,000  | 8,000             | 275,000          |
| Bank of Green City                           | Green City  | Mo.     | " 13                          | 20,000  | 2,000             | 128,000          |
| <u>District No. 9</u>                        |             |         |                               |         |                   |                  |
| State Bank of Seneca                         | Seneca      | S.Dak.  | Nov. 7                        | 10,000  | 4,000             | 142,000          |
| Hoven State Bank                             | Hoven       | " "     | " 8                           | 25,000  | 9,000             | 372,000          |
| Granite County Bank                          | Philipsburg | Mont.   | " 10                          | 25,000  | 21,000            | 594,000          |
| Citizens State Bank                          | Epping      | N. Dak. | " 10                          | 15,000  | 4,000             | 169,000          |
| Flasher State Bank                           | Flasher     | " "     | " 10                          | 20,000  | 22,000            | 280,000          |
| Farmers State Bank                           | Canning     | S.Dak.  | " 12                          | 15,000  | 2,000             | 55,000           |
| <u>District No. 10</u>                       |             |         |                               |         |                   |                  |
| Union State Bank                             | Rifle       | Colo.   | Nov. 13                       | 25,000  | 17,000            | 345,000          |
| Dearing State Bank                           | Dearing     | Kans.   | " 13                          | 10,000  | 6,000             | 60,000           |
| Grant County State Bank                      | Ulysses     | " "     | " 13                          | 25,000  | 13,000            | 496,000          |
| <u>District No. 11</u>                       |             |         |                               |         |                   |                  |
| *Alba National Bank                          | Alba        | Texas   | Nov. 13                       | 40,000  | 15,000            | 185,000          |
| <u>District No. 12</u>                       |             |         |                               |         |                   |                  |
| Farmers Bank                                 | Weston      | Oreg.   | Nov. 10                       | 30,000  | 1,000             | 115,000          |
| <u>District No. 6</u>                        |             |         |                               |         |                   |                  |
|  |             |         | <u>Closed Banks Reopened:</u> |         |                   | <u>Date open</u> |
| State Bank of Haines City, Haines City, Fla. |             |         | 7- 8-30                       | 50,000  | 20,000            | 11-10-30         |



BANKS REPORTED CLOSED  
WEEK ENDED NOVEMBER 21, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank  | City           | State | Date closed | Capital   | Surplus & profits | Total deposits |
|---|----------------|-------|-------------|-----------|-------------------|----------------|
| <u>District No. 4</u>   |                |       |             |           |                   |                |
| Owsley County Deposit Bk  | Booneville     | Ky.   | Nov. 19     | 25,000    | 5,000             | 150,000        |
| <u>District No. 5</u>   |                |       |             |           |                   |                |
| Bank of Stokes County<br>with branches at King, Germantown,<br>and Danbury, N. C. | Walnut Cove    | N. C. | Nov. 19     | 60,000    | 62,000            | 1,890,000      |
| Central Bank & Trust Co.  | Asheville      | N. C. | Nov. 20     | 1,000,000 | 1,207,000         | 16,412,000     |
| *Citizens National Bank   | Hendersonville | "     | " 20        | 100,000   | 145,000           | 1,324,000      |
| Bank of Lowell  | Lowell         | N. C. | " 20        | 20,000    | 20,000            | 157,000        |
| First Bank & Trust Co.  | Hendersonville | "     | " 20        | 150,000   | 210,000           | 1,551,000      |
| American Bank & Trust Co.   | "              | "     | " 20        | 25,000    | 1,000             | 159,000        |
| Biltmore Oteen Bank   | Asheville      | N. C. | " 20        | 50,000    | 25,000            | 680,000        |
| Bank of Leicester   | Leicester      | "     | " 20        | 20,000    | 22,000            | 210,000        |
| *American National Bank   | Asheville      | "     | " 21        | 200,000   | 65,000            | 2,260,000      |
| First Bank & Trust Co.  | Tryon          | "     | " 21        | 50,000    | 10,000            | 206,000        |
| <u>District No. 6</u>   |                |       |             |           |                   |                |
| Liberty Bank & Trust Co.  | Nashville      | Tenn. | Nov. 14     | 100,000   | 33,000            | 1,000,000      |
| Campbell County Bank  | Jacksboro      | "     | " 17        | 25,000    | 8,000             | 59,000         |
| Bank of Gantt   | Gantt          | Ala.  | " 18        | 15,000    | 8,000             | 106,000        |
| Bank of Martin  | Martin         | Ga.   | " 19        | 16,000    | 4,000             | 61,000         |
| Farmers & Merchants Bank  | Toccoa         | "     | " 19        | 50,000    | 21,000            | 513,000        |
| Bank of Warwick   | Warwick        | "     | " 21        | 25,000    | 1,000             | 44,000         |
| <u>District No. 7</u>   |                |       |             |           |                   |                |
| George Savings Bank   | George         | Iowa  | Nov. 17     | 30,000    | 7,000             | 330,000        |
| Bank of Scranton  | Scranton       | "     | " 18        | 50,000    | - -               | 540,000        |
| Farmers State Bank  | Miami          | Ind.  | " 18        | 25,000    | 5,000             | 69,000         |
| *First National Bank  | Plymouth       | Ill.  | " 21        | 25,000    | 8,000             | 158,000        |
| Waynesville State Bank  | Waynesville    | "     | " 21        | 25,000    | 10,000            | 105,000        |
| <u>District No. 8</u>   |                |       |             |           |                   |                |
| *State Svgs. Loan & Tr. Co.   | Quincy         | Ill.  | Nov. 15     | 1,000,000 | 365,000           | 6,780,000      |
| Payson State Svgs. Bank   | Payson         | "     | " 17        | 25,000    | 8,000             | 134,000        |
| *Louisville Trust Co.   | Louisville     | Ky.   | " 17        | 1,750,000 | 1,522,000         | 14,547,000     |
| *National Bank of Kentucky  | Louisville     | "     | " 17        | 4,000,000 | 2,167,000         | 39,342,000     |
| *American Exchange Tr. Co.  | Little Rock    | Ark.  | " 17        | 1,000,000 | 547,000           | 15,526,000     |
| Downing State Bank  | Downing        | Mo.   | " 17        | 50,000    | 18,000            | 200,000        |
| Bartlett & Wallace St. Bk.  | Clayton        | Ill.  | " 17        | 50,000    | 26,000            | 470,000        |
| Timewell State Bank   | Timewell       | "     | " 17        | 25,000    | 20,000            | 125,000        |
| La Belle Savings Bank   | La Belle       | Mo.   | " 17        | 10,000    | 10,000            | 270,000        |
| Rutledge Exchange Bank  | Rutledge       | "     | " 17        | 10,000    | 1,000             | 35,000         |
| Farmers & Merchants<br>Exchange Bank  | La Grange      | Mo.   | " 17        | 10,000    | 17,000            | 289,000        |

Week ended November 21, 1930.

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Member banks indicated by an asterisk (\*).

| Name of Bank                          | City          | State | Date closed | Capital | Surplus & profits | Total deposits |
|---------------------------------------|---------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 8 (continued)</u>     |               |       |             |         |                   |                |
| Arkansas Trust Co.                    | Newport       | Ark.  | Nov. 18     | 150,000 | 85,000            | 720,000        |
| *Arkansas National Bank               | Heber Springs | "     | " 18        | 25,000  | 12,000            | 322,000        |
| Merchants & Planters Bank             | Humphrey      | "     | " 18        | 20,000  | 6,000             | 186,000        |
| State Bank of Fouke                   | Fouke         | "     | " 18        | 10,000  | 7,000             | 61,000         |
| Peoples Bank                          | Sulphur       | Ky.   | " 18        | 15,000  | 12,000            | 154,000        |
| Bank of St. Helena                    | Shively       | "     | " 18        | 30,000  | 40,000            | 432,000        |
| First Standard Bank                   | Louisville    | "     | " 18        | 105,000 | 31,000            | 371,000        |
| American Mutual Svgs. Bk.             | "             | "     | " 18        | 110,000 | 32,000            | 345,000        |
| Security Bank                         | "             | "     | " 18        | 300,000 | 383,000           | 1,989,000      |
| McElwain-Meguiar Bank & Trust Co.     | Franklin      | Ky.   | Nov. 18     | 75,000  | 51,000            | 542,000        |
| Merchants & Planters Bank             | Helena        | Ark.  | " 18        | 150,000 | 40,000            | 1,025,000      |
| Bank of Clarendon                     | Clarendon     | "     | " 18        | 25,000  | 7,000             | 88,000         |
| *First National Bank                  | Junction City | "     | " 18        | 25,000  | 24,000            | 342,000        |
| Bank of Caneyville                    | Caneyville    | Ky.   | " 19        | 30,000  | 33,000            | 507,000        |
| *First National Bank                  | Horse Cave    | "     | " 19        | 25,000  | 18,000            | 392,000        |
| *First National Bank                  | Campbell      | Mo.   | " 19        | 40,000  | 15,000            | 275,000        |
| First State Bank                      | Osceola       | Ark.  | " 19        | 50,000  | 22,000            | 388,000        |
| Bank of Altheimer                     | Altheimer     | "     | " 19        | 25,000  | 5,000             | 103,000        |
| North Arkansas Bank                   | Batesville    | "     | " 19        | 100,000 | 48,000            | 550,000        |
| Citizens Bank                         | Thornton      | "     | " 19        | 10,000  | 2,000             | 47,000         |
| Bank of Bauxite                       | Bauxite       | "     | " 19        | 20,000  | 5,000             | 150,000        |
| Benton Bank & Trust Co.               | Benton        | "     | " 19        | 75,000  | 17,000            | 478,000        |
| Perry State Bank                      | Perry         | "     | " 19        | 30,000  | 8,000             | 156,000        |
| Bank of Carthage                      | Carthage      | "     | " 19        | 10,000  | 12,000            | 105,000        |
| Farmers Bank                          | Dardanelle    | "     | " 19        | 50,000  | 11,000            | 370,000        |
| Eudora Bank & Trust Co.               | Eudora        | "     | " 19        | 50,000  | 17,000            | 370,000        |
| Bank of Fordyce                       | Fordyce       | "     | " 19        | 100,000 | 122,000           | 754,000        |
| Izard County Bank                     | Guion         | "     | " 19        | 10,000  | 3,000             | 27,000         |
| Bank of Pangburn                      | Pangburn      | "     | " 19        | 10,000  | 3,000             | 159,000        |
| Cleburne County Bank                  | Heber Springs | "     | " 19        | 30,000  | 36,000            | 344,000        |
| Arkansas Bank & Trust Co.             | Hope          | "     | " 19        | 100,000 | 64,000            | 562,000        |
| Merchants & Farmers Bank              | Junction City | "     | " 19        | 50,000  | 18,000            | 350,000        |
| Bank of Knobel                        | Knobel        | "     | " 19        | 16,000  | 6,000             | 104,000        |
| Chicot Trust Co.                      | Lake Village  | "     | " 19        | 50,000  | 41,000            | 315,000        |
| Peoples Bank & Trust Co.              | Morrilton     | "     | " 19        | 60,000  | 24,000            | 451,000        |
| First State Bank                      | "             | "     | " 19        | 50,000  | 43,000            | 550,000        |
| Merchants & Planters Bank & Trust Co. | Pine Bluff    | "     | " 19        | 200,000 | 62,000            | 2,591,000      |
| Bank of Pollard                       | Pollard       | "     | " 19        | 10,000  | 2,000             | 55,000         |
| Grant County Bank                     | Sheridan      | "     | " 19        | 35,000  | 10,000            | 309,000        |
| Victoria Bank                         | Strong        | "     | " 19        | 25,000  | 15,000            | 260,000        |
| First State Bank                      | Stuttgart     | "     | " 19        | 150,000 | 28,000            | 1,175,000      |
| Viola State Bank                      | Viola         | "     | " 19        | 10,000  | - -               | 61,000         |
| Bank of Wabbaseka                     | Wabbaseka     | "     | " 19        | 10,000  | 2,000             | 61,000         |
| Bank of Branch                        | Branch        | "     | " 19        | 12,000  | 3,000             | 50,000         |
| Arkansas State Bank                   | Carlisle      | "     | " 19        | 25,000  | 15,000            | 168,000        |
| Farmers Bank                          | Casa          | "     | " 19        | 10,000  | 6,000             | 35,000         |
| Peoples State Bank                    | DeValls Bluff | "     | " 19        | 20,000  | 2,000             | 129,000        |
| Bank of Harrisburg                    | Harrisburg    | "     | " 19        | 25,000  | 11,000            | 135,000        |

Week ended November 21, 1930.

Member banks indicated by an asterisk (\*).

| Name of Bank                      | City         | State | Date closed | Capital | Surplus & profits | Total deposits |
|-----------------------------------|--------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 8 (continued)</u> |              |       |             |         |                   |                |
| Bank of Houston                   | Houston      | Ark.  | Nov. 19     | 10,000  | 1,000             | 50,000         |
| Hampton State Bank                | Hampton      | "     | " 19        | 25,000  | 9,000             | 176,000        |
| Cleveland County Bank             | Kingsland    | "     | " 19        | 20,000  | 9,000             | 108,000        |
| Bank of Leachville                | Leachville   | "     | " 19        | 15,000  | 2,000             | 222,000        |
| State Bank of Leola               | Leola        | "     | " 19        | 10,000  | 8,000             | 90,000         |
| Bank of Lepanto                   | Lepanto      | "     | " 19        | 25,000  | 3,000             | 156,000        |
| Peoplos Bank                      | McRae        | "     | " 19        | 10,000  | 5,000             | 135,000        |
| Citizens State Bank               | Monette      | "     | " 19        | 25,000  | 5,000             | 412,000        |
| Peoples Bank                      | Waldo        | "     | " 19        | 25,000  | 18,000            | 188,000        |
| Bank of Waldo                     | "            | "     | " 19        | 25,000  | 33,000            | 342,000        |
| Exchange Bank & Tr. Co.           | Dermott      | "     | " 19        | 75,000  | 25,000            | 646,000        |
| Bradley County Bank               | Hermitage    | "     | " 19        | 20,000  | 20,000            | 250,000        |
| Bank of Manila                    | Manila       | "     | " 19        | 15,000  | 16,000            | 80,000         |
| Bank of Oxford                    | Oxford       | "     | " 19        | 10,000  | 4,000             | 36,000         |
| Bank of Salem                     | Salom        | "     | " 19        | 20,000  | 6,000             | 103,000        |
| State Bank of Naylor              | Naylor       | Mo.   | " 20        | 15,000  | 82,000            | 21,000         |
| Bank of Stamps                    | Stamps       | Ark.  | " 20        | 30,000  | 10,000            | 179,000        |
| Union Central Bank                | Louisville   | Ky.   | " 20        | 176,000 | 84,000            | 864,000        |
| Bankers Trust Co.                 | "            | "     | " 20        | 500,000 | 105,000           | 966,000        |
| Hannibal Trust Co.                | Hannibal     | Mo.   | " 20        | 200,000 | 58,000            | 1,138,000      |
| Corning Bank & Trust Co.          | Corning      | Ark.  | " 20        | 50,000  | 27,000            | 645,000        |
| Bank of Ozan                      | Ozan         | "     | " 20        | 10,000  | - -               | 80,000         |
| Bank of Strawberry                | Strawberry   | "     | " 20        | 10,000  | 3,000             | 27,000         |
| Bank of Tyronza                   | Tyronza      | "     | " 20        | 25,000  | 4,000             | 193,000        |
| Bank of McNeil                    | McNeil       | "     | " 20        | 15,000  | 13,000            | 101,000        |
| Citizens Bank                     | Baldknob     | "     | " 21        | 15,000  | 2,000             | 130,000        |
| Baldknob State Bank               | "            | "     | " 21        | 15,000  | 22,000            | 204,000        |
| Bank of Scotland                  | Scotland     | "     | " 21        | 10,000  | 4,000             | 46,000         |
| American Bank & Tr. Co.           | New Albany   | Ind.  | " 21        | 350,000 | 1,188,000         | 2,850,000      |
| Liberty State Bank                | "            | "     | " 21        | 50,000  | 3,000             | 280,000        |
| Old Capital Bank & Tr. Co.        | Corydon      | "     | " 21        | 150,000 | 40,000            | 810,000        |
| Crawford County St. Bk.           | English      | "     | " 21        | 25,000  | 9,000             | 695,000        |
| Crestwood State Bank              | Crestwood    | Ky.   | " 21        | 15,000  | 8,000             | 156,000        |
| Hopkins County Bank               | Madisonville | "     | " 21        | 50,000  | 50,000            | 785,000        |
| Farmers Bank                      | Oakwood      | Mo.   | " 21        | 10,000  | 24,000            | 135,000        |
| Ripley County Bank                | Doniphan     | "     | " 21        | 25,000  | 10,000            | 318,000        |
| Bank of Edina                     | Edina        | "     | " 21        | 20,000  | 22,000            | 420,000        |
| Leavenworth State Bank            | Leavenworth  | Ind.  | " 21        | 25,000  | 5,000             | 205,000        |
| Farmers State Bank                | Lanesville   | "     | " 21        | 25,000  | 16,000            | 326,000        |

District No. 9

|                          |             |       |         |        |       |         |
|--------------------------|-------------|-------|---------|--------|-------|---------|
| South Shore Bank         | South Shore | S. D. | Nov. 14 | 25,000 | 6,000 | 120,000 |
| Rowena State Bank        | Rowena      | "     | " 17    | 15,000 | 5,000 | 80,000  |
| Bank of York             | York        | N. D. | " 15    | 15,000 | 6,000 | 250,000 |
| Walworth County State Bk | Selby       | S. D. | " 18    | 30,000 | 4,000 | 220,000 |
| Bank of Monango          | Monango     | N. D. | " 18    | 10,000 | 5,000 | 101,000 |
| First State Bank         | Onaka       | S. D. | " 20    | 15,000 | 5,000 | 70,000  |

District No. 10

|                     |          |       |         |        |       |        |
|---------------------|----------|-------|---------|--------|-------|--------|
| Toronto State Bank  | Toronto  | Kans. | Nov. 21 | 15,000 | 7,000 | 54,000 |
| Cleburne State Bank | Cleburne | "     | " 21    | 20,000 | 7,000 | 91,000 |

BANKS REPORTED CLOSED  
WEEK ENDED NOVEMBER 28, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank                                  | City                | State | Date closed | Capital | Surplus & profits | Total deposits |
|---|---------------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 5.</u>                        |                     |       |             |         |                   |                |
| Clay County Bank                              | Hayesville          | N. C. | Nov. 22     | 10,000  | 1,000             | 74,000         |
| Bank of Murphy                                | Murphy              | N. C. | " 22        | 230,000 | 19,000            | 291,000        |
| Citizens Bank & Tr. Co.                       | Waynesville         | N. C. | " 22        | 50,000  | 45,000            | 525,000        |
| Bank of Honeapath                             | Honeapath           | S. C. | " 26        | 50,000  | 40,000            | 414,000        |
| Bank of Chadbourn                             | Chadbourn           | N. C. | " 28        | 20,000  | 11,000            | 149,000        |
| <u>District No. 6.</u>                        |                     |       |             |         |                   |                |
| Peoples Bk & Tr. Co.                          | Nashville           | Tenn. | Nov. 22     | 42,000  | 9,000             | 285,000        |
| Peoples Bank                                  | Lenoir City         | "     | " 22        | 30,000  | 132,000           | 774,000        |
| Cannon County Bkg. Co.                        | Woodbury            | "     | " 22        | 25,000  | - -               | 78,000         |
| *First National Bank                          | Newport             | "     | " 22        | 50,000  | 15,000            | 532,000        |
| <u>District No. 7.</u>                        |                     |       |             |         |                   |                |
| Huston Banking Co.                            | Blandinsville       | Ill.  | Nov. 24     | 60,000  | 43,000            | 810,000        |
| Raub State Bank                               | Raub                | Ind.  | " 24        | 25,000  | 4,000             | 76,000         |
| State Bank of Sciota                          | Sciota              | Ill.  | " 25        | 25,000  | 24,000            | 156,000        |
| *First National Bank                          | Westfield           | "     | " 28        | 25,000  | 27,000            | 628,000        |
| *Farmers State Bank                           | Grand River         | Ia.   | " 28        | 25,000  | 3,000             | 100,000        |
| <u>District No. 8.</u>                        |                     |       |             |         |                   |                |
| *First National Bank                          | Rector              | Ark.  | Nov. 21     | 25,000  | 15,000            | 40,000         |
| Oden State Bank                               | Oden                | "     | " 22        | 10,000  | 1,000             | 62,000         |
| Caddo Valley Bank                             | Norman              | "     | " 22        | 10,000  | 11,000            | 58,000         |
| Montgomery County Bank<br>(reopened 11-28-30) | Mount Ida           | "     | " 22        | 7,000   | 3,000             | 155,000        |
| *Pike County Bank                             | Bowling Green       | Mo.   | Nov. 22     | 25,000  | 11,000            | 234,000        |
| Doniphan State Bank                           | Doniphan            | "     | " 22        | 30,000  | 12,000            | 391,000        |
| *Paoli State Bank                             | Paoli               | Ind.  | " 24        | 40,000  | 12,000            | 363,000        |
| Cross County Bank                             | Wynn                | Ark.  | " 25        | 60,000  | 26,000            | 563,000        |
| Bank of Glenwood                              | Glenwood            | "     | " 25        | 15,000  | 18,000            | 169,000        |
| Woodbury Deposit Bank                         | Woodbury            | Ky.   | " 25        | 15,000  | 11,000            | 62,000         |
| State Bank of Brashear                        | Brashear            | Mo.   | " 25        | 25,000  | 4,000             | 275,000        |
| Jackson Township Bank                         | Corydon Junc.       | Ind.  | " 24        | 15,000  | 1,000             | 80,000         |
| Bank of Fern Creek                            | Fern Creek          | Ky.   | " 24        | 15,000  | 10,000            | 175,000        |
| Bank of Maynard                               | Maynard             | Ark.  | " 24        | 14,000  | 4,000             | 85,000         |
| First State Bk & Tr. Co.                      | Paris               | Tenn. | " 24        | 100,000 | 6,000             | 905,000        |
| Merchants Bk & Tr. Co.                        | Dyersburg           | "     | " 24        | 100,000 | 43,000            | 559,000        |
| *First National Bank                          | Ullin               | Ill.  | " 26        | 25,000  | 7,000             | 148,000        |
| *First National Bank                          | Caruthersville, Mo. | "     | " 26        | 50,000  | 45,000            | 567,000        |
| Citizens State Bank                           | Orleans             | Ind.  | " 28        | 30,000  | 13,000            | 273,000        |
| Martin Bank                                   | Martin              | Tenn. | " 28        | 85,000  | 15,000            | 531,000        |
| Peoples State Bank                            | Rockport            | Ill.  | " 28        | 20,000  | 10,000            | 191,000        |
| City State Bank                               | Martin              | Tenn. | " 28        | 35,000  | 5,000             | 240,000        |
| Peoples State Bank                            | Newbern             | "     | " 28        | 25,000  | 56,000            | 311,000        |
| Knox County Svgs. Bank                        | Edina               | Mo.   | " 28        | 20,000  | 12,000            | 272,000        |
| Parma Bank                                    | Parma               | "     | " 28        | 20,000  | 12,000            | 78,000         |
| *First National Bank                          | Benton              | Ill.  | " 28        | 100,000 | 130,000           | 1,969,000      |
| *First National Bank                          | Fulton              | Ky.   | " 28        | 50,000  | 10,000            | 215,000        |

Member banks indicated by an asterisk (\*).

| Name of Bank           | City      | State  | Date closed | Capital | Surplus & profits | Total Deposits |
|------------------------|-----------|--------|-------------|---------|-------------------|----------------|
| <u>District No. 9.</u> |           |        |             |         |                   |                |
| Kinbrae State Bank     | Kinbrae   | Minn.  | Nov. 22     | 10,000  | 3,000             | 100,000        |
| Farmers & Merchants Bk | Hoven     | S.Dak. | " 21        | 15,000  | 2,000             | 117,000        |
| *First National Bank   | Forman    | N.Dak. | " 24        | 25,000  | 10,000            | 35,000         |
| Canistota State Bank   | Canistota | S.Dak. | " 26        | 25,000  | 14,000            | 306,000        |
| Farmers State Bank     | Brentwood | " "    | " 26        | 15,000  | 5,000             | 155,000        |
| Foxholm State Bank     | Foxholm   | N.Dak. | " 25        | 15,000  | 5,000             | 68,000         |
| Havana State Bank      | Havana    | N.Dak. | " 25        | 25,000  | 6,000             | 210,000        |
| Orient State Bank      | Orient    | S.Dak. | " 26        | 20,000  | 36,000            | 416,000        |
| Farmers State Bank     | Rockham   | " "    | " 28        | 25,000  | 22,000            | 201,000        |

District No. 10.

|                   |           |       |         |        |       |         |
|-------------------|-----------|-------|---------|--------|-------|---------|
| Bank of Rockville | Rockville | Mo.   | Nov. 24 | 10,000 | 1,000 | 100,000 |
| Bank of Orleans   | Orleans   | Nebr. | " 22    | 25,000 | 6,000 | 350,000 |

Closed Banks Reopened:

District No. 8.

| Name of Bank            | City          | State | Date closed | Capital | Surplus & profits | Date opened |
|-------------------------|---------------|-------|-------------|---------|-------------------|-------------|
| *Arkansas National Bank | Heber Springs | Ark.  | Nov. 17     | 25,000  | 4,000             | Nov. 20     |
| Farmers State Bank      | Lanesville    | Ind.  | " 21        | 25,000  | 16,000            | " 21        |
| Viola State Bank        | Viola         | Ark.  | " 19        | 10,000  | - -               | " 25        |
| Bank of Knobel          | Knobel        | "     | " 19        | 16,000  | 6,000             | " 25        |
| Bank of Manila          | Manila        | "     | " 19        | 15,000  | 16,000            | " 25        |
| Citizens State Bank     | Monette       | "     | " 19        | 25,000  | 5,000             | " 25        |
| Peoples Bank            | Waldo         | "     | " 19        | 25,000  | 18,000            | " 25        |
| Bank of McNeil          | McNeil        | "     | " 20        | 15,000  | 13,000            | " 25        |
| Bank of Ozan            | Ozan          | "     | " 20        | 10,000  | - -               | " 25        |
| Bank of Stamps          | Stamps        | "     | " 20        | 30,000  | 10,000            | " 25        |
| Bank of Waldo           | Waldo         | "     | " 19        | 25,000  | 33,000            | " 25        |
| Baldknob State Bank     | Baldknob      | "     | " 21        | 15,000  | 22,000            | " 28        |
| Citizens Bank           | "             | "     | " 21        | 15,000  | 2,000             | " 28        |
| Citizens Bank           | Thornton      | "     | " 19        | 10,000  | 2,000             | " 28        |
| Montgomery County Bank  | Mount Ida     | "     | " 22        | 7,000   | 3,000             | " 28        |
| Security Bank           | Louisville    | Ky.   | " 17        | 300,000 | 383,000           | " 24        |

District No. 10.

|                    |          |       |         |        |       |         |
|--------------------|----------|-------|---------|--------|-------|---------|
| Farmers State Bank | Plymouth | Nebr. | Aug. 22 | 20,000 | 4,000 | Nov. 24 |
|--------------------|----------|-------|---------|--------|-------|---------|

BANKS REPORTED CLOSED  
WEEK ENDED DECEMBER 5, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank                        | City            | State  | Date closed | Capital                 | Surplus & profits | Total deposits |
|-------------------------------------|-----------------|--------|-------------|-------------------------|-------------------|----------------|
| <u>District No. 2</u>               |                 |        |             |                         |                   |                |
| Central Fairfield Tr.Co.            | Norwalk         | Conn.  | Dec. 1      | 200,000                 | 203,000           | 2,683,000      |
| <u>District No. 4</u>               |                 |        |             |                         |                   |                |
| *First National Bank                | Mendon          | Ohio   | Nov. 29     | 25,000                  | 30,000            | 285,000        |
| Citizens Bank & Tr. Co.             | Middlesboro     | Ky.    | " 29        | 50,000                  | 36,000            | 826,000        |
| Pleasant Hill Bkg. Co.              | Pleasant Hill,  | Ohio   | Dec. 5      | 25,000                  | 22,000            | 223,000        |
| <u>District No. 5</u>               |                 |        |             |                         |                   |                |
| Peoples State Bank                  | Wayne           | W. Va. | Nov. 29     | 30,000                  | 1,000             | 141,000        |
| Chatham Savings Bank                | Chatham         | Va.    | Dec. 1      | 100,000                 | 109,000           | 1,200,000      |
| *Bank of Darlington, Inc.           | Darlington      | S. C.  | " 1         | 100,000                 | - -               | 676,000        |
| Colleton Banking Co.                | Walterboro      | S. C.  | " 1         | 100,000                 | 35,000            | 715,000        |
| Bank of Greenbrier                  | Lewisburg       | W. Va. | " 2         | 25,000                  | 25,000            | 355,000        |
| Polk County Bk & Tr.Co.             | Columbus        | N. C.  | Nov. 22     | 15,000                  | 12,000            | 119,000        |
| Citizens Bank                       | Bryson City     | "      | " 21        | 30,000                  | 13,000            | 276,000        |
| Bank of Black Mountain              | Black Mountain, | N.C.   | " 22        | (Figures not available) |                   |                |
| *First National Bank                | Charlotte       | N. C.  | Dec. 4      | 300,000                 | 461,000           | 2,029,000      |
| Zebulon Bkg. & Tr. Co.              | Zebulon         | "      | " 3         | 56,000                  | 15,000            | 350,000        |
| Bank of Duplin                      | Wallace         | "      | " 4         | 25,000                  | 58,000            | 526,000        |
| <u>District No. 6</u>               |                 |        |             |                         |                   |                |
| *First National Bank                | Sweetwater      | Tenn.  | Nov. 29     | 60,000                  | 7,000             | 180,000        |
| <u>District No. 7</u>               |                 |        |             |                         |                   |                |
| *First National Bank                | Roland          | Iowa   | Nov. 28     | 40,000                  | 4,000             | 315,000        |
| Marine Trust Co.                    | Carthage        | Ill.   | Dec. 1      | 100,000                 | 30,000            | 484,000        |
| Rock Grove State Bank               | Rock Grove      | "      | " 1         | 30,000                  | 6,000             | 217,000        |
| Rock City State Bank                | Rock City       | "      | " 2         | 25,000                  | 27,000            | 432,000        |
| Peoples State Bank                  | Hamilton        | "      | " 4         | 25,000                  | 9,000             | 237,000        |
| *First National Bank                | Capac           | Mich.  | " 5         | 25,000                  | 5,000             | 471,000        |
| <u>District No. 8</u>               |                 |        |             |                         |                   |                |
| *Quincy-Ricker Nat.Bank             | Quincy          | Ill.   | Nov. 10     | 500,000                 | 129,000           | 4,367,000      |
| Corinth Bank & Trust Co.            | Corinth         | Miss.  | " 28        | 150,000                 | 66,000            | 1,934,000      |
| State Bank of Geff                  | Geff            | Ill.   | " 29        | 10,000                  | 2,000             | 50,000         |
| Bank of Duncan                      | Duncan          | Miss.  | " 29        | 20,000                  | 19,000            | 142,000        |
| New East Prairie Bank               | East Prairie    | Mo.    | Dec. 1      | 15,000                  | 16,000            | 219,000        |
| Portageville Bank                   | Portageville    | "      | " 1         | 20,000                  | 30,000            | 306,000        |
| Faulkner County Bank<br>& Trust Co. | Conway          | Ark.   | Dec. 1      | 90,000                  | 25,000            | 850,000        |
| *First National Bank                | Marion          | Ill.   | " 1         | 100,000                 | 100,000           | 1,994,000      |
| Farmers Bank                        | Bethel          | Mo.    | " 2         | 20,000                  | 22,000            | 224,000        |

Member banks indicated by an asterisk (\*).

Week ended December 5, 1930.

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| Name of Bank                      | City          | State | Date closed | Capital | Surplus & profits | Total deposits |
|-----------------------------------|---------------|-------|-------------|---------|-------------------|----------------|
| <u>District No. 8 (continued)</u> |               |       |             |         |                   |                |
| Johnston City State Bank          | Johnston City | Ill.  | Dec. 2      | 50,000  | 66,000            | 905,000        |
| Peoples Bank                      | Stephens      | Ark.  | " 2         | 30,000  | 11,000            | 251,000        |
| Citizens State Bank               | Goreville     | Ill.  | " 3         | 25,000  | 6,000             | 79,000         |
| Farmers Bank                      | Hardy         | Ark.  | " 3         | 7,000   | 9,000             | 120,000        |
| *First National Bank              | Blytheville   | "     | " 1         | 150,000 | 36,000            | 649,000        |
| *First National Bank              | Goreville     | Ill.  | " 2         | 25,000  | 4,000             | 104,000        |
| *First National Bank              | Ridgeway      | Mo.   | " 3         | 60,000  | 38,000            | 275,000        |
| Whiteside Bank                    | Whiteside     | Mo.   | " 4         | 10,000  | 7,000             | 60,000         |
| Harvel State Bank                 | Harvel        | Ill.  | " 4         | 50,000  | 4,000             | 216,000        |
| Bloomfield Bk & Tr. Co.           | Bloomfield    | Mo.   | " 4         | 100,000 | 5,000             | 422,000        |
| Weakley County Bank               | Dresden       | Tenn. | " 4         | 40,000  | 17,000            | 307,000        |
| (this bank reopened the same day) |               |       |             |         |                   |                |
| Planters Bank & Tr.Co.            | Nashville     | Ark.  | " 4         | 100,000 | 72,000            | 779,000        |
| Citizens State Bank               | Puxico        | Mo.   | " 4         | 25,000  | -                 | 105,000        |
| Zeigler State Bank                | Zeigler       | Ill.  | " 5         | 25,000  | 15,000            | 11,000         |
| Bank of Ashley                    | Ashley        | Mo.   | " 5         | 10,000  | 10,000            | 128,000        |
| Webster County Bank               | Clay          | Ky.   | " 5         | 30,000  | 12,000            | 282,000        |
| Bank of Moody                     | Moody         | Mo.   | " 5         | 10,000  | 3,000             | 21,000         |

District No. 9

|                       |            |        |        |        |        |         |
|-----------------------|------------|--------|--------|--------|--------|---------|
| First Citizens Bank   | Wild Rose  | N.Dak. | Nov.26 | 15,000 | 5,000  | 98,000  |
| Guaranty State Bank   | Eureka     | S.Dak. | " 29   | 25,000 | 33,000 | 422,000 |
| Kidder State Bank     | Kidder     | " "    | Dec. 1 | 20,000 | 4,000  | 124,000 |
| Mound City State Bank | Mound City | " "    | " 3    | 15,000 | 10,000 | 267,000 |

District No. 10.

|                         |        |       |        |        |        |         |
|-------------------------|--------|-------|--------|--------|--------|---------|
| Carmen State Bank       | Carmen | Okla. | Oct.18 | 15,000 | 3,000  | 145,000 |
| (reopened Dec. 3, 1930) |        |       |        |        |        |         |
| Citizens Bank           | Stuart | Nebr. | Dec. 1 | 50,000 | 13,000 | 550,000 |

District No. 11

|                   |           |     |        |        |        |         |
|-------------------|-----------|-----|--------|--------|--------|---------|
| Bank of Oak Grove | Oak Grove | La. | Nov.24 | 30,000 | 48,000 | 683,000 |
| Bank of Commerce  | Winnfield | "   | " 24   | 25,000 | 6,000  | 292,000 |

Closed Banks Reopened:Date openDistrict No. 8

|  |             |       |          |         |           |          |
|--|-------------|-------|----------|---------|-----------|----------|
| Oden State Bank  | Oden        | Ark.  | 11-22-30 | 10,000  | 1,000     | 11-26-30 |
| Caddo Valley Bank  | Norman      | "     | 11-22-30 | 10,000  | 11,000    | 11-26-30 |
| (Above banks reopened and consolidated with Montgomery County Bank, Mt. Ida, Ark.) |             |       |          |         |           |          |
| Leavenworth State Bank   | Leavenworth | Ind.  | 11-21-30 | 25,000  | 5,000     | 11-29-30 |
| First State Bank   | Morrilton   | Ark.  | 11-19-30 | 50,000  | 43,000    | 11-29-30 |
| Bank of Glenwood   | Glenwood    | "     | 11-25-30 | 15,000  | 18,000    | 12- 2-30 |
| Bank of Maynard  | Maynard     | "     | 11-24-30 | 14,000  | 4,000     | 12- 2-30 |
| Cross County Bank  | Wynne       | "     | 11-25-30 | 60,000  | 26,000    | 12- 2-30 |
| American Bk & Tr. Co.  | New Albany  | Ind.  | 11-21-30 | 350,000 | 1,188,000 | 12- 2-30 |
| Martin Bank  | Martin      | Tenn. | 11-28-30 | 85,000  | 15,000    | 12- 4-30 |
| City State Bank  | Martin      | "     | 11-28-30 | 35,000  | 5,000     | 12- 4-30 |
| Old Capital Bk & Tr. Co.   | Corydon     | Ind.  | 11-21-30 | 150,000 | 40,000    | 12- 4-30 |
| Weakley County Bank  | Dresden     | Tenn. | 12- 4-30 | 40,000  | 17,000    | 12- 4-30 |
| Carmen State Bank, Carmen, Okla. (Dist.10)   |             |       | 10-18-30 | 15,000  | 3,000     | 12- 3-30 |

BANKS REPORTED CLOSED  
WEEK ENDED DECEMBER 12, 1930

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Member banks indicated by an asterisk (\*).

| Name of Bank               | City            | State  | Date closed | Capital   | Surplus & profits | Total deposits |
|----------------------------|-----------------|--------|-------------|-----------|-------------------|----------------|
| <u>District No. 1</u>      |                 |        |             |           |                   |                |
| Citizens Bank & Trust Co., | New Haven       | Conn.  | Dec. 9      | 140,000   | 46,000            | 1,412,000      |
| <u>District No. 2</u>      |                 |        |             |           |                   |                |
| *Morsemere Trust Co.,      | Morsemere       | N. J.  | Dec. 6      | 100,000   | 29,000            | 377,000        |
| Palisades Park,            |                 |        |             |           |                   |                |
| *Bank of United States     | New York        | N. Y.  | " 11        | 25250,000 | 17,024,000        | 211,800,000    |
| <u>District No. 3</u>      |                 |        |             |           |                   |                |
| *Farmers & Merchants       |                 |        |             |           |                   |                |
| National Bank              | Tyrone          | Penna. | Dec. 12     | 150,000   | 155,000           | 553,000        |
| <u>District No. 5</u>      |                 |        |             |           |                   |                |
| Bank of Robeson            | Laxton          | N. C.  | Dec. 6      | 50,000    | 16,000            | 40,000         |
| Farmers & Merchants Bank,  | Stanley         | "      | " 6         | 50,000    | 15,000            | 175,000        |
| and branch at Denver,      |                 |        |             |           |                   |                |
| N. C.                      |                 |        |             |           |                   |                |
| Bank of Peedee             | Rockingham      | N. C.  | Dec. 6      | 100,000   | 151,000           | 709,000        |
| *First National Bank       | Ayden           | "      | " 10        | 75,000    | 6,000             | 354,000        |
| *National Bank of          | Greenville      | "      | " 10        | 100,000   | 51,000            | 818,000        |
| Peoples Savings Bank       | Clio            | S. C.  | " 10        | 50,000    | 33,000            | 658,000        |
| Chesapeake Bank            | Baltimore       | Id.    | " 9         | 50,000    | 344,000           | 900,000        |
| Bedford County Bank        | Montvale        | Va.    | " 9         | 20,000    | 22,000            | 269,000        |
| Bank of Hobgood            | Hobgood         | N. C.  | " 6         | 10,000    | 1,000             | 77,000         |
| Bank of Lilesville         | Lilesville      | "      | " 8         | 25,000    | 13,000            | 113,000        |
| Citizens Bank              | Farmville       | "      | " 8         | 50,000    | 25,000            | 300,000        |
| *Farmers National Bank     | Laurens         | S. C.  | " 10        | 50,000    | 4,000             | 115,000        |
| Farmers-Atlantic Bank      | Ahoskie         | N. C.  | Nov. 29     | 70,000    | 19,000            | 1,029,000      |
| and branch at Askeville,   |                 |        |             |           |                   |                |
| N. C.                      |                 |        |             |           |                   |                |
| Bank of Efland             | Efland          | N. C.  | Nov. 12     | 10,000    | 7,000             | 90,000         |
| Citizens Bank              | Franklin        | "      | " 28        | 15,000    | 7,000             | 125,000        |
| Planters & Merchants Bk    | Everetts        | "      | Dec. 12     | 15,000    | 14,000            | 231,000        |
| <u>District No. 6</u>      |                 |        |             |           |                   |                |
| Houston County Bank        |                 |        |             |           |                   |                |
| & Trust Co.                | Erin            | Tenn.  | Dec. 5      | 10,000    | 2,000             | 120,000        |
| Bank of Chapel Hill        | Chapel Hill     | "      | " 5         | 20,000    | 7,000             | 122,000        |
| Bank of Barwick            | Barwick         | Ga.    | " 6         | 15,000    | 8,000             | 120,000        |
| Southern Bk & Tr. Co.      | Pearson         | "      | " 6         | 15,000    | 1,000             | 42,000         |
| Bank of Algood             | Algood          | Tenn.  | " 11        | 15,000    | 1,000             | 64,000         |
| <u>District No. 7</u>      |                 |        |             |           |                   |                |
| *First National Bank       | Sioux City      | Iowa   | Dec. 6      | 1,000,000 | 83,000            | 7,795,000      |
| *Sioux National Bank       | "               | "      | " 6         | 400,000   | 108,000           | 3,802,000      |
| Farmers & Merchants Bk     | Winchester      | Ind.   | " 8         | 50,000    | 40,000            | 609,000        |
| Bailey State Bank          | Correctionville | Iowa   | " 8         | 50,000    | 6,000             | 300,000        |
| Leeds Bank                 | Sioux City      | "      | " 10        | 10,000    | 3,000             | 175,000        |
| Turin Savings Bank         | Turin           | "      | " 10        | 25,000    | -                 | 187,000        |
| Murray State Bank          | Murray          | "      | " 10        | 50,000    | 11,000            | 566,000        |
| *Martinsville State Bk     | Martinsville    | Ill.   | " 10        | 50,000    | 15,000            | 375,000        |



Members indicated by an asterisk (\*).

Week ended Dec. 12, 1930 (cont'd).

| Name of Bank                      | City       | State | Date closed | Capital                 | Surplus & profits | Total deposits |
|-----------------------------------|------------|-------|-------------|-------------------------|-------------------|----------------|
| <u>District No. 7 (continued)</u> |            |       |             |                         |                   |                |
| Simmons & Co., Bankers            | Osceola    | Iowa  | Dec. 10     | 100,000                 | 24,000            | 1,280,000      |
| Sutherland State Bank             | Sutherland | "     | " 11        | 40,000                  | 36,000            | 525,000        |
| Ellston Savings Bank              | Ellston    | "     | " 12        | 10,000                  | 7,000             | 117,000        |
| Ringgold County Savings Bank      | Kellerton  | "     | " 12        | 25,000                  | 1,000             | 81,000         |
| Exchange Bank                     | Marcus     | "     | " 12        | (Figures not available) |                   |                |

District No. 8

|                            |              |       |         |         |        |           |
|----------------------------|--------------|-------|---------|---------|--------|-----------|
| Peoples Exchange Bank      | Jonesboro    | Mo.   | Dec. 6  | 10,000  | 4,000  | 100,000   |
| *Planters National Bank    | Walnut Ridge | Ark.  | Nov. 8  | 25,000  | 5,000  | 142,000   |
| Drew County Bk & Tr. Co.   | Monticello   | "     | Dec. 8  | 100,000 | 58,000 | 478,000   |
| Bank of Centerton          | Centerton    | "     | " 8     | 13,000  | 4,000  | 59,000    |
| Merchants State Bank       | Centralia    | Ill.  | " 8     | 100,000 | 86,000 | 1,174,000 |
| *Benton County Nat. Bank   | Bentonville  | Ark.  | " 6     | 50,000  | 42,000 | 675,000   |
| First State Bank           | "            | "     | " 9     | 10,000  | 2,000  | 200,000   |
| First State Bank           | Bonanza      | "     | " 9     | 5,000   | 1,000  | 52,000    |
| Sturgeon Bank              | Sturgeon     | Mo.   | " 9     | 20,000  | 5,000  | 277,000   |
| Bank of Hickory Flat       | Hickory Flat | "     | " 9     | 10,000  | 6,000  | 105,000   |
| Arlington Bk & Tr. Co.     | Arlington    | Tenn. | " 11    | 10,000  | 13,000 | 119,000   |
| Wilmot Bank                | Wilmot       | Ark.  | " 11    | 15,000  | 8,000  | 312,000   |
| Farmers Bank of Bellflower | Liege        | Mo.   | Dec. 12 | 15,000  | 2,000  | 42,000    |

District No. 9

|                         |           |         |        |        |        |         |
|-------------------------|-----------|---------|--------|--------|--------|---------|
| *First National Bank    | Elk Point | S. Dak. | Dec. 5 | 25,000 | 11,000 | 255,000 |
| *First National Bank    | Walhalla  | N. Dak. | " 5    | 25,000 | 5,000  | 160,000 |
| Bank of Alexander       | Alexander | " "     | " 6    | 15,000 | 2,000  | 90,000  |
| James River Bank        | Frankfort | S. Dak. | " 8    | 30,000 | 9,000  | 183,000 |
| Dakota State Bank       | Madison   | " "     | " 8    | 50,000 | 17,000 | 335,000 |
| Bank of Meckling        | Meckling  | " "     | " 9    | 25,000 | 8,000  | 123,000 |
| *Brown County Bkg Co.   | Groton    | " "     | " 11   | 25,000 | 10,000 | 405,000 |
| Security State Bank     | Gayville  | " "     | " 11   | 25,000 | 34,000 | 425,000 |
| *American National Bank | Redfield  | " "     | " 12   | 40,000 | 24,000 | 615,000 |
| Citizens State Bank     | Hobridge  | " "     | " 12   | 50,000 | 10,000 | 175,000 |
| Citizens State Bank     | Colman    | " "     | " 12   | 15,000 | 15,000 | 250,000 |

District No. 10

|                      |           |       |        |        |        |         |
|----------------------|-----------|-------|--------|--------|--------|---------|
| *First National Bank | Naper     | Nebr. | Dec. 5 | 25,000 | 6,000  | 68,000  |
| Farmers State Bank   | Marshall  | Okla. | " 8    | 40,000 | 6,000  | 487,000 |
| Farmers Bank         | Amity     | Mo.   | " 8    | 10,000 | 19,000 | 55,000  |
| Bank of Hollister    | Hollister | Okla. | " 11   | 50,000 | 42,000 | 700,000 |

District No. 11

|               |         |       |        |        |       |         |
|---------------|---------|-------|--------|--------|-------|---------|
| Citizens Bank | Milford | Texas | Dec. 6 | 10,000 | 8,000 | 130,000 |
|---------------|---------|-------|--------|--------|-------|---------|

Members indicated by an asterisk (\*). Week ended Dec. 12, 1930 (cont'd).

| Name of Bank           | City        | State  | Date closed | Capital | Surplus & profits | Total deposits |
|------------------------|-------------|--------|-------------|---------|-------------------|----------------|
| <u>District No. 12</u> |             |        |             |         |                   |                |
| Bank of Hollywood      | Los Angeles | Calif. | Dec. 8      | 325,000 | 22,000            | 3,305,000      |
| Dixie Stockgrowers Bk  | St. George  | Utah   | " 11        | 25,000  | 8,000             | 111,000        |

Closed Banks Reopened:

District No. 7

| Name of Bank  | City    | State | Date closed | Capital | Surplus | Date opened |
|---|---------|-------|-------------|---------|---------|-------------|
| Manilla Bank  | Manilla | Ind.  | Nov. 10     | 20,000  | 11,000  |             |
| (reorganized and opened as the Citizens Bank, Manilla, Ind., on Dec. 4, 1930) |         |       |             |         |         |             |

District No. 8

| Name of Bank   | City          | State | Date closed | Capital | Surplus | Date opened |
|--|---------------|-------|-------------|---------|---------|-------------|
| Peoples Bank   | McRae         | Ark.  | Nov. 19     | 10,000  | 5,000   | Dec. 6      |
| Bradley County Bank  | Hermitage     | "     | " 19        | 20,000  | 20,000  | " 6         |
| Farmers Bank   | Hardy         | "     | Dec. 2      | 7,000   | 9,000   | " 8         |
| Bank of Strawberry   | Strawberry    | "     | Nov. 20     | 10,000  | 3,000   | " 9         |
| Crawford County State Bank   | English       | Ind.  | Nov. 22     | 25,000  | 9,000   | " 9         |
| Hampton State Bank   | Hampton       | Ark.  | " 19        | 25,000  | 9,000   |             |
| (reorganized and opened as the Peoples Home Bank on Dec. 10, 1930) |               |       |             |         |         |             |
| Grant County Bank  | Sheridan      | Ark.  | Nov. 18     | 35,000  | 10,000  | " 11        |
| Home Bank  | Blair         | Wis.  | May 27      | 30,000  | 32,000  | " 10        |
| Jackson Township Bank  | Corydon Junc. | Ind.  | Nov. 24     | 15,000  | 1,000   | " 10        |
| Peoples Bk & Tr. Co.   | Morrilton     | Ark.  | " 18        | 60,000  | 24,000  | " 12        |

BANKS REPORTED CLOSED  
WEEK ENDED DECEMBER 19, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank               | City             | State  | Date closed | Capital | Surplus & profits | Total deposits |
|----------------------------|------------------|--------|-------------|---------|-------------------|----------------|
| <u>District No. 1</u>      |                  |        |             |         |                   |                |
| West Springfield Trust Co. | West Springfield | Mass.  | Dec. 11     | 150,000 | 218,000           | 2,550,000      |
| Commercial Trust Co.       | New Britain      | Conn.  | " 13        | 500,000 | 231,000           | 5,000,000      |
| <u>District No. 2</u>      |                  |        |             |         |                   |                |
| State Bank of              | Binghamton       | N. Y.  | Dec. 15     | 100,000 | 259,000           | 1,300,000      |
| State Bank of              | Canastota        | "      | " 19        | 60,000  | 87,000            | 1,122,000      |
| <u>District No. 4</u>      |                  |        |             |         |                   |                |
| Martin Bank Co.            | New Straitsville | Ohio   | Dec. 17     | 25,000  | 3,000             | 199,000        |
| <u>District No. 5</u>      |                  |        |             |         |                   |                |
| Bank of Hillsboro          | Hillsboro        | W. Va. | Dec. 11     | 25,000  | 17,000            | 135,000        |
| Planters Bank              | Clarksville      | Va.    | " 12        | 30,000  | 20,000            | 323,000        |
| State Bank of              | Columbia         | Va.    | " 12        | 20,000  | 14,000            | 498,000        |
| with branch at:            | Cartersville     | "      |             |         |                   |                |
| Bank of Asheville          | Asheville        | N. C.  | " 12        | 25,000  | 25,000            | 544,000        |
| Farmers & Traders Bank     | Weaverville      | "      | " 15        | 18,000  | 27,000            | 77,000         |
| Bank of Mars Hill          | Mars Hill        | "      | " 15        | 15,000  | 19,000            | 163,000        |
| *Union National Bank       | Fairmont         | W. Va. | " 16        | 420,000 | 86,000            | 3,234,000      |
| Clayton Banking Co.        | Clayton          | N. C.  | " 16        | 100,000 | 32,000            | 479,000        |
| Brevard Banking Co.        | Brevard          | "      | " 16        | 115,000 | 74,000            | 1,229,000      |
| Gaston Loan & Tr. Co.      | Gastonia         | "      | " 16        | 25,000  | 14,000            | 328,000        |
| Peoples Bank               | "                | "      | " 16        | 25,000  | 3,000             | 97,000         |
| *First National Bank       | "                | "      | " 16        | 500,000 | 524,000           | 3,353,000      |
| Bank of Dallas             | Dallas           | "      | " 16        | 20,000  | 28,000            | 136,000        |
| Peoples Bank               | Waco             | "      | " 16        | 5,000   | 4,000             | 100,000        |
| Bank of French Broad       | Marshall         | "      | " 16        | 25,000  | 54,000            | 608,000        |
| Bank of Clyde              | Clyde            | "      | " 16        | 11,000  | 14,000            | 104,000        |
| Bank of Clover             | Clover           | "      | " 16        | 30,000  | 33,000            | 658,000        |
| Scotland Co. Svgs. Bank    | Laurinburg       | "      | " 17        | 15,000  | 7,000             | 230,000        |
| *First National Bank       | "                | "      | " 17        | 25,000  | 17,000            | 106,000        |
| Bank of Aulander           | Aulander         | "      | " 18        | 80,000  | 22,000            | 214,000        |
| Swannanoa Bk & Tr. Co.     | Swannanoa        | "      | " 18        | 20,000  | 9,000             | 182,000        |
| Bank of Franklin           | Franklin         | "      | " 18        | 50,000  | 55,000            | 417,000        |
| Bank of Fletcher           | Fletcher         | "      | " 18        | 10,000  | 11,000            | 113,000        |
| Citizens Bank of Yancey    | Burnsville       | "      | " 18        | 50,000  | 60,000            | 400,000        |
| *First National Bank       | Lenoir           | "      | " 19        | 75,000  | 92,000            | 583,000        |
| Savings Bank & Trust Co.   | Elizabeth City   | "      | " 19        | 100,000 | 175,000           | 939,000        |
| Carolina State Bank        | Gibson           | "      | " 19        | 20,000  | 10,000            | 101,000        |
| Merch. & Farmers Bank      | Garysburg        | "      | " 19        | 15,000  | 13,000            | 53,000         |
| <u>District No. 6</u>      |                  |        |             |         |                   |                |
| Sturdivant Bank            | Dadeville        | Ala.   | Dec. 17     | 50,000  | 13,000            | 236,000        |
| Bank of Louisville         | Louisville       | "      | " 17        | 40,000  | 17,000            | 88,000         |

Member banks indicated by an asterisk (\*).

Week ended December 19, 1930.

| Name of Bank             | City        | State | Date closed | Capital | Surplus & profits | Total deposits |
|--------------------------|-------------|-------|-------------|---------|-------------------|----------------|
| <b>District No. 7</b>    |             |       |             |         |                   |                |
| Bridgman State Bank      | Bridgman    | Mich. | Dec. 13     | 20,000  | 16,000            | 480,000        |
| Union Loan & Trust Co.   | Union City  | Ind.  | " 13        | 50,000  | 15,000            | 444,000        |
| *First National Bank     | Cherokee    | Iowa  | " 13        | 100,000 | 13,000            | 1,092,000      |
| State Bank of Elroy      | Elroy       | Wisc. | " 13        | 25,000  | 15,000            | 647,000        |
| Washta State Bank        | Washta      | Iowa  | " 13        | 25,000  | 11,000            | 170,000        |
| Cherokee Co. State Bank  | Meriden     | "     | " 15        | 30,000  | 7,000             | 177,000        |
| *Kansas National Bank    | Kansas      | Ill.  | " 16        | 50,000  | 28,000            | 343,000        |
| Trust & Savings Bank     | Renssaelaer | Ind.  | " 16        | 100,000 | 38,000            | 739,000        |
| *First National Bank     | Rock Rapids | Iowa  | " 16        | 100,000 | 27,000            | 430,000        |
| Savings Bank of          | Larchwood   | "     | " 17        | 90,000  | - -               | 200,000        |
| Alvord Bank              | Alvord      | "     | " 17        | 22,000  | 10,000            | 310,000        |
| *Farmers National Bank   | Inwood      | "     | " 17        | 40,000  | 3,000             | 254,000        |
| Citizens State Bank      | Keithsburg  | Ill.  | " 18        | 25,000  | 25,000            | 300,000        |
| State Bank of Brook      | Brook       | Ind.  | " 19        | 50,000  | 28,000            | 481,000        |
| American Tr. & Svgs. Bk. | Richmond    | "     | " 19        | 100,000 | 59,000            | 563,000        |
| Central State Bank       | Whiting     | "     | " 19        | 100,000 | 56,000            | 732,000        |
| Selma Savings Bank       | Selma       | Iowa  | " 19        | 10,000  | 6,000             | 186,000        |

**District No. 8**

|                              |             |      |         |         |        |         |
|------------------------------|-------------|------|---------|---------|--------|---------|
| Citizens Bank                | Wentzville  | Mo.  | Dec. 12 | 20,000  | 7,000  | 210,000 |
| Christopher State Bank       | Christopher | Ill. | " 12    | 35,000  | 42,000 | 827,000 |
| Farmers Exchange Bank        | Silex       | Mo.  | " 13    | 10,000  | 5,000  | 55,000  |
| Bank of Troy                 | Troy        | Ark. | " 15    | 18,000  | 13,000 | 140,000 |
| Peoples Bank                 | Okolona     | "    | " 16    | 10,000  | 2,000  | 41,000  |
| Union State Bank             | Brownfield  | Ill. | " 16    | 100,000 | 73,000 | 730,000 |
| *First National Bank, Eureka | Springs     | Ark. | " 17    | 50,000  | 12,000 | 526,000 |
| *First National Bank in      | Harrison    | "    | " 17    | 25,000  | 46,000 | 508,000 |

**A. T. Hudspeth chain:**

|                            |              |       |         |         |        |           |
|----------------------------|--------------|-------|---------|---------|--------|-----------|
| 1. Bank of Alpena          | Alpena Pass  | Ark.  | Dec. 17 | 10,000  | 1,000  | 133,000   |
| 2. Bank of North Arkansas, | Everton      | "     | " 17    | 10,000  | 2,000  | 89,000    |
| 3. Citizens Bank           | Yellville    | "     | " 17    | 30,000  | 10,000 | 466,000   |
| with branches:             |              |       |         |         |        |           |
| Marion County Bank         | Flippin      | "     | " 17    |         |        |           |
| Bank of Pyatt              | Pyatt        | "     | " 17    |         |        |           |
| 4. Citizens Bk & Tr. Co.   | Harrison     | "     | Dec. 17 | 100,000 | 28,000 | 1,323,000 |
| 5. Bank of Lead Hill       | Lead Hill    | "     | " 17    | 10,000  | 1,000  | 79,000    |
| 6. American Exchange Bk    | Leslie       | "     | " 17    | 15,000  | 2,000  | 180,000   |
| 7. Citizens Bank           | St. Joe      | "     | " 17    | 10,000  | 4,000  | 60,000    |
| 8. First State Bank        | Marshall     | "     | " 17    | 25,000  | 3,000  | 493,000   |
| Bank of Pendleton          | Pendleton    | Mo.   | " 17    | 10,000  | 2,000  | 54,000    |
| Ina State Bank             | Ina          | Ill.  | " 17    | 15,000  | 5,000  | 75,000    |
| Com'l Bank & Trust Co.     | Aberdeen     | Miss. | " 17    | 50,000  | 17,000 | 337,000   |
| Farmers Bank               | Fulton       | Ky.   | Nov. 26 | 50,000  | 40,000 | 470,000   |
| Peoples Bank               | Berryville   | Ark.  | Dec. 18 | 25,000  | 5,000  | 200,000   |
| Farmers & Merch. Bank      | Green Forest | "     | " 18    | 10,000  | 9,000  | 127,000   |
| Union Savings Bank         | Monroe City  | Mo.   | " 18    | 60,000  | 16,000 | 385,000   |
| State Bank of Collins      | Collins      | Mo.   | " 18    | 10,000  | 3,000  | 86,000    |
| Bank of Canton             | Canton       | Mo.   | " 18    | 20,000  | 16,000 | 376,000   |
| Farmers & Merchants Bk     | Cypress      | Ill.  | " 19    | 25,000  | 5,000  | 129,000   |
| Clark County Bank          | Gurdon       | Ark.  | " 19    | 25,000  | 10,000 | 273,000   |
| Jefferson State Bank       | Mt. Vernon   | Ill.  | " 19    | 125,000 | 86,000 | 908,000   |

| Member banks indicated by an asterisk (*). |                |         |             |         |                   | Week ended Dec. 19, 1930 |
|--|----------------|---------|-------------|---------|-------------------|--------------------------|
| Name of Bank                               | City           | State   | Date closed | Capital | Surplus & profits | Total deposits           |
| <u>District No. 9</u>                      |                |         |             |         |                   |                          |
| First State Bank                           | Hamar          | N. Dak. | Dec. 13     | 10,000  | 5,000             | 40,000                   |
| American Exchange Bank                     | Pierre         | S. Dak. | " 15        | 50,000  | 32,000            | 534,000                  |
| *First National Bank                       | Goodwin        | " "     | " 17        | 25,000  | 25,000            | 320,000                  |
| State Bank of Junius                       | Junius         | " "     | " 16        | 15,000  | 2,000             | 68,000                   |
| Chamberlain State Bank                     | Chamberlain    | " "     | " 16        | 25,000  | - -               | 247,000                  |
| Security State Bank                        | Strassburg     | N. Dak. | " 17        | 10,000  | 12,000            | 162,000                  |
| Security State Bank                        | Madison        | S. Dak. | " 19        | 30,000  | 19,000            | 717,000                  |
| Merchants State Bank                       | Freeman        | S. Dak. | " 19        | 50,000  | 11,000            | 407,000                  |
| <u>District No. 10</u>                     |                |         |             |         |                   |                          |
| Nobraska State Bank                        | West Point     | Nebr.   | Dec. 13     | 30,000  | 25,000            | 346,000                  |
| Commercial State Bank                      | Lindsborg      | Kans.   | " 15        | 40,000  | 54,000            | 465,000                  |
| <u>District No. 11</u>                     |                |         |             |         |                   |                          |
| *First National Bank                       | Hemphill       | Tex.    | Dec. 18     | 25,000  | 15,000            | 450,000                  |
| <u>District No. 12</u>                     |                |         |             |         |                   |                          |
| *Columbia Trust Co.                        | Salt Lake City | Utah    | Dec. 16     | 200,000 | 65,000            | 952,000                  |
| Bank of Oakley                             | Oakley         | Calif.  | " 19        | 25,000  | 10,000            | 339,000                  |
| <u>Closed Banks Reopened:</u>              |                |         |             |         |                   | <u>Date opened</u>       |
| <u>District No. 4</u>                      |                |         |             |         |                   |                          |
| Sabina Bank                                | Sabina         | Ohio    | 7- 1-30     | 50,000  | 10,000            | 12- 1-30                 |
| <u>District No. 7</u>                      |                |         |             |         |                   |                          |
| Flymouth Exchange Bank                     | Plymouth       | Wis.    | 12-14-29    | 100,000 | 62,000            | 12-15-30                 |
| <u>District No. 8</u>                      |                |         |             |         |                   |                          |
| Farmers Bank                               | Fulton         | Ky.     | 11-26-30    | 50,000  | 40,000            | 12-16-30                 |
| Bank of Centerton                          | Centerton      | Ark.    | 12- 8-30    | 13,000  | 4,000             | 12-15-30                 |
| Merch. & Farmers Bank                      | Junction City  | "       | 11-19-30    | 50,000  | 18,000            | 12-17-30                 |

BANKS REPORTED CLOSED  
WEEK ENDED DECEMBER 26, 1930

CONFIDENTIAL

Member banks indicated by an asterisk (\*).

| Name of Bank                        | City         | State | Date closed | Capital                     | Surplus & profits | Total deposits |
|-------------------------------------|--------------|-------|-------------|-----------------------------|-------------------|----------------|
| <u>District No. 1</u>               |              |       |             |                             |                   |                |
| Riverside Trust Co.                 | Hartford     | Conn. | Dec. 23     | 400,000                     | 858,000           | 2,780,000      |
| Pallotti, Andretta & Co.            | "            | "     | " 23        | 250,000                     | 498,000           | 3,473,000      |
| <u>District No. 2</u>               |              |       |             |                             |                   |                |
| Chelsea Bank & Trust Co.            | New York     | N. Y. | Dec. 23     | 2,500,000                   | 2,358,000         | 21,160,000     |
| <u>District No. 3</u>               |              |       |             |                             |                   |                |
| Bankers Trust Co.                   | Philadelphia | Pa.   | Dec. 22     | 4,877,000                   | 2,597,000         | 50,384,000     |
| Miners & Merchants<br>Deposit Bank  | Portage      | Pa.   | Dec. 20     | 50,000                      | 85,000            | 897,000        |
| Bank of M. L. Blitz-<br>stein & Co. | Philadelphia | Pa.   | Dec. 24     | (Private bank - no figures) |                   |                |
| <u>District No. 5</u>               |              |       |             |                             |                   |                |
| Goldsboro Svgs. & Tr. Co.           | Goldsboro    | N. C. | Dec. 20     | 41,000                      | 16,000            | 235,000        |
| *National Bank of                   | "            | "     | " 20        | 100,000                     | 100,000           | 613,000        |
| Peoples Bank                        | Vinton       | Va.   | " 20        | 100,000                     | 84,000            | 750,000        |
| Rural Hall Bk & Tr. Co.             | Rural Hall   | N. C. | " 20        | 10,000                      | 4,000             | 91,000         |
| Farmers & Merch. Bank               | Alta Vista   | Va.   | " 20        | 25,000                      | 3,000             | 113,000        |
| Bank of Weldon                      | Weldon       | N. C. | " 15        | 25,000                      | 63,000            | 350,000        |
| Weldon Bank & Trust Co.             | "            | "     | " 15        | 25,000                      | 51,000            | 409,000        |
| Peoples Bank                        | Gretna       | Va.   | " 23        | 50,000                      | 35,000            | 503,000        |
| Bank of Windsor                     | Windsor      | N. C. | " 19        | 20,000                      | 43,000            | 269,000        |
| <u>District No. 6</u>               |              |       |             |                             |                   |                |
| Toombs County Bank                  | Lyons        | Ge.   | Dec. 20     | 30,000                      | 9,000             | 240,000        |
| Citizens Bank                       | Ray City     | "     | " 20        | 25,000                      | - -               | 74,000         |
| Union Banking Co.                   | Douglas      | "     | " 20        | 100,000                     | 33,000            | 750,000        |
| with branches at:                   | Broxton      | "     |             |                             |                   |                |
| and                                 | Nicholls     | "     |             |                             |                   |                |
| Bank of Camp Hill                   | Camp Hill    | Ala.  | Dec. 22     | 50,000                      | 15,000            | 96,000         |
| City Svgs. Bk. & Tr. Co.            | Atlanta      | Ga.   | " 22        | 167,000                     | 14,000            | 89,000         |
| City Bank of                        | Miami Beach  | Fla.  | " 23        | 100,000                     | 50,000            | (not given)    |
| Bank of McLain                      | McLain       | Miss. | " 22        | 15,000                      | 15,000            | 161,000        |
| Citizens Bk & Tr. Co.               | Yazoo City   | "     | " 22        | 150,000                     | 66,000            | 1,483,000      |
| Bessemer Tr. & Svgs. Bk.            | Bessemer     | Ala.  | " 23        | 60,000                      | 15,000            | 560,000        |
| *City National Bank in              | Miami        | Fla.  | " 22        | 500,000                     | 535,000           | 6,392,000      |
| Bank of New Brockton                | New Brockton | Ala.  | " 24        | 50,000                      | 19,000            | 238,000        |
| Bank of Mt. Airy                    | Mt. Airy     | Ge.   | " 23        | 15,000                      | - -               | 31,000         |
| Union Savings Bank                  | Augusta      | "     | " 26        | 100,000                     | 88,000            | 1,141,000      |
| Bank of Dearing                     | Dearing      | "     | " 24        | 15,000                      | 2,000             | 34,000         |
| Citizens Bank                       | Waynesboro   | "     | " 24        | 25,000                      | 9,000             | 203,000        |

Member banks indicated by an asterisk (\*).

Week ended Dec. 26, 1930.

| Name of Bank  | City                          | State       | Date closed    | Capital | Surplus & profits | Total deposits |
|---|-------------------------------|-------------|----------------|---------|-------------------|----------------|
| <u>District No. 7</u>                                 |                               |             |                |         |                   |                |
| *First National Bank                                  | Augusta                       | Ill.        | Dec. 20        | 60,000  | 12,000            | 400,000        |
| Bank of Wheatfield                                    | Wheatfield                    | Ind.        | " 20           | 13,000  | 3,000             | 142,000        |
| First Bank & Trust Co.                                | Attica                        | "           | " 23           | 50,000  | 13,000            | 46,000         |
| State Trust & Svgs. Bank                              | Goodland                      | "           | " 23           | 25,000  | 8,000             | 202,000        |
| State Bank of Wolcott                                 | Wolcott                       | "           | " 23           | 50,000  | 7,000             | 265,000        |
| *First National Bank                                  | Connersville                  | "           | " 24           | 200,000 | 34,000            | 1,587,000      |
| Glen Park State Bank                                  | Gary                          | "           | " 26           | 25,000  | 13,000            | 399,000        |
| Peoples State Bank                                    | "                             | "           | " 26           | 50,000  | 30,000            | 531,000        |
| *First National Bank                                  | Titonka                       | Iowa        | " 26           | 25,000  | 3,000             | 263,000        |
| <u>District No. 8</u>                                 |                               |             |                |         |                   |                |
| *First National Bank                                  | Sesser                        | Ill.        | Dec. 12        | 25,000  | 13,000            | 372,000        |
| Greenwood Bank & Trust Co.                            | Greenwood                     | Miss.       | " 20           | 200,000 | 107,000           | 1,183,000      |
| Com'l Bank & Trust Co.                                | Drew                          | "           | " 20           | 25,000  | 23,000            | 516,000        |
| Macedonia State Bank                                  | Macedonia                     | Ill.        | " 19           | 10,000  | 8,000             | 134,000        |
| Citizens Bank   | Foreman                       | Ark.        | " 19           | 15,000  | 21,000            | 172,000        |
| *First National Bank                                  | Green Forest                  | "           | " 18           | 25,000  | 16,000            | 221,000        |
| Wilson Banking Co.                                    | Greenwood                     | Miss.       | " 20           | 100,000 | 42,000            | 1,313,000      |
| Greenwood Savings Bank                                | "                             | "           | " 20           | 30,000  | 64,000            | 1,182,000      |
| Merchants & Planters<br>Bank & Trust Co.              | Arkadelphia                   | Ark.        | Dec. 20        | 75,000  | 24,000            | 779,000        |
| Citizens Bank   | Pettigrew                     | "           | " 20           | 10,000  | 5,000             | 38,000         |
| *Bolivar County Bank                                  | Rosedale                      | Miss.       | " 22           | 25,000  | 22,000            | 308,000        |
| Security Bk & Tr. Co.                                 | Greenwood                     | "           | " 22           | 50,000  | 9,000             | 263,000        |
| Harrisburg Bank                                       | Harrisburg                    | Mo.         | " 22           | 10,000  | 6,000             | 44,000         |
| *First National Bank                                  | Greenwood                     | Miss.       | " 20           | 250,000 | 221,000           | 2,523,000      |
| Bank of Osage County                                  | Linn                          | Mo.         | " 18           | 15,000  | 11,000            | 200,000        |
| Bank of Ethel   | Ethel                         | Miss.       | " 26           | 10,000  | 8,000             | 240,000        |
| Peoples Bank & Trust Co.                              | North<br>Carrollton           | Miss.       | Dec. 26        | 25,000  | 24,000            | 602,000        |
| Bank of McCool  | McCool                        | "           | " 26           | 15,000  | 3,000             | 195,000        |
| Peoples Bank & Trust Co.<br>with branches at:-<br>and | Tupelo<br>Nettleton<br>Rienzi | "<br>"<br>" | " 26<br>"<br>" | 200,000 | 109,000           | 2,833,000      |
| Corinth State Bank                                    | Corinth                       | "           | Dec. 26        | 50,000  | 13,000            | 420,000        |
| Bank of Clark   | Clark                         | Mo.         | " 26           | 15,000  | 5,000             | 85,000         |
| Bank of Americus                                      | Americus                      | "           | " 26           | 12,000  | 5,000             | 80,000         |
| Bank of Guntown                                       | Guntown                       | Miss.       | " 26           | 20,000  | 24,000            | 261,000        |
| Bank of Saltillo                                      | Saltillo                      | "           | " 26           | 15,000  | 27,000            | 472,000        |
| Bank of Shannon                                       | Shannon                       | "           | " 26           | 15,000  | 15,000            | 176,000        |
| Verona Bank   | Verona                        | "           | " 26           | 15,000  | 3,000             | 74,000         |

Member banks indicated by an asterisk (\*).

Week ended Dec. 26, 1930.

| Name of Bank                  | City             | State  | Date closed                 | Capital | Surplus & profits | Total deposits     |
|-------------------------------|------------------|--------|-----------------------------|---------|-------------------|--------------------|
| <u>District No. 9</u>         |                  |        |                             |         |                   |                    |
| Bank of Winfred               | Winfred          | S.Dak. | Dec.22                      | 25,000  | 7,000             | 320,000            |
| Kimball State Bank            | Kimball          | " "    | " 22                        | 40,000  | 8,000             | 465,000            |
| Farmers State Bank            | Stratford        | " "    | " 22                        | 15,000  | 8,000             | 131,000            |
| Ramona State Bank             | Ramona           | " "    | " 26                        | 25,000  | 5,000             | 120,000            |
| Elling State Bank             | Virginia<br>City | Mont.  | Dec.26                      | 50,000  | 1,000             | 299,000            |
| Mission State Bank            | St. Ignatius     | "      | " 26                        | 20,000  | - -               | 156,000            |
| *First National Bank          | Hobson           | "      | " 26                        | 30,000  | 3,000             | 140,000            |
| <u>District No. 10</u>        |                  |        |                             |         |                   |                    |
| Mildred State Bank            | Mildred          | Kans.  | Dec.26                      | 10,000  | 5,000             | 54,000             |
| Peoples State Bank            | Moran            | "      | " 26                        | 15,000  | 4,000             | 221,000            |
| First State Bank              | Warner           | Okla.  | " 26                        | 10,000  | 5,000             | 100,000            |
| Bank of Salina                | Salina           | "      | " 26                        | 10,000  | 2,000             | 100,000            |
| <u>District No. 11</u>        |                  |        |                             |         |                   |                    |
| Bank of Webster               | Minden           | La.    | Dec.20                      | 50,000  | 78,000            | 962,000            |
| W. T. Mumme, Bankers          | Sandia           | Tex.   | (date of closing not given) |         |                   |                    |
| *First National Bank          | Ladonia          | "      | Dec.23                      | 100,000 | 16,000            | 406,000            |
| *Pecan Gap National Bank      | Pecan Gap        | "      | " 23                        | 25,000  | 1,000             | 114,000            |
| <u>District No. 12</u>        |                  |        |                             |         |                   |                    |
| Sugar Banking Co.             | Salt Lake City,  | Utah   | Dec.20                      | 50,000  | 30,000            | 960,000            |
| <u>Closed Banks Reopened:</u> |                  |        |                             |         |                   | <u>Date opened</u> |
| <u>District No. 7</u>         |                  |        |                             |         |                   |                    |
| Citizens State Bank           | Gillett          | Wis.   | 4- 2-30                     | 50,000  | 24,000            | 12-26-30           |
| <u>District No. 8</u>         |                  |        |                             |         |                   |                    |
| Liberty State Bank            | New Albany       | Ind.   | 11-21-30                    | 50,000  | 3,000             | 12-22-30           |
| Bank of Green City            | Green City       | Mo.    | 11-13-30                    | 20,000  | 2,000             | 12-24-30           |
| Clark County Bank             | Gurdon           | Ark.   | 12-19-30                    | 25,000  | 10,000            | 12-24-30           |
| <u>District No. 10</u>        |                  |        |                             |         |                   |                    |
| Bank of Creighton             | Creighton        | Nebr.  | 9-22-30                     | 25,000  | 13,000            | 12-24-30           |
| Grant County State Bank       | Ulysses          | Kans.  | 11-13-30                    | 25,000  | 13,000            | 12-24-30           |



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6649

July 1, 1930.

SUBJECT: Bill to Amend Federal Reserve Act and  
National Bank Act.

Dear Sir:

There is enclosed herewith for your information, copy of a memorandum from the Board's Assistant Counsel, summarizing the provisions of S-4723, a bill introduced by Senator Glass to amend various provisions of the National Bank Act and the Federal Reserve Act. As the supply of the printed bill is still limited, only one copy is attached hereto.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosures.

TO ALL GOVERNORS AND AGENTS.

FEDERAL RESERVE  
BOARD

OFFICE CORRESPONDENCE

Date June 23, 1930To Federal Reserve BoardSubject: 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

-4-

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,

(S) B. M. Wingfield  
Assistant Counsel.

Copy of bill attached.

BMW-sad

X-6650

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.

July 2, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Philadelphia has established a rediscount rate of  $3\frac{1}{2}$  per cent on all classes of paper of all maturities, effective July 3, 1930.

X-6651

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 2:00 p. m.

July 2, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of 3% on all classes of paper of all maturities, effective July 3, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6654

July 11, 1930.

SUBJECT: Regulation A.

Dear Sir:

This is to advise you that the Federal Reserve Board has finally adopted and promulgated Regulation A, Series of 1930, in the form enclosed in the Board's letter of June 3, 1930 (X-6611) and that the new regulation will become effective on August 1, 1930.

The typographical error in subdivision (a) of Section VII (page 9) of the copy sent to you in the Board's letter of June 3 was not in the regulation as adopted by the Board, but was a mere clerical error which occurred while the regulations were being mimeographed. In the copies which you have, therefore, the word "of" occurring immediately after the word "shipment" in this paragraph should be changed to "or".

The purpose of the amendments to the regulation recently adopted was merely to make the regulation conform to the recent amendments to the law; and, therefore, the Board did not adopt any of the suggested amendments to other portions of the regulation which were submitted by various Federal reserve banks. These suggested amendments, however, will be given due consideration whenever the Board undertakes a complete revision of Regulation A.

As soon as the regulation can be printed, a supply will be furnished to each Federal reserve bank; and you are requested to advise the Board how many copies your bank will require.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

TO THE CHAIRMEN AND GOVERNORS OF ALL FEDERAL RESERVE BANKS.



X-6655

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.

July 11, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Atlanta has established a rediscount rate of  $3\frac{1}{2}\%$  on all classes of paper of all maturities, effective July 12, 1930.

X-6658

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.

July 17, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Richmond has established a rediscount rate of 3-1/2% on all classes of paper of all maturities, effective July 18, 1930.

75

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6659

July 19, 1930.

SUBJECT: Holidays during August, 1930.

Dear Sir:

On Friday, August 1st, the Denver Branch of the Federal Reserve Bank of Kansas City will be closed in observance of Colorado Day.

On account of Primary Election in various States, the following Federal reserve banks and branches will also be closed:

|          |           |  |
|----------|-----------|--|
| Tuesday  | August 5  | Kansas City  |
| Thursday | August 7  | Nashville<br>Memphis   |
| Tuesday  | August 12 | Cleveland (At 1 p. m.)<br>Cincinnati (At 1 p. m.)<br>(Cleveland will participate in the clearings.)<br><br>Oklahoma City |
| Tuesday  | August 26 | San Francisco<br>Los Angeles   |

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 head offices mentioned.

Kindly notify branches.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

# FEDERAL RESERVE BOARD

76

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6660

July 22, 1930.

SUBJECT: Adoption of Amendments to Regulation J.

Dear Sir:

You are advised that, effective September 1, 1930, the Federal Reserve Board has adopted the amendments to Regulation J recommended by the Conference of Counsel of all Federal reserve banks with certain slight changes in phraseology recommended by Hon. Newton D. Baker and the Board's General Counsel, which were set forth in a memorandum addressed to the Board by its General Counsel under date of June 27, 1930, a copy of which (X-6636) was transmitted to you in the Board's circular letter of June 27, 1930 (X-6645). For your information, there is enclosed a copy of a resolution adopted by the Federal Reserve Board on July 22, 1930, promulgating these amendments.

These amendments will be published in the August number of the Federal Reserve Bulletin; and, as soon as they can be printed, a supply of official copies of the amended regulation will be furnished to each Federal reserve bank. You are requested to see that a copy of the amended regulation is furnished promptly to each member bank and to each nonmember clearing bank in your district.

Please advise the Board how many copies of the printed regulation will be required by your bank.

By Order of the Federal Reserve Board.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

Enclosure.

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

BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that, effective September 1, 1930, Regulation J is hereby amended as follows:

(1) Paragraph 1 of Section III is 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."

(2) Paragraph 3 of Section III is 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."

(3) Paragraph 2 of Section IV is 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."

(4) Paragraph 3 of Section IV is 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."

(5) Section V is 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.

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"(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 for-

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warded 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."

## FEDERAL RESERVE BOARD

WASHINGTON

X-6661

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

July 22, 1930.

Dear Mr.

This is to advise you that the Federal Reserve Board today adopted the proposed amendments to Regulation J recommended by the recent Conference of Counsel with certain slight changes in phraseology suggested by Honorable Newton D. Baker and the undersigned. The amended regulation will take effect on September 1, 1930. It will be published in the August number of the Federal Reserve Bulletin and will be printed in pamphlet form and distributed to the Federal reserve banks as soon as possible.

After conferring with Governor Calkins, Chairman of the Governors' Conference, and Mr. J. S. Walden, Chairman of the Standing Committee on Collections, I have appointed the following subcommittee of Federal Reserve Bank Counsel to collaborate with the Standing Committee on Collections in the revision of the check collection circulars:

Mr. Walter S. Logan, Chairman,  
Mr. M. G. Wallace,  
Mr. Robert S. Parker.

The above committee and the undersigned will meet with the Standing Committee on Collections in New York on July 31st; and it is hoped that the preparation of the revised check collection circulars can be completed in a day or two. Mr. Walden advises me, however, that it is customary for the reports of the Standing Committee on Collections to be submitted to the Governors' Conference, and this may result in some delay in the final adoption of the revised circular.

There is enclosed for your further information a copy of a resolution adopted by the Federal Reserve Board today promulgating the amendments to Regulation J.

With kindest personal regards, I am

Cordially yours,

Walter Wyatt,  
General Counsel.



BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that, effective September 1, 1930, Regulation J is hereby amended as follows:

(1) Paragraph 1 of Section III is 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."

(2) Paragraph 3 of Section III is 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."

(3) Paragraph 2 of Section IV is 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."

(4) Paragraph 3 of Section IV is 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."

(5) Section V is 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.

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"(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 for-

-3-

warded 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 is 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."

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6662

July 23, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6662-a and X-6662-b, covering in detail operations of the main line, Leased Wire System, during the month of June, 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 JUNE, 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   | 30,451                     | 2,996  | 33,447                            | 3.54                              |
| New York   | 140,211                    | -  | 140,211                           | 14.83                             |
| Philadelphia   | 33,222                     | 2,180  | 35,402                            | 3.75                              |
| Cleveland  | 89,842                     | 3,089  | 92,931                            | 9.83                              |
| Richmond   | 56,008                     | 3,290  | 59,298                            | 6.27                              |
| Atlanta  | 69,084                     | 8,940  | 78,024                            | 8.25                              |
| Chicago  | 104,192                    | 4,324  | 108,516                           | 11.48                             |
| St. Louis  | 78,922                     | 3,192  | 82,114                            | 8.69                              |
| Minneapolis  | 31,276                     | 3,829  | 35,105                            | 3.71                              |
| Kansas City  | 80,639                     | 3,219  | 83,858                            | 8.87                              |
| Dallas   | 67,617                     | 11,731   | 79,348                            | 8.39                              |
| San Francisco  | 112,477                    | 4,659  | 117,136                           | 12.39                             |
| Total  | 893,941                    | 51,449   | 945,390                           | 100.00                            |
| F. R. Board business . . . . .                                 |                            |  | 272,263                           | 1,217,653                         |
| Treasury Department business - Incoming and Outgoing . . . . . |                            |  |                                   | <u>143,200</u>                    |
| Total words transmitted over main lines . . . . .              |                            |  |                                   | 1,360,859                         |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6662-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, JUNE, 1930.

X-6662-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          | \$ 755.72                        | \$ 260.00          | \$ 495.72                        |
| New York              | 1,240.41            | 1.00                | -                   | 1,241.41           | 3,165.93                         | 1,241.41           | 1,924.52                         |
| Philadelphia          | 225.00              | -                   | -                   | 225.00             | 800.56                           | 225.00             | 575.56                           |
| Cleveland             | 306.66              | -                   | -                   | 306.66             | 2,098.52                         | 306.66             | 1,791.86                         |
| Richmond              | 190.00              | -                   | 230.00(&)           | 420.00             | 1,338.53                         | 420.00             | 918.53                           |
| Atlanta               | 270.00              | -                   | -                   | 270.00             | 1,761.22                         | 270.00             | 1,491.22                         |
| Chicago               | 4,075.00(#)         | -                   | -                   | 4,075.00           | 2,450.77                         | 4,075.00           | 1,624.23 (*)                     |
| St. Louis             | 219.00              | 1.00                | -                   | 220.00             | 1,855.15                         | 220.00             | 1,635.15                         |
| Minneapolis           | 290.60              | -                   | -                   | 290.60             | 792.02                           | 290.60             | 501.42                           |
| Kansas City           | 287.50              | -                   | -                   | 287.50             | 1,893.58                         | 287.50             | 1,606.08                         |
| Dallas                | 251.00              | -                   | -                   | 251.00             | 1,791.11                         | 251.00             | 1,540.11                         |
| San Francisco         | 380.00              | -                   | -                   | 380.00             | 2,645.04                         | 380.00             | 2,265.04                         |
| Federal Reserve Board | -                   | -                   | 15,531.70           | 15,631.70          | -                                | -                  | -                                |
| <b>Total</b>          | <b>\$ 7,995.17</b>  | <b>\$ 2.00</b>      | <b>\$ 15,861.70</b> | <b>\$23,858.87</b> | <b>\$21,348.15</b>               | <b>\$ 8,227.17</b> | <b>\$ 14,745.21</b>              |
|                       |                     |                     |                     | <u>2,510.72(a)</u> |                                  |                    | <u>1,624.23(b)</u>               |
|                       |                     |                     |                     | <b>\$21,348.15</b> |                                  |                    | <b>\$ 13,120.98</b>              |

- (&) Main line rental, Richmond-Washington.
- (#) Includes salaries of Washington operators.
- (\*) Credit.
- (a) Received \$ 2,510.72 from Treasury Department covering business for the month of June, 1930.
- (b) Amount reimbursable to Chicago.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6665

July 26, 1930.

SUBJECT: Examination of Member Banks.

Dear Sir:

By an act approved by the President under date of June 26, 1930, Section 9 of the Federal Reserve Act was amended and the third paragraph of Section 5240 of the United States Revised Statutes, as amended by Section 21 of the Federal Reserve Act, was further amended so as to provide that the expenses of all examinations made by Federal reserve banks 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.

In view of this amendment, the Federal Reserve Board has reconsidered and revised the resolutions adopted by it on October 10, 1928, (set out in X-6223 dated January 26, 1929) so as to read as follows:

"BE IT RESOLVED, That the Federal Reserve Board recognizes its duty under the Federal Reserve Act to keep itself informed as to the condition of all member banks;

"BE IT FURTHER RESOLVED, That the Board is of the opinion that it is justified in relying upon the Comptroller of the Currency for such information as to national banks;

"BE IT FURTHER RESOLVED, That whenever the reports of examination of State member banks furnished by the State authorities are not deemed satisfactory either to the Federal reserve bank of the district concerned or to the Federal Reserve Board, the Federal reserve bank or the Board shall cause to be made at least one examination or investigation each year of such character as to furnish satisfactory information;

"BE IT FURTHER RESOLVED, That any entry of a member bank made for the purpose of informing the Federal reserve bank and the Federal Reserve Board, (1) whether the member bank is complying with the terms of the Federal Reserve Act, the Regulations of the Federal Reserve Board and the conditions of its membership in the Federal Reserve System and/or (2) as to the loan and investment practices

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and policies of the member bank and whether its uses of Federal reserve credit facilities are consistent with the purposes of the Federal Reserve Act, as these have been or may be defined by the Federal Reserve Board, shall not be termed an examination."

The Federal reserve agents are charged with the duty of seeing to it that the Board's views, as covered in the above resolutions, are carried out in their respective districts. This does not mean that the Board is attempting to relieve itself of responsibility and it will continue, through its examining force, to check carefully the Federal reserve agents' examination departments.

While the Board realizes that it is not possible to lay down a uniform detailed procedure applicable to each Federal reserve district, the following instructions will serve as a guide to the Federal reserve agents in the performance of their duties:

1. The Comptroller of the Currency is a member of the Federal Reserve Board and under the law is charged with the responsibility of enforcing the terms of the National Bank Act and also of the Federal Reserve Act. The Board therefore relies upon the Comptroller of the Currency to perform his duties and it will not be necessary for the Federal reserve agent to duplicate the work.

2. In the opinion of the Board, State reports of examination can be relied upon in the great majority of cases to furnish the necessary information to the agents.

3. If a State examination is unsatisfactory, and an investigation will not provide sufficient information upon which the agents may act intelligently, a complete examination should be made for which the member bank should be charged. It is realized, however, that in some instances unusual circumstances may exist which would warrant the Board's exercising the discretion vested in it under the recent amendment and waiving charges for specific examinations. Any case which, in the opinion of the Federal reserve agent, warrants such special consideration should be submitted to the Board in advance, with a complete statement of the reasons why it is considered desirable to have the examination charges waived by the Board. Examinations of State banks incident to their admission to membership in the System may be made without charge.



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4. Any investigation of a member bank made for the purpose mentioned in the last paragraph of the resolution of the Board set out above may be conducted by the Federal reserve agent without charge and without reference to the Board.

5. The Federal reserve agent will continue to furnish the Board with an analysis on F. R. B. Form 212 of each state member bank examination report received by him whether made by State authorities or under his own supervision, unless in some exceptional case it is desired that the Board should have before it the complete report of examination.

6. If the Federal reserve agent has evidence in the form of letters or otherwise, that officers and directors of State member banks have had their attention called to violations of the law and unsound banking practices by State authorities, it is not necessary for the agent to duplicate this work.

7. If this supervision is not conducted by State authorities the Federal reserve agent is directed to take such action, as in his opinion, will discharge the responsibilities of the Board.

8. When a State member bank fails to correct irregularities within a reasonable time so as to show material improvement in its condition, the Federal reserve agent will be expected to lay the information before the directors of his bank and ask them to make a formal recommendation to the Federal Reserve Board, with reasons, as to whether or not the State member bank should continue as a member.

This letter supersedes and repeals the letter of January 26, 1929 (X-6223) on the same subject.

Very truly yours,

R. A. Young,  
Governor.

TO ALL FEDERAL RESERVE AGENTS.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6667

August 1, 1930.

Dear Mr.

The Federal Reserve Board has adopted the policy of printing its regulations in separate pamphlets and it will no longer print a single pamphlet containing all of the regulations. The Board has also, since the issuance of the last edition of its regulations (Series of 1928), amended certain of the regulations, and these amended regulations have either been printed as separate pamphlets or will be printed separately.

The regulations which have not been amended since the 1928 edition and which have been reprinted as separate pamphlets are B, C, D, E, F, and G. Copies of each of these regulations are enclosed herewith and you will note that all of them except regulation F were reprinted as of May 15, 1930. Regulation F was reprinted as a separate pamphlet during 1928, and while it represents at the present time the Board's regulations on the exercise of trust powers by national banks, it will be amended in the near future because of the amendment of June 26, 1930, to Section 11(k) of the Federal Reserve Act.

Regulation J, Series of 1928, which was amended effective February 1, 1929, was also reprinted as of May 15, 1930, and I am enclosing a copy herewith. The enclosed regulation will continue in effect until September 1, 1930, at which time amendments adopted by the Board on July 22, 1930, as a result of the recommendations of the recent Conference of Federal Reserve Bank Counsel will become effective. The regulation as thus amended is now in the hands of the printer, but I am enclosing herewith a mimeographed copy of the Board's resolution of July 22, 1930, which shows the nature of these recent amendments to Regulation J.

Regulations A, H, I, K and L have also been amended recently, and as Regulations I and L are available in printed pamphlet form, I am enclosing copies herewith. Regulations A and K are still in the

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hands of the printer, and I am furnishing you herewith copies of mimeographs which will explain the respects in which they have been amended. The Board is still considering further amendments to Regulation H, but I am enclosing herewith a mimeographed copy of a letter the Board addressed to all the Federal Reserve Bank Chairmen and Governors which will explain an amendment to this regulation which was adopted by the Board on June 9, 1930.

Copies of all of the available printed pamphlets of the Board's Regulations and of all of the mimeographs referred to above have been furnished to all the Federal Reserve Banks, but it has occurred to me that possibly they may not have been brought to your attention. I am taking this opportunity, therefore, to apprise you of the present status of the Board's Regulations, and I will see that you are furnished with printed copies of each of the regulations which are now in the hands of the printer as soon as they become available.

Very truly yours,

Walter Wyatt,  
General Counsel.

Enclosures.

TO ALL FEDERAL RESERVE BANK COUNSEL AND ASSOCIATE COUNSEL.

FEDERAL RESERVE BANK  
OF RICHMOND

92

July 29, 1930

Federal Reserve Board,  
Washington, D.C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

If you have not seen the case of Hofheimer v. Seaboard and Citizens National Bank of Norfolk, decided by the Supreme Court of Virginia June 12, 1930, and reported in 163 S. E. Page 657, you will find the opinion interesting.

One Hofheimer executed a will nominating the Citizens Bank of Norfolk as his executor. This bank was a state bank and trust company. Later it merged or consolidated with the Seaboard National Bank of Norfolk in the manner prescribed by the Act of Congress. After the consolidation Hofheimer died, and the consolidated bank, known as the Seaboard and Citizens National Bank of Norfolk, offered the will for probate and moved to qualify as executor. The lower court permitted the bank to qualify along with an individual who was named as co-executor. An appeal was taken and so much of the order as permitted the bank to qualify was reversed.

The decision, of course, rests largely upon ex parte Worchester County National Bank, 279 U. S. 347, but our court holds that the Virginia statutes by implication sanction a consolidation between a state bank and national bank and that the powers of the consolidated bank are controlled by the Federal statutes. The court appears to assume that if the testator had died and the state bank had qualified before the consolidation, the national bank under the Federal statute would have succeeded to the powers of the state bank as executor, but distinguishes between the position of an executor and the position of one who has merely been nominated as executor in a will which is wholly without effect during the lifetime of the testator. In other words, the court holds that the testator nominated as executor a person who ceased to exist before the will became operative, and the mere designation was not a legal right which passed to the successor corporation.

The Virginia case decides only the rather close point as to the construction of the National Bank Act. Its chief interest lies in the fact that the court seems to assume that in the Worchester County National Bank case the right of the national bank to continue to administer the estate was undisputed and the only question was whether or not it would be compelled to go through the formality of a requalification. The decision, however, is also interesting if any attempt is made to amend the national banking laws so as to counteract the Worchester County National Bank decision. If any such amendment is made, it might be advisable to cover the distinction which

X-6669

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

-2-

July 29, 1930

the court has observed between a succession to an existing power and the succession to a mere expectancy based upon the designation of an executor in the will of one who is still alive.

I have not enclosed a copy of the opinion because I am under the impression that you have the South Eastern Reporter in your library. If for any reason the opinion is not available to you, I can easily send you a copy.

Very truly yours,

(Signed)  
M. G. Wallace,  
Counsel.

MGW L

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6670

August 9, 1930.

SUBJECT: Cost of Printing Federal Reserve Notes.

Dear Sir:

The Federal Reserve Board has been advised by the Director of the Bureau of Engraving and Printing that because of wage increases which were granted to employees of the Bureau under the Brookhart Salary Act, approved on July 3, 1930, the cost of printing Federal reserve notes has been increased \$4.25 per thousand sheets. This increased cost, however, will be offset in the amount of \$1.30 per thousand sheets by a reduction in the cost of paper under the contract for the current fiscal year, making a net increase of \$2.95 per thousand sheets.

It was the intention of the Bureau of Engraving and Printing to make the new rate of \$92.45 per thousand sheets effective as of July 1, 1930, but through a misunderstanding at the Bureau, July deliveries were billed at \$92.43. The new rate will, therefore, be made effective as of August 1, 1930, and all deliveries after that date will be billed at the rate of \$92.45 per thousand sheets instead of at the rate of \$89.50 which was in effect up to the beginning of the current fiscal year.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

To Governors of all F. R. Banks.

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA  
FOURTH DIVISION.

At Law No. 2225

John Hirning, as Receiver of the )  
Farmers National Bank, of Brookings, )  
South Dakota, a corporation )  
) )  
Plaintiff, )  
) )  
vs. ) )  
) )  
The Federal Reserve Bank of Minneapolis, )  
Minnesota, a corporation, )  
) )  
Defendant. )

DECISION

This cause came on to be tried before the Court without a jury on the 15th day of March, 1930.

Miss F. M. Selander, of Minneapolis, Minnesota, and Messrs. Hall & Eiden, of Brookings, South Dakota, appeared for the plaintiff;

and

Mr. A. Ueland and Mr. Sigurd Ueland, of Minneapolis, Minnesota, for the defendant.

This is a suit to recover \$21,355.82, the amount of two remittances sent by the Farmers National Bank, of Brookings, South Dakota, to the defendant on the 16th and 17th days of November, 1926, which it is alleged constituted an unlawful preference under Sec. 91, Title 12, U.S.C.A.

The Reserve Bank, as a clearing house and agent for its member banks, received on November 13, 1926, for collection, checks on the Farmers National Bank of Brookings to the amount of \$22,114.22, and on November 15th similar checks to the amount of \$15,020.88. On those days it mailed cash letters, being the checks referred to, to the Brookings Bank for collection and remittance. Under its rules, the Reserve Bank was agent for the forwarding banks, with the right to send the checks to the Brookings Bank for collection and to receive money or drafts therefor. The Reserve Bank granted provisional credits to the forwarding banks on their reserve accounts for the checks, but retained the right to reverse the credits if the checks were not paid. Of the checks sent to the Brookings Bank, it accepted \$22,059.11 of those included in the

cash letter of the 13th, and \$14,880.86 of those included in the cash letter of the 15th. The checks were not actually charged to the accounts of its depositors until November 18th, when the bank was in charge of a National Bank Examiner. On the 16th of November, the Brookings Bank sent two drafts to cover these cash letters to the Reserve Bank, in which the Reserve Bank was named as drawee. The reserve account of the Brookings Bank in the Reserve Bank was not large enough to take care of the drafts. For the purpose of providing sufficient funds therefor, it sent to the Reserve Bank, on the evening of the 16th, checks, for collection and credit, drawn by others on other banks to the amount of \$10,029.07, on which the Reserve Bank collected \$8,355.82, which was credited to the reserve account of the Brookings Bank. It also remitted to the Reserve Bank, on November 17th, \$13,000 in currency, which was also credited to its reserve account. The \$13,000 in currency was actually mailed after a resolution of the Board of Directors of the Brookings Bank, closing the bank, had been adopted on the evening of November 16th. The Brookings Bank closed its doors so far as the transaction of ordinary Banking business was concerned, at 4:00 P. M. on the 16th. While there is some uncertainty as to the time of the adoption of the resolution and the mailing of the checks, I find that the \$10,029.07 of checks was also mailed after the adoption of the resolution closing the bank, that the bank was then insolvent, and that both remittances were made "in contemplation of insolvency". See *Ball v. German Bank*, 187 Fed. 750. It was determined, however, during banking hours on the 16th, to send the remittances. While the condition of the bank was substantially the same for several days prior to the adoption of the resolution, it is apparent that the determination to close it by those responsible for its conduct did not occur until the evening of the 16th. At that time it was evidently determined that it was impractical to borrow sufficient funds to keep the bank open and that lack of public confidence in the bank made it advisable to close its doors. Some eighteen banks had recently failed in Brookings County, three of them in the City of Brookings, and a rapid decline in deposits shortly before the bank closed indicated a dark future for it even if it was able to secure the necessary funds to continue in business.

On the morning of the 17th, the Reserve Bank was notified that the Brookings Bank had closed, but that sufficient funds had been sent to the Reserve Bank to take care of its cash letters. The Reserve Bank did not charge up the drafts drawn by the Brookings Bank to its reserve account, but reversed the credits given to the forwarding banks, notifying them that if permitted to charge up the drafts, it would later give them credit. On January 27, 1927, relying upon advice of counsel, a letter from the then receiver, and a letter from J. E. Fouts, Assistant Supervising Receiver, Division of Insolvent National Banks, which letters were construed as granting permission to charge the drafts to the reserve account, the Reserve Bank did charge them to that account, and credited the forwarding banks with the amount of the checks contained in the cash letters of November 13th and 15th. Then followed this suit by the present receiver to recover the remittances.

The receiver claims that the Reserve Bank was a creditor; that in making the remittances the Brookings Bank intended to prefer the Reserve Bank as a creditor and to prevent a ratable application of the assets of the Brookings Bank to the payment of its debts as provided by law. All of this the Reserve Bank denies.



The question presented is one about which there can be and is a difference of opinion. I do not find that this exact situation has ever been presented to a Federal court. It is obvious that if the Reserve Bank was a creditor of the Brookings Bank at the time these remittances were made, the receiver should prevail. *Ball v. German Bank, supra.*

It is clear that the Reserve Bank was not originally a creditor of the Brookings Bank; that it was a mere agent for the forwarding banks, responsible only for its own negligence. *Federal Reserve Bank of Richmond v. Early, 30 F. (2d) 198; Early, Receiver, v. Federal Reserve Bank of Richmond, 281, U.S. 84.* The Reserve Bank did not own the checks which constituted the cash letters and it was a matter of indifference to it whether the checks were paid or not.

The receiver claims that the Reserve Bank became a creditor when it accepted the drafts or, at any rate, when it charged them up to the reserve account of the Brookings Bank. I am unable to see that the relation which it bore to the Brookings Bank originally was ever changed. It was at all times acting on behalf of its principals, the forwarding banks, as their agent, and, under the rules which governed its operations, it had the authority to send the checks to the Brookings Bank for collection and take drafts which were sent in payment therefor. As agent, it was authorized to appoint the Brookings Bank as agent to collect from itself these checks, and to require the Brookings Bank to account for the checks or their proceeds. The agreement of the Brookings Bank was to remit for such checks as it accepted or collected. It was the agent of the Reserve Bank for that purpose. If it was to charge them to the accounts of its depositors, its duty was to remit for them in cash or its equivalent. It was not the debtor of the Reserve Bank for the amount of those checks, but, if it accepted them, its position was that of an agent who had received money or its equivalent for his principal and which in equity belonged to the principal. If the Brookings Bank had used these checks for its own purposes, without accounting for them, it would have been guilty of conversion. If, instead of charging the checks to the accounts of its depositors, it had collected the checks in cash from them, that cash would have belonged to the Reserve Bank, and if it had been mingled with the other cash of the bank, the receiver could have been required to pay it over on the theory that the cash was impressed with a trust to the extent of the amount for which the Brookings Bank should have accounted. The liability of the Brookings Bank to account became absolute upon the acceptance of the checks. Quoting from *Federal Reserve Bank of Richmond v. Early, supra, --(30 F.(2d) 199):*

"The only question that can arise is: When does this right of the owners of the checks become fixed, so as to constitute it a charge upon the reserve balance? We think that it becomes so fixed when the drawee bank, either unequivocally accepts the checks, as in this case, or, by failing to return them promptly, becomes chargeable with them under the terms of the agreement."

It has been held by the Supreme Court of Virginia, in *Federal Reserve Bank of Richmond v. Bohannon, 127 S.E. 161, (following Federal Reserve Bank of Richmond v. Prince Edward-Lunenburg County Bank, 139 Va. 45, 123 S.E. 379, 32 Va. Appeals 152)* that a Reserve Bank which has received an uncollectible draft as a remittance for a cash letter has a lien upon the cash in the vaults of the bank for the amount of the draft, which it can enforce against a receiver.

If those decisions are correct, the Reserve Bank could have collected from the receiver an amount sufficient to make the drafts which it had received from the Brookings Bank good, even if no remittances had been made.

While it is apparent that the managing officers of the Brookings Bank, during banking hours on the 16th day of November, realized the probability that the bank would not re-open the following day -- which, no doubt, was the reason for sending drafts to the Reserve Bank drawn on it rather than on other banks -- the bank had accepted the checks sent to it as agent for collection. It intended to account for the collection of the checks by sending sufficient cash and cash items to the Reserve Bank to take care of the drafts. Prior to the adoption of the resolution closing the bank, it segregated from its assets the cash and cash items to be sent to the Reserve Bank.

My conclusion is that the receiver can not recover in this case, even though these remittances were made in contemplation of insolvency, first, because the Reserve Bank was never a creditor of the Brookings Bank, and the only relation which ever existed between the two was that of principal and agent; second, because the rights of the general creditors of the Brookings Bank were in no way affected by the remittances, for the reason that the Reserve Bank, as principal, could have impressed a trust upon the cash and cash items segregated from the other cash of the bank, or, if it should be held that that was not a sufficient designation of the specific property to make good the drafts, then upon so much of the bank's general cash as was necessary to make the drafts good.

Finding the facts and the law to be as above stated, my conclusion is that the defendant is entitled to a judgment of dismissal. Let judgment be entered accordingly.

The plaintiff is allowed an exception to the denial of his motion for judgment in his favor, made upon the sole ground that the evidence will support no other conclusion.

Dated this 28th day of July, 1930.

John B. Sanborn  
U.S. District Judge.

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

August 6, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of St. Louis has established a rediscount rate of  $3\frac{1}{2}\%$  on all classes of paper of all maturities, effective August 7, 1930.

x-6674

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 6:00 P. M.

August 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of San Francisco has established a rediscount rate of  $3\frac{1}{2}\%$  on all classes of paper of all maturities, effective August 8, 1930.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6675

August 13, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6675-a and X-6675-b, covering in detail operations of the main line, Leased Wire System, during the month of July, 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 JULY, 1930.

X-6675-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   | 29,756                     | 2,441  | 32,197                            | 3.53                              |
| New York   | 126,748                    | -  | 126,748                           | 13.88                             |
| Philadelphia   | 32,441                     | 1,074  | 33,515                            | 3.67                              |
| Cleveland  | 90,202                     | 2,174  | 92,376                            | 10.12                             |
| Richmond   | 56,185                     | 2,092  | 58,277                            | 6.38                              |
| Atlanta  | 62,476                     | 7,509  | 69,985                            | 7.66                              |
| Chicago  | 106,019                    | 3,072  | 109,091                           | 11.95                             |
| St. Louis  | 80,585                     | 2,484  | 83,069                            | 9.10                              |
| Minneapolis  | 35,794                     | 2,881  | 38,675                            | 4.24                              |
| Kansas City  | 79,805                     | 2,189  | 81,994                            | 8.98                              |
| Dallas   | 65,981                     | 8,739  | 74,720                            | 8.18                              |
| San Francisco  | 109,044                    | 3,396  | 112,440                           | 12.31                             |
| Total  | 875,036                    | 38,051   | 913,087                           | 100.00                            |
| F. R. Board business . . . . .                               |                            |  | 289,149                           | 1,202,236                         |
| Treasury Department business Incoming and Outgoing . . . . . |                            |  |                                   | 68,894                            |
| Total words transmitted over main lines . . . . .            |                            |  |                                   | 1,271,130                         |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6675-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, JULY, 1930.

X-6675-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          | \$ 806.37                        | \$ 260.00         | \$ 546.37                        |
| New York              | 1,204.14            | -                   | -                   | 1,204.14           | 3,170.64                         | 1,204.14          | 1,966.50                         |
| Philadelphia          | 225.00              | -                   | -                   | 225.00             | 838.35                           | 225.00            | 613.35                           |
| Cleveland             | 306.66              | -                   | -                   | 306.66             | 2,311.73                         | 306.66            | 2,005.07                         |
| Richmond              | 232.00              | -                   | 230.00(&)           | 462.00             | 1,457.40                         | 462.00            | 995.40                           |
| Atlanta               | 270.00              | -                   | -                   | 270.00             | 1,749.79                         | 270.00            | 1,479.79                         |
| Chicago               | 4,439.31(#)         | -                   | -                   | 4,439.31           | 2,729.76                         | 4,439.31          | 1,709.55(*)                      |
| St. Louis             | 195.00              | -                   | -                   | 195.00             | 2,078.73                         | 195.00            | 1,883.73                         |
| Minneapolis           | 258.05              | -                   | -                   | 258.05             | 968.55                           | 258.05            | 710.50                           |
| Kansas City           | 287.50              | -                   | -                   | 287.50             | 2,051.32                         | 287.50            | 1,763.82                         |
| Dallas                | 251.00              | -                   | -                   | 251.00             | 1,868.57                         | 251.00            | 1,617.57                         |
| San Francisco         | 380.00              | -                   | -                   | 380.00             | 2,812.00                         | 380.00            | 2,432.00                         |
| Federal Reserve Board | -                   | -                   | 15,613.58           | 15,613.58          | -                                | -                 | -                                |
| <b>Total</b>          | <b>\$8,308.66</b>   | <b>\$ -</b>         | <b>\$ 15,843.58</b> | <b>\$24,152.24</b> | <b>\$22,843.21</b>               | <b>\$8,538.66</b> | <b>\$16,014.10</b>               |
|                       |                     |                     |                     | <u>1,309.03(a)</u> |                                  |                   | <u>1,709.55(b)</u>               |
|                       |                     |                     |                     | <b>\$22,843.21</b> |                                  |                   | <b>\$14,304.55</b>               |

(&) Main line rental, Richmond-Washington.

(#) Includes salaries of Washington operators.

(\*) Credit.

(a) Received \$1,309.03 from Treasury Department covering business for the month of July, 1930.

(b) Amount reimbursable to Chicago.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6677

August 14, 1930.

SUBJECT: Changes in Inter-District Time Schedule.

Dear Sir:

Upon agreement between the Federal reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedule:

|                  |                   |                       |
|------------------|-------------------|-----------------------|
| From Boston      | to Dallas         | From 4 days to 3 days |
| From Dallas      | to Kansas City    | From 2 days to 1 day  |
| From Dallas      | to Memphis        | From 2 days to 1 day  |
| From Dallas      | to Charlotte      | From 3 days to 2 days |
| From Dallas      | to Detroit        | From 3 days to 2 days |
| From Dallas      | to Pittsburgh     | From 3 days to 2 days |
| From Dallas      | to Boston         | From 4 days to 3 days |
| From Dallas      | to Helena         | From 4 days to 3 days |
| From Dallas      | to New Orleans    | From 2 days to 1 day  |
| From Houston     | to Jacksonville   | From 3 days to 2 days |
| From San Antonio | to Birmingham     | From 3 days to 2 days |
| From San Antonio | to Nashville      | From 3 days to 2 days |
| From Dallas      | to Salt Lake City | From 4 days to 3 days |
| From Dallas      | to Portland       | From 5 days to 4 days |
| From Dallas      | to Seattle        | From 5 days to 4 days |
| From Dallas      | to Spokane        | From 5 days to 4 days |
| From Houston     | to Seattle        | From 6 days to 5 days |

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.



COURT OF APPEALS OF NEW YORK,  
(254 N.Y. 218)  
Decided July 8, 1930.

WILLIAM A. CARSON and Others, as  
Trustees in Bankruptcy of LEONARD  
S. ZARTMAN and ELLA S. ZARTMAN,  
Individually and as Copartners,  
Doing Business under the Firm  
Name of G. E. ZARTMAN & COMPANY,  
Appellants,

v.

FEDERAL RESERVE BANK of NEW YORK,  
Respondent.

APPEAL from a judgment of the Appellate Division in the fourth  
judicial department reversing a judgment of the Trial Term  
entered on a verdict of a jury in favor of the plaintiffs and  
dismissing the complaint.

ARTHUR E. SUTHERLAND for appellants.

COLIN McLENNAN for respondent.

CARDOZO, Ch. J.

Trustees in bankruptcy are seeking to recapture moneys collected  
by the defendant, a Federal Reserve bank, with notice that a preference  
among creditors might be an effect of the collection.

G. E. Zartman & Company were engaged for many years in the  
business of private bankers at Waterloo, New York. On May 16 and 17, 1927,  
there came into the possession of the defendant, the Federal Reserve Bank  
in the Second Federal Reserve District, 157 checks drawn on the Zartman  
bank for sums amounting in the aggregate to \$15,271.56. These checks,  
drawn by Zartman depositors in favor of various payees, had been indorsed  
by the payees to banks, thirty-seven in number, members of the Federal  
Reserve banking system, and by these indorsed and transmitted to the  
defendant. The indorsements by the member banks show diversities of  
form, some being simply to the order of the Federal Reserve Bank of New  
York, some to the order of any bank, banker or trust company, some to the  
order of any bank or banker, and some to the order of any Federal Reserve  
bank. Accompanying the checks, when received by the defendant, were  
letters of remittance. In these the member banks gave notice to the  
defendant that the checks were inclosed "for credit," or, more commonly,  
for "collection and credit," "collection and return," or "collection and  
remittance." The defendant pursuant to this mandate caused the checks to  
be presented for payment to the Zartman bank, the drawee named therein.

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In response to this demand, it received two drafts, one for \$8,699.25, the other for \$6,572.27, drawn by the Zartman bank in Waterloo upon the American Exchange Irving Trust Company of New York. These drafts, received by the defendant on May 18 and 19, were presented to the trust company for payment on May 20 and again on May 21. On each presentation payment was refused on the ground that the drafts had been drawn by Zartman against uncollected funds. Thereupon, on May 23, the defendant's manager went to Waterloo and made demand upon Zartman that the drafts be paid in cash. There is no occasion to recite the conversation that ensued. Enough for present purposes that what was said might reasonably be found by the triers of the facts to have been notice to the manager that Zartman was insolvent. After a delay of a few hours there was paid to the defendant in cash the sum of \$10,363.93. The following day, May 24, the doors of the Zartman bank were closed for business, and have never been reopened. A petition in bankruptcy, filed on June 27, was followed by an adjudication of bankruptcy and the appointment of trustees. The trustees are suing to recover the cash paid to the defendant on May 23 as a voidable preference under the provisions of the Federal statute.

We turn back at this point to state the defendant's use of the proceeds of collections. Each of the member banks had an account with the defendant, an account exacted by the statute (Federal Reserve Act, 38 U. S. Stat. pp. 251, 270, § 19) as one of the incidents of membership. These accounts were credited on May 19 and 20 with the amount of the Zartman drafts, i. e., the drafts drawn on the trust company, which were supposed, when received by the defendant, to be equivalent to cash. As soon as notice came that these drafts had been dishonored, the entry was reversed. Later, on May 31, the credit was re-established to the extent of \$10,363.93, the cash payment then in hand, each of the thirty-seven banks being allotted its appropriate share. Before the bankruptcy petition, the banks had withdrawn from their deposit accounts in the usual course of business moneys equal to the balances in their favor at the date of the contested credits, though they had also made new deposits which kept the daily balances at a level nearly uniform. If the first payments out of the accounts be appropriated to the first receipts, all moneys collected from the bankrupts had been remitted by the defendant to the thirty-seven member banks, its correspondents and depositors.

The trial judge left it to the jury to say whether the collections had been made by the defendant as agent or as owner. The jury found for the plaintiff, thus holding by their verdict that the collection was as owner. The Appellate Division held as a matter of law that the collection was as agent, basing its holding in large degree upon an agreement yet to be considered between the defendant and its members. The collection having been made as agent, the conclusion was thought to follow that the agent was not liable since it had settled with its principals before the right of reclamation had been perfected by the bankruptcy.

We think the defendant was an agent and not an owner in its

receipt of the Zartman drafts and the substituted moneys. How the 157 checks were indorsed by the payees when deposited with the member banks, the record does not tell us. The problem to be solved, however, is: not one as to the relation between the member banks and their depositors. It is a problem as to the relation between those banks and the defendant. We assume that the form of the indorsements, if not qualified by agreement, would have passed to the defendant such title, if any, as belonged to the indorsers (Federal Reserve Bank v. Malloy, 264 U. S. 160, 164; City of Douglas v. Federal Reserve Bank, 271 U. S. 489; Equitable Trust Co. v. Rochling, 275 U. S. 248; Heinrich v. First Nat. Bank, 219 N. Y. 1). An agreement, however, is in existence, the terms thereof prescribed by regulations adopted by the Federal Reserve Board under authority conferred by the provisions of the statute. We must look to this agreement to discover the relation between the defendant and its members in the process of collection.

By the Federal Reserve Act, as first enacted in 1913, a reserve bank was authorized to collect only those checks which were drawn on member banks and which were deposited by a member bank or another reserve bank or the United States (Farmers Bank v. Federal Reserve Bank, 262 U. S. 649, 654). Even then, however, the regulations of the Board provided: "In handling items for member banks, a Federal Reserve Bank will act as agent only" (Circular No. 1 of 1916, Federal Reserve Board Report of 1916, p. 153, note; Federal Reserve Bulletin, May, 1916, pp. 259, 260). The statute was amended in September, 1916 (§ 13) (39 Stat. 752), so as to authorize a reserve bank to receive for collection from any member checks drawn on non-member banks located in the district. The Board renewed its order that the relation should be one of agency (Regulation J, subd. 7, Federal Reserve Board, Report of 1916, p. 171). In 1917 the statute was again amended, this time by a provision that "solely for the purposes of exchange or of collection," a reserve bank may receive from a non-member bank or trust company checks payable upon presentation, upon condition that such non-member bank or trust company maintain an adequate balance with the reserve bank of its district (Act of June 21, 1917, ch. 32, § 4; 40 Stat. 232, 234; cf. 262 U. S. at p. 655). Collections were thus permissible both for members and for non-members.

In the setting of this statute, Regulation J (series of 1924) was adopted by the Board, and is now to be construed. It recites (in terms substantially the same as those of earlier regulations) that the Board, "desiring to afford both to the public and to the various banks of the country a direct, expeditious and economical system of check collection and settlement of balances, has arranged to have each Federal reserve bank exercise the functions of a clearing house and collect checks for such of its member banks as desire to avail themselves of its privileges," to which is added a recital that like privileges will be afforded to non-member banks and trust companies qualifying in certain ways. It then proceeds to a statement of the terms and conditions on which business may be done. "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

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Federal reserve bank 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." Among the terms and conditions thus prescribed are these: "A Federal reserve bank will act only as agent of the bank from which it receives such checks." "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 forward them "to another agent." "A Federal reserve bank may \* \* \* at its option, either directly or through an agent, accept \* \* \* bank drafts \* \* \* in lieu of cash," without being liable for any loss thereby resulting. "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." Finally each Federal Reserve bank may promulgate its own regulations, not inconsistent with law or with the regulations of the Board, and such regulations shall be binding upon member and non-member banks availing of its privileges.

Pursuant to the authority thus conferred, the defendant made its own regulations (circular No. 728, July 1, 1926), reaffirming the regulations adopted by the Board and supplementing them by others. One of the supplemental rules prescribes the period that shall elapse before any credit shall be allowed, either provisional or final, for checks sent in by members. Credit may be given at once in what is known as a deferred account, not subject to be drawn on, but there is to be no credit in the reserve account until "the appropriate time indicated on the current time schedule has elapsed," though even upon entry in that account, "credit and availability are in all instances subject to \* \* \* actual receipt of payment." The time schedule thus referred to is based upon the average mailing time required for items to reach the paying bank, plus the time required for the paying bank to remit to the defendant. Another supplemental rule gives notice to member banks and others that defendant will handle checks as cash items only in accordance with uniform instruction therein set forth, and that "any contrary or special instructions noted on cash letters or attached to checks will be disregarded." Another rule prescribes the form of the indorsement to be adhered to by transmitting banks, whether members or non-members. The indorsement must be "without restriction to the order of the Federal Reserve Bank of New York or to the order of any bank, banker, or trust company with all prior indorsements guaranteed." This form is necessary, as has been stated, whether the checks transmitted to the defendant are from members or non-members, though the statute is explicit to the effect that there shall be no power in a reserve bank to handle checks for non-members except "solely for the purposes of exchange or of collection" (Federal Reserve Bank Act, § 13, amendment of 1917, § 4). Plainly, then, the form of the indorsement was not conceived of as involving a departure from the mandate of the statute. Plainly, too, it was not conceived of as inconsistent with the regulations

and the circular whereby checks received from any bank are to be handled by the reserve banks in the capacity of agents only. The same circular and regulations that prescribe the form of the indorsement establish the practice and the agreement to receive the checks as agent, and give notice to transmitting banks that the terms thus established shall be exclusive of any others.

The inference of ownership that follows in most cases from an unqualified indorsement is one dependent upon intention. It may be overborne by agreement to the contrary, whether the evidence of agreement be direct or circumstantial (Federal Reserve Bank v. Malloy, supra, at p. 164). Direct as well as circumstantial is the evidence before us. The regulations of the Board, reinforced by the defendant's circular, and assented to by the transmitting banks, are equivalent to an express agreement that as between the defendant and the other banks the relation engendered by the receipt of uncollected paper shall be an agency and nothing more. The agreement is confirmed by "the underlying purposes and policies of the Federal reserve system" (per CROUCH, J., in the court below), by the place of the reserve banks in the distribution of banking functions as conceived and developed by the framers of the statute. There is no token of a purpose to burden clearance and collection with the responsibilities of ownership.

The argument is made that a distinction is to be drawn between collection for the member banks and collection for the use of others. The regulations and the circular do not express such a distinction; if it is to be made, it must be interpolated by a process of construction. We are told that what is said in the rules as to the existence of an agency had its origin in an attempted adaptation of the structure of the system to the necessities of the new business made possible in 1917 through the amendment of the statute. Till then, collections by a reserve bank were always for the account of member banks, for whom it was also at liberty to receive checks or moneys for deposit. Since then, there may also be collections for the convenience of non-members. To these and to these only, we are told, the regulation and the circular were intended to apply. The history, statutory and administrative, of the Federal Reserve system teaches a different lesson. There is no connection, temporal or causal, between the genesis of the rule that the relation shall be one of agency and the enlargement of the field of business following the amendment of the statute. Long before there was power to make clearances or collections for banks not members of the system, there was already a statement in the rules that in the handling of checks and drafts when forwarded by members, the reserve banks were to be deemed to act in the capacity of agents only. Amendments of the rules have restrained responsibility still farther by adding a provision that the agency shall be one for the forwarding bank, and not for any other, thereby excluding an attempt to convert it into an agency for the payees of the checks, the original depositors (Federal Reserve Bank v. Malloy, supra; City of Douglas v. Federal Reserve Bank, supra). From the beginning, however, the relation has been classified as agency, not ownership. A classification so explicit may not be held to have been

neutralized by the terms of the "cash letters," with their varying declarations that the checks are inclosed for "credit," or for "collection and credit," or for "collection and remittance" (cf. Bank of America v. Waydell, 187 N. Y. 115, 120). By express provision of the defendant's circular the letters must be disregarded if inconsistent with the uniform practice established by the circular and by the regulations of the Board behind it. There and nowhere else, least of all in a perfunctory notice of remittance embodied in a printed form, the agreement governing the relation has its final and complete expression.

If the defendant was an agent in the receipt of the Zartman drafts and the substituted moneys, the question must still be met whether its liability was enlarged by any of its acts thereafter. We must say whether the agent became subject to the liability of an owner when instead of remitting the proceeds of collection directly to its principals, it put the proceeds to their credit in an ordinary deposit account, thereby turning the relation from one of agency into one of creditor and debtor. In effect, the situation was then the same as if the defendant, receiving the money in the capacity of agent, had handed it over to the principals, and had received it back at once to be retained as a deposit (Commercial Bank of Penn. v. Armstrong, 148 U. S. 50, 58, 59; Marine Bank v. Fulton Bank, 2 Wall. (U.S.) 252; Evansville Bank v. German American Bank, 155 U. S. 556; National B. & D. Bank v. Hubbell, 117 N. Y. 384, 396; Langley v. Warner, 3 N. Y. 327, 329). We think the new relation did not take from the defendant the protection of the rule that money paid to an agent, and lawfully accepted, may not thereafter be reclaimed by one who has made the payment with notice of the agency, if before the attempted reclamation the agent in good faith has settled with the principal (National Park Bank v. Seaboard Bank, 114 N. Y. 28; National City Bank v. Westcott, 118 N. Y. 468, 473, 474; Hooper v. Robinson, 98 U. S. 528; Buller v. Harrison, 1 Cowper, 565). True, indeed, it is that the settlement sufficient to call this precept into play must be actual and not constructive (Buller v. Harrison, *supra*; Mowatt v. McLelan, 1 Wend. 173, 178; La Farge v. Kneeland, 7 Cow. 456, 460). If all that the agent has done is to agree with the principal that the fund, still intact, shall be held thereafter as a debtor, he is not subjected to any loss if directed to make restitution out of the moneys thus retained (cf. La Farge v. Kneeland and Mowatt v. McLelan, *supra*). On the other hand, when once the fund has been depleted by payment of the debt, the situation becomes the same as if the payment to the principal had been made at the beginning. The agent is no better, off by reason of the new relation, but even if no better, he is equally no worse.

As to this aspect of the case, the ruling in National Park Bank v. Seaboard Bank (*supra*) is a precedent so nearly identical that it must be accepted as decisive. There the Seaboard Bank received a check for collection as agent for the Eldred Bank and upon receipt of the proceeds gave notice to its principal in accordance with a course of dealing that the proceeds had been credited in an account current between them on which drafts from time to time were drawn as on an ordinary account between a bank and a depositor. There can be no question that the collecting bank,

after the giving of this notice, was at liberty to use the proceeds with all the freedom of an owner, discharged of any duty to remit in specie to the principal (cf. Commercial Bank of Penn. v. Armstrong, supra; Marine Bank v. Fulton Bank, supra). Even so, the ruling was that it could no longer be held to restitution at the suit of the drawee bank after the drafts on the account current had exhausted the credit balance existing at the time of the collection. To determine whether the balance had been used up, the court applied the rule in Clayton's Case (1 Meriv. 572, 604, 608) whereby "the successive payments and credits" are to be appropriated "in discharge of the items of debt antecedently due in the order of time in which they stand in the account," the first payments out extinguishing the first payments in. There are many other cases, State and Federal, enforcing a like rule (Allen v. Culver, 3 Denio, 284, 293; Thompson v. St. Nicholas Nat. Bank, 113 N. Y. 325, 333; Delaware Dredging Co. v. Tucker Co., 25 Fed. Rep. (2d) 44, 46; Cory Bros. & Co. v. Owners of S. S. Mecca, 1897 A. C. 286, 288; Deeloy v. Lloyd's Bank, Ltd., 1912 A. C. 756, 783; Matter of Stenning, (1895) 2 Ch. 433). We have no thought to suggest that this or any other formula as to the application of payments to the items of an account is of such inflexible validity as to admit of no exceptions. Whatever rule is framed will be subordinated to the broader principle that an application, usually appropriate, may be varied by the court when variance is necessary to promote the ends of justice (Korbly v. Springfield Inst. for Savings, 245 U. S. 330; Lichtenstein v. Grossman Constr. Corp., 248 N. Y. 390; Matter of Hallett's Estate, 13 Ch. Div. 696; Cunningham v. Brown, 265 U. S. 1, 12, 13). None the less, the formula is expressive of a rule that must prevail in the absence of persuasive reasons for qualification or exception. We cannot fairly say that justice will be thwarted if the rule is followed here. The principals are solvent banks, and the trustees are at liberty to pursue the moneys in their hands (Matter of Hill Co., 130 Fed. Rep. 315, 318). At least, if there is any obstacle, there is nothing in the record to tell us what it is. No obvious requirement of policy or justice exacts the suspension or abandonment of an established rule of law to the end that collection from an agent may take the place of an existing and sufficient remedy by suit against the principals.

Passing, then, from the question of the application of payments, we come back to the inquiry whether the immunity of the agent is lost or impaired when the proceeds of the collection, instead of being remitted to the principal at once, are retained as a deposit and remitted later on. What was held on that subject in the case of the Seaboard Bank has not been modified by anything decided since that time. National B. & D. Bank v. Hubbell (supra), with some analogies on the surface, is essentially dissimilar. The facts in the Hubbell case were these: Checks forwarded for collection had been placed when collected to the credit of a deposit account. Upon the failure of the bank, the depositor made claim to the proceeds in the hands of a receiver as if subject to a trust, though the entry in the deposit account had been made with its assent. The court held that the claim had been turned into a debt, and that the depositor must come in and share with the general creditors (cf. Latzko v. Equitable Trust Co., 275 U. S. 254). The point to be determined was the liability of

an agent to a principal, of a bank to its correspondent, after the termination of the agency. No question was involved as to its liability to a third person, the drawee of the checks, seeking restitution after the agent and the principal had made a settlement between themselves.

We conclude, as in the Seaboard case, that the defendant did not enlarge its liability to the representatives of the bankrupts when, after collection was complete, it transformed its relation to the forwarders from agency to debt. Legal concepts will not be strained to relieve an agent of liability by force of a settlement that is merely formal or constructive, but by the same token they will not be strained against him to charge him with liability. In a formal or constructive sense, the defendant, acting as agent, settled with its principals when by the entries in its books in accordance with the course of dealing it gave up the moneys received by it as agent and took them back as debtor. Such a settlement will not halt the pursuit and relieve from liability while the fund is still intact. It will not open the door to enable the pursuit to be continued when the fund has been disbursed.

We have said that the money was lawfully collected by the agent and was paid by the drawee with notice of the agency. Lawful the collection was at the moment of the making, though the agent in collecting had cause to believe that the effect of the payment would be a preference among creditors. The statute does not say that one who accepts a payment from a debtor believed to be insolvent is guilty of a fraud (Van Iderstine v. National Discount Co., 227 U. S. 575, 582; Wilson v. Mitchell Woodbury Co., 214 Mass. 514, 519; Grandison v. Robertson, 231 Fed. Rep. 785, 788). A payment so made is not even voidable thereafter unless a petition in bankruptcy follows within four months. If that interval elapses with bankruptcy postponed, the preference, however dubious in its making, is proof against assault. We may not hold in such conditions that the defendant by the mere acceptance of the money was guilty of a wrong, and so chargeable with liability if it did not keep the fund intact (Mechem on Agency, vol. 1, § § 1435, 1436). Before return became a duty, the money was paid out. If there was need of notice to the drawee that the drafts were collected by the defendant as agent and not as owner (Mechem, supra, § 1439; Holt v. Ross, 54 N. Y. 472; National City Bank v. Westcott, 118 N. Y. 468, 473; Canal Bank v. Bank of Albany, 1 Hill, 287; cf., however, Williston, on Contracts, vol. 3, § 1595, note), we think the notice was imparted by the regulations and the circulars, public and official documents, which, like the limitations of a corporate charter, were to be heeded by the world at large. But notice was unnecessary, if the defendant was not a creditor, for the right to avoid the preference is the creature of the statute, and the fact, not the supposition or fancy of the debtor, must tell us when the right exists.

We pass then to the final question, whether within the meaning of the Act of Congress a bank collecting a draft as agent, and not as owner (Matter of Hill Co., supra), is a creditor subject to a duty to make



restitution of a preference, though there has been remittance to its principal prior to the bankruptcy. There can be no answer without recalling the provisions of the statute.

Bankruptcy Act, section 60-b (Mason's U. S. Code, title 11, ch. 6, § 96) provides: "If a bankrupt shall \* \* \* have made a transfer of any of his property, and if, at the time of the transfer \* \* \* and \* \* \* within four months before the filing of the petition in bankruptcy \* \* \*, the bankrupt be insolvent, and \* \* \* the transfer then operate as a preference, and the person receiving it or to be benefited thereby, or his agent acting therein, shall then have reasonable cause to believe that the enforcement of such \* \* \* transfer would effect a preference, it shall be voidable by the trustee and he may recover the property or its value from such person."

One who accepts a preference not for his own account but as agent for a principal is not "the person receiving it or to be benefited thereby." To be sure, the principal is chargeable with notice imparted to the agent as to the financial condition of the debtor and the tendency of the payment to effect a preference. To be sure, also, the agent may be sued directly if the title is in his name and the subject of the transfer intact in his possession, just as suit might be brought in like conditions against any other trustee holding money or other property the fruits of an unlawful sale. The one who receives a preference, however, within the meaning of the statute, is the one who is preferred, and the one who is preferred is not the mere custodian or intermediary, but the creditor, present or contingent, who receives by virtue of the preference an excessive share of the estate. The statute does not intend, of course, that the form of the transaction shall be permitted to obscure realities. "To constitute a preference, it is not necessary that the transfer be made directly to the creditor. It may be made to another for his benefit" (National Bank of Newport v. National Herkimer County Bank, 225 U. S. 178, 184). This will happen, for example, if bankrupts make a transfer of their assets to a creditor of their own creditor, who is thus preferred to the same extent as if the transfer had been made to him directly (225 U. S. at p. 184). There has been no attempt in the decisions to catalogue forms of benefit and methods of evasion. No doubt the case supposed is typical of others. One thread of uniformity may be looked for, none the less, among all diversities of circumstance. The person to be charged with liability, if he has parted before the bankruptcy with title and possession, must have been more than a mere custodian, an intermediary or conduit between the bankrupt and the creditor. Directly or indirectly he must have had a beneficial interest in the preference to be avoided, the thing to be reclaimed. One will find an apposite illustration of the effect and meaning of the statute in the holding in Keystone Warehouse Co. v. Bissell (203 Fed. Rep. 652). The buyer of flour, intending to prefer the seller, made payments to a warehouseman who had notice of insolvency. The holding was that the warehouseman, who had remitted the payments to the seller, was not chargeable thereafter at the suit of the trustees. A possessory right or special

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property having its origin in the bailment may have given him capacity to maintain a suit for flour wrongfully withdrawn, but did not turn him into a creditor receiving directly or indirectly the benefit of a preference. Mercantile Trust Co. v. Schlafly (299 Fed. Rep. 202), much relied on by the plaintiffs, is not a holding to the contrary, for there the defendant to be charged, a trustee under a mortgage, had the moneys in its possession, the suit being brought before distribution among the bondholders (299 Fed. Rep. at p. 203). True, indeed, it is that the phraseology of the statute is inexact and ambiguous. Even so, a court will be cautious in imputing to the lawmakers a purpose to uproot the settled principles of the common law as to the effect of payment to an agent when followed by a settlement. All this is the more plainly true in view of the antithesis clearly marked upon the face of the enactment between the recipients of benefit, direct or indirect, who are the persons to be sued, and their agents in the business of the transfer, whose liability, if it exists, is secondary and incidental to the liability of others.

We find nothing inconsistent with these views in Marine Trust Co. v. Lauria (213 App. Div. 64; affd., 244 N. Y. 577) and Matter of Veler (249 Fed. Rep. 633). A bank to which a check is transferred by a restrictive indorsement for collection only may maintain an action on the check in its own name because section 67 of the Negotiable Instruments Law (Cons. Laws, ch. 38) says that it may (Marine Trust Co. v. Lauria, supra; cf. Hays v. Hathorn, 74 N. Y. 486; Spencer v. Standard C. & M. Corp., 237 N. Y. 479). This does not mean that it is owner for every purpose; indeed by the very hypothesis it is not owner, but collector. Whether it is privileged in like circumstances to maintain a petition in bankruptcy must be held to be still uncertain. The opinion in Matter of Veler (supra) deals with a case where there was more than a mere agency. The assignee had a title absolute on its face, though the motive of the assignment was to facilitate collection for the benefit of another. Motive without more may be insufficient to derogate from title (Sheridan v. Mayor, 68 N. Y. 30; Hays v. Hathorn, supra). But the right to sue, if it exists, does not mean of necessity that the suitor is reciprocally subject to a liability to be sued (Keystone Warehouse Co. v. Bissell, supra). We think the statute must be read in conformity with common-law analogies to exempt an agent or custodian from the duty to account for property or money, the subject of a preference, if before the coming of bankruptcy he has settled with his principal.

The judgment should be affirmed with costs.

POUND, CRANE, LEHMAN, KELLOGG, O'BRIEN and HUBBS, JJ., concur.

Judgment affirmed.

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.

August 14, 1930

The Federal Reserve Board announces that the Federal Reserve Bank of Kansas City has established a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective August 15, 1930.

# FEDERAL RESERVE BOARD

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WASHINGTON

X-6680

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 18, 1930.

Dear Sir:

I am advised that the Treasury Department has mailed to you a copy of the proposed revision of Treasury Department Circular No. 176 for criticism and comment, and I wish to bring to your attention the desirability of submitting your comments to the Treasury Department as promptly as possible. The check collection circulars of the Federal reserve banks, the uniform provisions of which are now in process of revision to accord with the changes in Regulation J effective September 1, contain certain provisions which depend upon provisions of Treasury Department Circular No. 176. The revision of the check collection circulars of the Federal reserve banks therefore must wait until circular No. 176 has been definitely and finally adopted. I understand from the Treasury Department that circular No. 176 can be adopted and promulgated as of September 1 if the comments from the Federal reserve banks are received promptly. You are requested, therefore, to submit such criticism and comment as you or your counsel may have regarding the revision of circular No. 176 to the Treasury Department at your earliest convenience.

Representatives of the Treasury Department discussed the proposed revision of Treasury Department Circular No. 176 with the Conference of Counsel of all Federal reserve banks held in Washington, D. C. on June 9 and 10, 1930, at which conference several members of the Standing Committee on Collections were present. No substantial difference of opinion developed between the Treasury Department and the Federal reserve bank counsel or members of the Standing Committee on Collections with reference to the provisions of the proposed revision of the circular, except as to Sections 35 and 37 (now Sections 32 and 34). As to these sections it was found impossible to reach an agreement and after some discussion it was decided that the Federal reserve banks would merely reserve the right to address letters to the Secretary of the Treasury stating their position with relation thereto if they should so desire.

Yours very truly,

R. A. Young,  
Governor.

X-6681

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

July 11 to 31, 1930.

|               | <u>\$5</u>     | <u>\$10</u>    | <u>\$20</u>    | <u>\$500</u> | <u>\$1000</u> | <u>\$5000</u> | <u>\$10000</u> | Total<br>Sheets  | Amount             |
|---------------|----------------|----------------|----------------|--------------|---------------|---------------|----------------|------------------|--------------------|
| Boston        | 70,000         | 50,000         | 10,000         | 200          | 200           | -             | -              | 130,400          | \$12,052.87        |
| New York      | 200,000        | 120,000        | 40,000         | 1,600        | 2,000         | -             | -              | 363,600          | 33,607.55          |
| Philadelphia  | 70,000         | 40,000         | 10,000         | 200          | 200           | -             | -              | 120,400          | 11,128.57          |
| Cleveland     | 60,000         | 30,000         | 20,000         | 300          | 200           | -             | -              | 110,500          | 10,213.52          |
| Richmond      | 40,000         | 20,000         | 10,000         | 200          | 200           | -             | -              | 70,400           | 6,507.07           |
| Atlanta       | 30,000         | 16,000         | 8,000          | 200          | 300           | 36            | 36             | 54,572           | 5,044.09           |
| Chicago       | -              | -              | -              | -            | -             | -             | -              | -                | -                  |
| St. Louis     | 20,000         | 10,000         | 4,000          | -            | -             | -             | -              | 34,000           | 3,142.62           |
| Minneapolis   | 20,000         | 10,000         | 4,000          | 100          | 100           | -             | -              | 34,200           | 3,161.11           |
| Kansas City   | 20,000         | 8,000          | 4,000          | 200          | 200           | -             | -              | 32,400           | 2,994.73           |
| Dallas        | 20,000         | 14,000         | 4,000          | 100          | 100           | -             | -              | 38,200           | 3,530.83           |
| San Francisco | 40,000         | 24,000         | 16,000         | 500          | 500           | 36            | 36             | 81,072           | 7,493.48           |
|               | <u>590,000</u> | <u>342,000</u> | <u>130,000</u> | <u>3,600</u> | <u>4,000</u>  | <u>72</u>     | <u>72</u>      | <u>1,069,744</u> | <u>\$98,876.44</u> |

1,069,744 sheets, @ \$92.43 per M, .....\$98,876.44

FOREIGN BRANCHES OF AMERICAN  
BANKING INSTITUTIONS

American Trust Company, San Francisco, Calif.

|         |          |        |
|---------|----------|--------|
| Branch: | England: | London |
|---------|----------|--------|

Bankers Trust Company, New York, N. Y.

|           |          |        |
|-----------|----------|--------|
| Branches: | France:  | Paris  |
|           | England: | London |

Chase National Bank, New York, N. Y.

|           |             |                      |
|-----------|-------------|----------------------|
| Branches: | Cuba:       | Havana               |
|           | England:    | London (two offices) |
|           | Panama:     | Panama City          |
|           | Canal Zone: | Cristobal            |

Empire Trust Company, New York, N. Y. (Non-Member)

|         |          |        |
|---------|----------|--------|
| Branch: | England: | London |
|---------|----------|--------|

First National Bank, Boston, Mass.

|           |            |                             |
|-----------|------------|-----------------------------|
| Branches: | Argentina: | Buenos Aires (four offices) |
|           | Cuba:      | Havana (three offices)      |
|           |            | Santiago                    |
|           |            | Cienfuegos                  |
|           |            | Sancti Spiritus             |

Guaranty Trust Company, New York, N. Y.

|           |          |                        |
|-----------|----------|------------------------|
| Branches: | England: | London (three offices) |
|           |          | Liverpool              |
|           | Belgium: | Antwerp                |
|           |          | Brussels               |
|           | France:  | Paris                  |
|           |          | Havre                  |

National City Bank of New York, New York, N. Y.

|           |            |                            |
|-----------|------------|----------------------------|
| Branches: | Argentina: | Buenos Aires (two offices) |
|           |            | Rosario                    |
|           | Belgium:   | Antwerp                    |
|           |            | Brussels                   |
|           | Brazil:    | Pernambuco                 |
|           |            | Rio de Janiero             |
|           |            | Santos                     |
|           |            | Sao Paulo                  |
|           | Chile:     | Santiago                   |
|           |            | Valparaiso                 |
|           | China:     | Canton                     |
|           |            | Dairen                     |
|           |            | Hankow                     |
|           |            | Harbin                     |
|           |            | Hongkong                   |

National City Bank of New York, New York, N. Y. (continued)

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|           |                     |  |
|-----------|---------------------|--|
| Branches: | China:              | Mukden, Manchuria<br>Peking<br>Shanghai<br>Tientsin  |
|           | Colombia:           | Bogota<br>Medellin<br>Cali   |
|           | Cuba:               | Caibarien<br>Camaguey<br>Cardenas<br>Ciego de Avila<br>Cienfuegos<br>Florida<br>Guantanamo<br>Havana (six offices)<br>City Branch<br>Belascoain<br>Galiano<br>Cuatro Caminos<br>La Lonja<br>Plaza de la Fraternidad<br><br>Holguin<br>Manzanillo<br>Matanzas<br>Moron<br>Nuevitas<br>Palma Soriana<br>Pinar del Rio<br>Remedios<br>Sagua la Grande<br>Sancti Spiritus<br>Santa Clara<br>Santiago |
|           | Dominican Republic: | Barahona<br>La Vega<br>Puerto Plata<br>San Pedro de Macoris<br>Santiago de Los Caballeros<br>Santo Domingo City  |
|           | England:            | London - City Branch<br>West End Branch (City Bank<br>Farmers Trust Co., 11 Water-<br>loo Place, Ltd., a British<br>Company handling trust oper-<br>ations only, entire stock<br>owned by National City Bank,<br>New York, is also at this<br>address)   |

National City Bank of New York, New York, N. Y. (continued)

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|           |                      |   |
|-----------|----------------------|---|
| Branches: | India:               | Bombay<br>Calcutta<br>Rangoon (Burma)                                     |
|           | Italy:               | Genoa<br>Milan  |
|           | Japan:               | Kobe<br>Tokyo<br>Yokohama<br>Osaka  |
|           | Mexico:              | Mexico City   |
|           | Panama:              | Colon<br>Panama   |
|           | Peru:                | Lima  |
|           | Philippine Islands:  | Manila<br>Cebu  |
|           | Porto Rico:          | Arecibo<br>Bayamon<br>Caguas<br>Mayaguez<br>Ponce<br>San Juan<br>Santurce |
|           | Straits Settlements: | Singapore   |
|           | Uruguay:             | Montevideo  |
|           | Venezuela:           | Caracas   |

BRANCHES OF FOREIGN BANKING CORPORATIONS OPERATING UNDER AGREEMENT WITH THE FEDERAL RESERVE BOARD OR UNDER EDGE ACT

Equitable Eastern Banking Corporation (Subsidiary of Chase National Bank, New York, N. Y.)

|           |        |                                  |
|-----------|--------|----------------------------------|
| Branches: | China: | Shanghai<br>Hongkong<br>Tientsin |
|-----------|--------|----------------------------------|

The Chase Bank, New York, N. Y. (Edge Act Corporation stock of which is owned by the Chase National Bank of New York.)

|         |                     |
|---------|---------------------|
| France: | Paris (two offices) |
| Mexico: | Mexico City         |



International Banking Corporation (Subsidiary of National City Bank of New York, N. Y.)

|           |          |   |
|-----------|----------|---|
| Branches: | England: | London  |
|           | Spain:   | Barcelona<br>Madrid   |
|           | France:  | International Banking Corporation owns stock of National City Bank of New York, France, S. A., operating branches at:<br>Paris (two offices)<br>Nice  |
|           | Haiti:   | Bank of Haiti, Inc., subsidiary of the International Banking Corporation, holds stock of Banque Nationale de la Republique d'Haiti, operating at the following points in the Republic of Haiti.<br>Port au Prince (Head Office)<br>Aux Cayes<br>Cape Haitian<br>Gonaives<br>Jacmel<br>Jeremie<br>Petit Goave<br>Port de Paix<br>St. Marc<br>Aquin (Agency)<br>Miragoane (Agency)<br>Fort Liberte (Agency) |

Federal Reserve Board,  
September 6, 1930.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6683

August 20, 1930.

SUBJECT: Holidays During September, 1930.

Dear Sir:

On Monday, September 1st, Labor Day, there will be neither Gold Fund nor Federal Reserve Note clearing, and the books of the Board will be closed.

In addition to the Labor Day holiday, the following Banks and Branches will observe holidays during the month of September:

Tuesday, September 9, San Francisco, (Admission  
Los Angeles ( Day

Friday, " 12, Baltimore Defenders'  
Day

Therefore, on the dates indicated the offices affected will not participate in either of the clearings. Please include your credits for the Banks affected on each of the holidays with your credits for the following business day, and make no shipment of Federal Reserve notes for account of the Federal Reserve Bank of San Francisco on Tuesday, September 9th.

Please notify Branches.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

# FEDERAL RESERVE BOARD

123

WASHINGTON

X-6684

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 20, 1930.

Dear Sir:

I enclose for your information, (1) A copy of the official print of Regulation J as amended effective September 1, (2) A copy of a letter addressed by Governor Young to the Governors of all Federal reserve banks on August 14, calling attention to the importance of all Federal reserve banks amending their check collection circulars so as to conform to the amended regulation on September 1 or very shortly thereafter, and (3) A copy of a letter addressed by Governor Young to the Governors of all Federal reserve banks calling attention to the importance of responding promptly to letters addressed to them by the Treasury Department submitting for criticism and comment the proposed revision of Treasury Department Circular No. 176.

The Standing Committee on Collections is now completing its report on the revision of the uniform cash collection circular, and a copy of the tentative draft of the Committee's report has already been forwarded to the Governor of each Federal reserve bank for his advance information. As an ex-officio member of the Sub-Committee of Counsel appointed to collaborate with the Standing Committee on Collections, pursuant to a resolution of the Conference of Counsel, I have already approved the report of the Standing Committee on Collections. As soon as it is approved by all of the members of the Standing Committee on Collections and of the Sub-Committee of Counsel, the Governors of all Federal reserve banks will be notified and will be requested to express their approval or disapproval. It is hoped that all of

the Federal reserve banks will promptly approve this report, in order that the new circulars may be issued on September 1 or very shortly thereafter and may be as nearly uniform as possible. I believe, that the new uniform circular which has been prepared by the Standing Committee on Collections is a vast improvement over the old circular and should be entirely satisfactory to every Federal reserve bank. I know of no reason, therefore, why it should not be approved promptly by the Governor of every Federal reserve bank.

It is conceivable, however, that the Governors of the Federal reserve banks may be unable to agree upon the new uniform circular without discussing it at a Conference of Governors; and it now appears that no Conference of Governors will be held until very late in the Fall. If the approval of the new uniform circular is thus delayed until late in the Fall, some of the Federal reserve banks may desire to bring their circulars into conformity with the amended regulation without awaiting approval of the new uniform circular. In this event, three possible courses of action have suggested themselves to me; and I shall take the liberty of suggesting them to you in what appears to me to be the order of their desirability:

1. I do not know of any reason why any Federal reserve bank which desires to do so should not issue a new check collection circular in the form recommended by the Standing Committee on Collections without waiting for this form to be accepted as uniform by all Federal reserve banks.

2. A second alternative which could be adopted by any Federal reserve bank which might not approve of the uniform circular would be to re-issue its old circular amended so as, (a) to quote the provisions of Section V of Regulation J as amended in lieu of the provisions of the old regulation, and (b) to add to the provisions regarding availability of credit a proviso

similar to that incorporated in Section IV of Regulation J by the amendment.

3. If any Federal reserve bank is unwilling to issue a new check collection circular until after the uniform circular is approved by all Federal reserve banks, then, as a last alternative, I would suggest that it transmit to every member bank and nonmember clearing bank in its district a copy of the amended Regulation J together with a circular letter of transmittal calling attention to the fact that Regulation J has been amended and that Section V thereof supersedes Section V of the old regulation which is quoted in the Federal reserve bank's old check collection circular.

I am taking the liberty of suggesting all of these alternatives because the amended regulation will take effect very soon, and it seems to me to be very important for every Federal reserve bank to bring its check collection circular into conformity with the amended regulation either on September 1st or very shortly thereafter.

I assume that you will confer with the officers of your bank with regard to the proposed new uniform cash collection circular and also with regard to the proposed revision of the Treasury Department Circular No. 176; and I very respectfully suggest that you do everything in your power to facilitate prompt action by your bank with respect to both of these circulars.

With kindest regards, I am,

Cordially yours,

Walter Wyatt  
General Counsel

Enclosures

Copy of letter sent to  
Governors of all Federal reserve banks.

X-6684-a

August 14, 1930

Dear Governor:

In accordance with your request, \_\_\_\_\_ copies of Regulation J as amended, effective September 1, 1930, will be sent to you within the next few days; and you are requested to see that a copy thereof is furnished to every member bank and nonmember clearing bank in your district prior to September 1.

If possible, the check collection circulars of all the Federal reserve banks should be amended to conform to this revised regulation by September 1. The Board is informed that the Standing Committee on Collections has prepared a revision of the uniform provisions of the check collection circulars, but that it may be impossible to have these uniform provisions adopted by all Federal reserve banks before September 1. If it is impossible for your Federal reserve bank to revise its check collection circular before September 1, you are requested to advise all of your member banks and nonmember clearing banks before September 1 that Regulation J has been amended, effective September 1, and that Section V thereof, as amended, supersedes Section V of the old regulation, which is quoted in your check collection circular.

Very truly yours,

R. A. Young,  
Governor.

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6690

August 29, 1930.

CONFIDENTIAL.

Dear Sir:

There is enclosed herewith copy of a memorandum from the Chief of the Secret Service Division, with regard to a new counterfeit \$500 gold certificate. This is for the confidential information of the Federal reserve banks and member banks and in transmitting it to your member banks please caution them against giving the information any publicity whatsoever.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

COPY

X-6690-a

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY  
WASHINGTON

Secret Service Division

August 29, 1930

FOR THE CONFIDENTIAL INFORMATION OF THE FEDERAL RESERVE BOARD  
AND MEMBER BANKS.

NEW COUNTERFEIT \$500 GOLD CERTIFICATE

Series of 1922; check letter "C"; face plate No. 2; H. V. Speelman, Register of the Treasury; Frank White, Treasurer of the United States; portrait of Lincoln.

This is an extremely dangerous counterfeit printed from photo-etched plates of excellent workmanship on bleached genuine paper. The most outstanding characteristic indicating its spurious quality is the Lincoln portrait which is shaded too heavily and reflects a sooty appearance. The top part of the portrait oval reveals a rough curve where the cross-hatch lines converge. The ornate medallions upon which the serial numbers are impressed are executed in a pale shade of orange instead of the bright tint which features the genuine, and the large word GOLD which blends with the legend above the Treasury seal is likewise printed in a light orange tone. The paper seems to have been softened as a result of the bleaching process.

This counterfeit is believed to be of foreign origin, as four notes were detected in currency shipments to two New York banks on August 27th and two of the counterfeits, it has been established, were received from the Bank of Athens, Athens, Greece, while the other two are also believed to have come from Greece.

(S) W. H. MORAN,

Chief.



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6692

September 4, 1930.

SUBJECT: Topic for Fall Conference - Revision of  
Membership Condition re Purchase of Bank Stocks.

Dear Sir:

The replies to the Board's letter of June 27, 1930, (X-6646) relative to the advisability of a revision of the condition of membership regarding the purchase of stock in other institutions by State member banks, disclose a considerable variance of opinion on the question and accordingly the Board has decided to refer the matter to the Conferences of Governors and Federal Reserve Agents which convene on October 6.

For your information there is enclosed copy of a memorandum prepared by the Board's Assistant Counsel summarizing the replies to the circular letter referred to above.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

August 9, 1930.

The Federal Reserve Board                      Proposed revision of condition No. 3,  
Mr. Wingfield, Assistant Counsel.      Section IV, of Board's, Regulation H.

Under the present provisions of condition No. 3 of Section IV of the Board's Regulation H, a State member bank subject to such condition may not purchase any of the stock of another bank or trust company unless it obtains in each case the permission of the Federal Reserve Board. Recently the Board considered the advisability of revising this condition so as to permit State member banks subject to it to purchase a limited percentage of the capital stock of other banks and trust companies without being under the necessity of obtaining the Board's permission to make such purchases. This office was requested to prepare a draft of a revision of condition No. 3 along this line. The following revision of this condition was accordingly prepared and submitted to the Board:

"(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."

Before reaching a determination as to whether this revision of condition No. 3 should be adopted, however, the Board decided to submit it to the Governors and Federal Reserve Agents of all Federal reserve banks for their suggestions. The Board accordingly on June 27, 1930, addressed a letter (X-6646) to all Governors and Federal reserve agents and requested them to advise the Board whether in their opinion a revision of this condition of membership No. 3 was advisable and as to whether the percentages contained in the revision above quoted with reference to the amount of stock of other banks and trust companies, which might be purchased by a member bank were appropriate and advisable. Replies to the Board's letter have now been received from all of the Governors and Agents and these replies will be summarized for the Board's information.

It appears that six of the Governors and Agents are of the opinion that it is not desirable for the Board at this time to make any change in the condition No. 3 contained in Section IV of the Board's Regulation H. In this connection, the Board's special attention is called to the letters received from Governor Black of Atlanta, Governor Harrison of New York, and Mr. Heath of Chicago, which set out in some detail the objections to a change in the present provisions of this condition. These letters discuss the question whether it is advisable for the Board to retain any condition of membership with reference to

the purchase of bank stocks. They point out, however, that group and branch banking is being investigated with a view to possible legislation on the subject and that the Board itself has appointed a committee to investigate group and branch banking. Under these circumstances, they suggest that any change in condition No. 3 should be deferred until a later date.

All of the other Governors and Federal reserve agents seem to feel that some change in this condition is desirable. Three of this latter group believe that it is advisable for the Board to eliminate from its Regulations entirely the condition No. 3. The others believe it is desirable for the provisions of this condition to be revised so as to permit a member bank to purchase limited amounts of the stock of other banks and trust companies without obtaining specific permission from the Board. Various percentages with reference to the amount of stock which should be purchased without the Board's permission are suggested by these Governors and Federal Reserve Agents. One Governor and two Federal Reserve Agents think that the percentages contained in the revision above quoted are appropriate. The great majority, however, feel that these percentages are too liberal and in most cases suggest considerably lower percentages of varying amounts. In this connection the particular attention of the Board is called to the letters of Governor Norris of Philadelphia, Governor Martin of St. Louis, and Mr. Walsh of Dallas.

The replies of each of the Governors and Federal Reserve Agents will be summarized for the Board's information in greater detail below:

SUMMARY OF REPLIES

BOSTON.

Deputy Governor Paddock.— Deputy Governor Paddock believes that condition No. 3 might well be eliminated entirely because it does not provide satisfactory control of group banking. If condition is to be retained, however, he suggests that a member bank be not permitted to purchase more than 40 per cent of the capital stock of any other bank or trust company without the Board's permission and that the limit of its total investments in bank stocks should be 40 per cent of its own capital and surplus.

Mr. Curtiss - Mr. Curtiss believes that it would be desirable to eliminate condition No. 3 entirely because this condition is not effective in giving the Board control over group banking. If the condition is to be retained, however, he suggests that the purchase without the Board's permission by a member bank of stock of any other bank or trust company be limited to 40 per cent of the capital of such other bank or trust company. It is not clear what limit with reference to total investments in the stock of other banks and trust companies he believes is desirable.

NEW YORK.

Governor Harrison.- Governor Harrison suggests the desirability of eliminating entirely the condition of membership No. 3. He further suggests, however, that any amendment of this condition of membership be deferred until after the committee appointed by the Board to investigate group and chain banking has made its report. Governor Harrison appears to feel that condition of membership No. 3 would not be effective in controlling group and chain banking and that investment in bank stocks by State member banks is not inadvisable, unless the aggregate amount of such investments by any one member bank is such as to indicate that the member bank's general investment policy is unsound.

Mr. Case.- Mr. Case has advised the Board that he concurs in Governor Harrison's letter.

PHILADELPHIA.

Governor Norris.- Governor Norris believes that a revision of the Board's condition of membership No. 3 is desirable. He suggests that the purchase by a member bank of stock of any other bank or trust company without the Board's permission be limited to 20 per cent of the capital stock of such other bank or trust company and that the total amount of bank stock a member bank may purchase be limited to 5 per cent of its own capital and surplus, or at the most to 10 per cent of its own capital and surplus.

Mr. Austin.- Mr. Austin believes that a change in the Board's condition of membership No. 3 is desirable. He suggests that the purchase by a member bank of stock in any other bank or trust company be limited to 20 per cent of such other bank's capital stock without the Board's permission and also suggests that the total investment by a member bank in bank stocks be limited to 20 per cent of its own capital and surplus. Mr. Austin also suggests that if this condition is revised, it be so framed that it is applicable to member banks which are now subject to this condition in its present form or in the form in which it was applied prior to the Board's Regulations, Series of 1928.

CLEVELAND.

Governor Fancher and Mr. DeCamp.- Governor Fancher and Mr. DeCamp have replied to the Board's letter (X-6646) in a joint letter.

They seem to feel that if the Board's condition of membership No. 3 is revised as proposed, group banks will be able to evade the spirit of this condition by reason of the fact that several member banks which are members of a particular group might hold the permitted amount of stock in a particular bank and the aggregate amount so held by all members of the group would constitute control of the bank. They suggest, however, that the total amount of bank stock which a member bank might purchase should not without the Board's permission exceed 20 or 25 per cent of its own capital and surplus. They seem to feel that a revision of the condition so as to permit a member bank without the Board's specific permission to purchase up to 50 per cent of the capital of any one bank or trust company is not inadvisable.

#### RICHMOND.

Governor Seay and Mr. Hoxton. - Governor Seay and Mr. Hoxton have also made a joint reply to the Board's letter (X-6646). They suggest that the revision of the Board's condition of membership No. 3 contained in this letter is extremely liberal and goes much further than could be reasonably expected. They suggest that the amount of stock of any bank which a member bank may purchase without the Board's permission be placed at 25 per cent of the capital of such other bank or trust company. They further suggest that the total amount of bank stock which a member bank may purchase without the Board's permission be fixed at 20 per cent of the capital and surplus of the member bank.

#### ATLANTA.

Governor Black. - Governor Black feels that there should be no change in the present provisions of the Board's condition of membership No. 3. He feels that this condition should not be liberalized because (1) national banks are not permitted to purchase bank stock, (2) the Board might be accused of fixing in its regulation the wrong percentage, since what would be a proper limitation in one case might be obviously improper in another, and (3) that a change in this condition, while legislation on the subject of group banking is being considered, might be politically construed either as an aid or an obstacle to group, chain or branch banking.

Mr. Newton. - Mr. Newton feels that no change in the Board's condition of membership No. 3 is desirable because a particular bank might not be justified in purchasing any number of shares of the stock of another bank and each case should stand upon its own merits.

CHICAGO.

Governor McDougal. - Governor McDougal suggests that the Board's condition of membership No. 3 be eliminated entirely from the Board's conditions of membership. It appears that he does not feel that the Board should, by retaining this condition, attempt either to restrain or encourage group banking.

Mr. Heath. - Mr. Heath suggests that the Board's condition of membership No. 3 should remain unchanged or should be eliminated from the Board's conditions of membership entirely. He points out that if a member bank is permitted without the Board's permission to purchase up to 50 per cent of the capital of any one bank and purchase an aggregate amount of bank stock up to 20 per cent of its own capital and surplus, a large member bank could actually control a considerable number of smaller banks and thus become a holding company for a group banking system of considerable size. Mr. Heath feels, therefore, that the proposed revision of condition of membership No. 3 with the percentages contained in this provision, as set out in the Board's letter (X-6646) would constitute virtual approval of the principle of group banking. Mr. Heath further suggests that the Board has appointed a committee to investigate all phases of group, chain and branch banking and that it would not be advisable to liberalize the provisions of condition of membership No. 3 in advance of the report of this committee, which may possibly make an adverse report on the principle of group banking.

ST. LOUIS.

Governor Martin. - Governor Martin suggests that condition of membership No. 3 be revised so as to limit the purchase by a member bank without the Board's permission of stock in any other bank or trust company to 20 per cent of capital of such other bank or trust company and to limit the total investments in bank stock by a member bank, to 20 per cent of its own capital stock and surplus.

Mr. Wood. - Mr. Wood suggests that the condition of membership No. 3 be revised so as to limit the right of a member bank to purchase stock either directly or indirectly through an affiliated corporation or otherwise in any other bank or trust company, without the Board's permission, to 20 per cent of the capital of such other bank or trust company. Mr. Wood does not suggest any limitation on the aggregate amount of bank stock which a member bank may purchase without the Board's permission.

MINNEAPOLIS.

Governor Geery. - Governor Geery feels that a revision of the Board's condition of membership No. 3 is desirable and he suggests that a member bank should be authorized to purchase without the Board's permission not more than 25 per cent of the stock of any other bank or trust company and to invest not more than 20 per cent of its own capital and surplus in the stocks of all other banks and trust companies.

Mr. Mitchell. - Mr. Mitchell states that he thinks the amount of bank stock that a member bank should be permitted to hold should be limited to the smallest possible amount, since a national bank is not permitted to invest in any bank stock, he feels that a State bank or trust company should not be permitted to do so. It appears, therefore, that Mr. Mitchell is of the opinion that no change should be made in the present provisions of the Board's condition of membership No. 3.

KANSAS CITY.

Governor Bailey. - Governor Bailey feels that it is desirable to liberalize the present provisions of the Board's condition of membership No. 3. He suggests that a member bank be authorized to purchase not more than 25 per cent of the capital stock of any other bank or trust company without the Board's permission and that such a member bank be authorized to make aggregate investments in the stocks of all banks and trust companies not in excess of 25 per cent of its own capital and surplus.

Mr. McClure. - Mr. McClure feels that a liberalization of the present provisions of the Board's condition of membership No. 3 is advisable and he feels that the percentages of 50 per cent and 20 per cent, respectively, contained in the revised condition set out in the Board's letter (X-6646) are reasonable limitations on the amount of stock of any one bank which may be purchased by a member bank and on the aggregate amount of bank stock which may be purchased by a member bank.

DALLAS.

Governor Talley. - Governor Talley feels that a revision of the Board's condition of membership No. 3 is desirable, but suggests that a member bank should not be permitted to purchase more than 20 per cent of the capital stock of any one bank or trust company except with the Board's permission, and that the total investments in bank stocks by a member bank should be limited to 10 per cent of the capital and surplus of the member bank.

Mr. Walsh. - Mr. Walsh believes that the revision of the Board's condition of membership No. 3 is desirable, but believes that the percentages of 50 per cent and 20 per cent contained in this revision as set out in the Board's letter (X-6646) should be reduced to 25 per cent and 10 per cent, respectively.

SAN FRANCISCO.

Governor Calkins. - Governor Calkins approves the proposed revision contained in the Board's letter (X-6646) including the percentages of 50 per cent and 20 per cent contained therein. He states that he would be in favor of a limitation upon the purchase of stock of any one bank below the 50 per cent contained in the Board's proposed revision, if such condition was practically enforceable. He believes, however, that it can be evaded, and, therefore, approves the condition as set out in the Board's letter.

Mr. Sargent. - In the absence of Mr. Newton, Mr. Sargent, Assistant Federal Reserve Agent at San Francisco, advises that a revision of the Board's condition of membership No. 3 is desirable. He approves the revision of this condition contained in the Board's letter (X-6646) containing the percentages contained therein of 50 per cent and 20 per cent, respectively.

For the Board's information, percentages the various Governors and Federal Reserve Agents have suggested the proposed revision of condition of membership No. 3 should contain may be briefly set out as follows:

|                |                         | Per cent of stock<br>of any one bank | Per cent of capital and surplus<br>of member bank may<br>be invested in bank<br>stock |
|----------------|-------------------------|--------------------------------------|---|
| BOSTON -       | Deputy Governor Paddock | 40%                                  | 40%   |
|                | Mr. Curtiss             | 40%                                  | --  |
| NEW YORK -     | Governor Harrison       | 0%                                   | 0%  |
|                | Mr. Case                | 0%                                   | 0%  |
| PHILADELPHIA - | Governor Norris         | 20%                                  | 5% or 10%   |
|                | Mr. Austin              | 20%                                  | 20%   |
| CLEVELAND -    | Governor Fancher        | 50%                                  | 20% or 25%  |
|                | Mr. DeCamp              | 50%                                  | 20% or 25%  |



Per cent of stock : Per cent of cap-  
of any one bank : ital and surplus  
: of member bank may  
: be invested in bank  
: stock

|               |                     |     |     |
|---------------|---------------------|-----|-----|
| RICHMOND      | - Governor Seay     | 25% | 20% |
|               | Mr. Hoxton          | 25% | 20% |
| ATLANTA       | - Governor Black    | 0%  | 0%  |
|               | Mr. Newton          | 0%  | 0%  |
| CHICAGO       | - Governor McDougal | --- | --- |
|               | Mr. Heath           | 0%  | 0%  |
| ST. LOUIS     | - Governor Martin   | 20% | 20% |
|               | Mr. Wood            | 20% | --- |
| MINNEAPOLIS   | - Governor Geery    | 25% | 20% |
|               | Mr. Mitchell        | 0%  | 0%  |
| KANSAS CITY   | - Governor Bailey   | 25% | 25% |
|               | Mr. McClure         | 50% | 20% |
| DALLAS        | - Governor Talley   | 20% | 10% |
|               | Mr. Walsh           | 25% | 10% |
| SAN FRANCISCO | - Governor Calkins  | 50% | 20% |
|               | Mr. Sargent         | 50% | 20% |

Respectfully,

B. M. Wingfield,  
Assistant Counsel.

BMW: vbr - omc

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6695

September 5, 1930.

SUBJECT: Elections of Class "A" and "B" Directors.

Dear Sir:

This is to call attention to the Board's letter of February 12, 1930, (X-6507) under which November 1st is fixed as the date for the opening of the polls in the annual elections of Class "A" and "B" directors of the Federal reserve banks. There will be no change in the group classifications which governed in these elections last year.

Very truly yours,

E. M. McClelland  
Assistant Secretary.

TO CHAIRMEN OF ALL F. R. BANKS.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6697

September 6, 1930.

**SUBJECT:** Eligibility for rediscount of acceptances for Grain Stabilization Corporation.

Dear Sir:

There is enclosed for your information a copy of a letter addressed by the Federal Reserve Board to Hon. Alexander Legge, Chairman of the Federal Farm Board with respect to the eligibility for rediscount by Federal reserve banks of certain bankers' acceptances proposed to be issued under acceptance credits to be granted to the Grain Stabilization Corporation by a number of accepting banks in accordance with the terms of an agreement between the Grain Stabilization Corporation, the Continental Illinois Bank and Trust Company of Chicago, as corporate trustee, Mr. William P. Kopf, of Chicago, Illinois, as individual trustee, various accepting banks, and the Federal Farm Board, which agreement is summarized in the letter.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosures.

TO GOVERNORS AND CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

COPY

X-6697-a

September 5, 1930.

Hon. Alexander Legge, Chairman,  
Federal Farm Board,  
Washington, D. C.

Sir:

I have the honor to advise you that bankers' acceptances drawn by The Grain Stabilization Corporation with maturities not in excess of ninety days, secured by warehouse receipts, shipping documents and other similar documents of title for readily marketable staples, and accepted by responsible banks or bankers in accordance with the Federal Reserve Board's understanding of the terms of the tentative agreement enclosed in your letter of August 29, 1930, are eligible for rediscount by Federal reserve banks when presented for rediscount in the usual manner with the endorsement of a member bank of the Federal Reserve System other than the accepting bank.

The Board's understanding of the agreement under which these acceptances are to be issued and the other relevant facts pertaining thereto are stated in a more detailed memorandum enclosed herewith.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

C O P Y

X-6697-b

September 4, 1930.

Hon. Alexander Legge, Chairman,  
Federal Farm Board,  
Washington, D. C.

Sir:

The Federal Reserve Board has received your letter of August 29th inquiring whether certain bankers' acceptances proposed to be issued under acceptance credits to be granted to The Grain Stabilization Corporation by a number of accepting banks in accordance with the terms of a tentative draft of an agreement between The Grain Stabilization Corporation, the Continental Illinois Bank and Trust Company of Chicago, Illinois, as corporate trustee, Mr. William P. Kopf of Chicago, Illinois, as individual trustee, various accepting banks, and the Federal Farm Board, will be eligible for rediscount by Federal reserve banks.

From the tentative draft of this proposed agreement enclosed in your letter, it appears that:

1. The Grain Stabilization Corporation will request a number of different accepting banks to establish in its favor acceptance credits which shall not exceed in the aggregate the sum of \$30,000,000 at any one time outstanding, such credits to be availed of by drafts payable not more than ninety days after sight drawn from time to time by The Grain Stabilization Corporation upon the respective accepting banks and accepted by such accepting banks, no draft to mature later than July 31, 1931.

2. In order to secure the accepting banks against loss, the Stabilization Corporation will deliver to the trustees only the following documents of title for wheat:

- (a) Negotiable domestic railroad bills of lading;
- (b) Negotiable domestic or foreign steamship bills of lading;
- (c) Negotiable warehouse receipts issued by warehouses in terminal markets which are bonded and under Federal or State license;
- (d) Custodian certificates issued by the Board of Trade of the City of Chicago.

3. The Stabilization Corporation will at all times have in

the possession of the trustees as security documents of title for wheat having a market value equal to 125% of the total face amount of acceptances outstanding (including those forwarded for acceptance), less the amount of any cash deposited by the Stabilization Corporation with the trustees.

4. All drafts drawn by the Stabilization Corporation for acceptance by any of the accepting banks will be payable in dollars a certain number of days after date to the order of the Stabilization Corporation at the Continental Illinois Bank and Trust Company and will be duly endorsed in blank by the Stabilization Corporation.

5. All such drafts will be delivered by the Stabilization Corporation with written forwarding directions to the trustees, which, after registering them and placing an identifying number on them, will forward them to the respective accepting banks for acceptance; and all banks accepting drafts so identified and registered by the trustees will be entitled to the security afforded by the agreement and by the pledge from time to time of documents of title for wheat, money, or other things pursuant to the agreement.

6. The holders of the drafts accepted under this agreement (other than the bank which has accepted the same) must look solely to the general credit of the particular bank which accepted such drafts and will have no rights whatsoever in or to the collateral deposited pursuant to this agreement, such collateral being deposited solely for the benefit and protection of the accepting banks.

7. The Stabilization Corporation agrees to deposit with the corporate trustee for the account of the respective accepting banks Chicago funds in cash equal to the face amount of drafts accepted by the respective accepting banks on the date of the respective maturities of such drafts, together with any charges and expenses which shall have accrued thereon; and the corporate trustee will notify the respective accepting banks of the receipt of such deposit and request forwarding instructions.

8. Each accepting bank, regardless of priority and time of acceptance, will be secured equally and ratably in proportion to its acceptances executed under this agreement, except as to acceptances for which cash has been deposited as provided in the agreement.

9. The Federal Farm Board has loaned and/or will loan further sums to the Stabilization Corporation to be secured by a lien on said security subordinate in all respects to the lien of the accepting banks.

10. The Stabilization Corporation warrants and agrees that all wheat pledged under this agreement and all documents of title therefor shall be free of all liens, claims and encumbrances whatsoever, and that, except for the lien created by the agreement, it will at all times have full and absolute title to such wheat and the documents of title therefor and will maintain full insurance covering all wheat so pledged against all customary risks, including fire, lightning and tornado.

11. The Stabilization Corporation will have the right (a) to

obtain the release of any documents of title pledged under this agreement by depositing with the trustees cash equal to 80% of the then market value thereof, (b) to regain possession of any cash so deposited with the trustees (except cash deposited to pay maturing acceptances) by depositing with the trustees documents of title having a market value equal to 125% of the amount of cash to be withdrawn, and (c) to substitute for documents of title held by the trustees other documents of title representing wheat of a value equal to that represented by the documents of title withdrawn.

12. Whenever the value of the wheat pledged falls below 125% of the total face value of outstanding acceptances (less the amount of cash deposited), the trustees may demand additional collateral; and whenever the current market value of the wheat pledged exceeds such amount, the Stabilization Corporation with the concurrence of the Federal Farm Board, may obtain the release of such excess.

13. Upon the failure of the Stabilization Corporation to deposit with the corporate trustee for the account of any accepting bank cash equal to the face amount of any drafts accepted on the maturity date thereof, or upon other default on the part of the Stabilization Corporation, the trustees in their discretion may, and upon the request of accepting banks which have accepted 25% or more of the total face amount of outstanding acceptances shall, accelerate and mature immediately the obligations of the Stabilization Corporation to pay to the accepting banks the full face value of all outstanding drafts, and thereupon the trustees are authorized to sell any or all of the pledged property at public or private sale and to apply the net proceeds of such sale pro rata toward the payment of the obligations of the Stabilization Corporation to the accepting banks, whether the acceptances are due or not, and to pay any surplus thereover first to the Federal Farm Board and then to the Stabilization Corporation as their respective interests may appear.

14. The accepting banks will have the right to proceed directly against the Stabilization Corporation by suit or otherwise for any failure to place them in funds to meet the payment of acceptances, but shall have no right to enforce their rights against the collateral except through the trustees as provided in the agreement.

15. The trustees shall hold all collateral pledged with them first for the security and protection of the accepting banks and then for the security and protection of the Federal Farm Board.

16. The agreement is subject to amendment by the concurrence of the trustees, the Stabilization Corporation, the Federal Farm Board, and the accepting banks which at the time of such amendment have accepted a majority or more in face value of the acceptances then outstanding for which funds have not been furnished to such accepting banks by the Stabilization Corporation.

The above is not intended as a complete statement of the provisions of the tentative draft of the agreement enclosed in your letter; but it indicates the Federal Reserve Board's understanding as to the

essential features of the plan under which proposed acceptances are to be issued.

While it is not so stated in the agreement, it is assumed for the purpose of this ruling that (a) all warehouse receipts pledged with the trustees pursuant to this agreement will be issued by warehouses independent of the Grain Stabilization Corporation within the meaning and intent of the Regulations and rulings of the Federal Reserve Board, and (b) that the custodian certificates issued by the Board of Trade of the City of Chicago which are pledged with the trustees either are in legal effect warehouse receipts issued by independent warehousemen or are otherwise sufficient to vest in the holders valid title to the grain for which they are issued or a valid lien thereon good and enforceable as against all other parties.

In the first clause of the preamble of the agreement it is stated that the drafts will be payable not more than ninety days after sight; but in Article 1 it is stated that the drafts so accepted shall have maturities not exceeding six months after sight. The Federal Reserve Board understands, however, and assumes for the purpose of this ruling, that no drafts will be accepted with maturities in excess of ninety days. This is not intended as a ruling to the effect that drafts with maturities in excess of ninety days would be ineligible for rediscount by Federal reserve banks, but is intended only to avoid for the present the necessity of making any ruling on the apparently academic question whether drafts having a maturity in excess of ninety days would be eligible for rediscount.

One purpose of the requirement of the Federal Reserve Act that, in order to be eligible for acceptance by member banks or for rediscount by Federal reserve banks, drafts growing out of the storage of readily marketable staples must be secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title is to enable the accepting banks effectively to require that they be provided with funds with which to pay the acceptances on or before their maturity; and the Board's regulations require that the acceptor remain secured throughout the life of the acceptance. The provision contained in Article 13 of the tentative draft of the agreement substantially to the effect that the trustees cannot be required to sell any of the collateral in order to provide funds to pay maturing acceptances except at the request of banks which have accepted 25% or more of the total volume of acceptances issued pursuant to the agreement, is inconsistent with these provisions of the law and of the Board's regulations. The Board is of the opinion, therefore, that these acceptances should not be considered eligible for rediscount by Federal reserve banks unless this provision of the agreement is modified so as to provide in substance that, upon the failure of the Stabilization Corporation to deposit with the corporate trustee funds sufficient to pay maturing acceptances at maturity, the accepting bank shall have the right, without the concurrence of any other bank, to require that sufficient collateral be sold to provide funds adequate for this purpose and that it shall be the duty of the corporate trustee immediately to sell sufficient collateral and to pay over to the bank requesting it a sufficient amount of



the proceeds thereof to enable it to meet any and all matured acceptances issued by it pursuant to this agreement. The Board understands that it will be possible to modify the agreement to this extent and is ruling upon the question presented with the understanding that the agreement will be so modified.

If the agreement is modified in the manner suggested in the preceding paragraph, and if bankers' acceptances are issued, secured, and drawn in full compliance with the Federal Reserve Board's understanding of the proposed plan and the facts pertaining thereto as stated in this letter, the Federal Reserve Board is of the opinion that such acceptances will be eligible for rediscount by Federal reserve banks when they have maturities not in excess of ninety days and when they are offered for rediscount in the usual manner with the endorsement of a member bank of the Federal Reserve System other than the accepting bank.

While such acceptances will be deemed eligible for rediscount by Federal reserve banks, it should be clearly understood that the Federal reserve banks are not required to rediscount them but may decline to do so in the exercise of their banking discretion. In view of the large volume of acceptances proposed to be issued, therefore, it is suggested that it would be advisable to consult with, and ascertain the attitude of, the Federal reserve banks to which it is expected that these acceptances will be offered for rediscount, before the proposed plan is definitely adopted.

In your letter of August 29th it is stated that an identical arrangement, except as to certain provisions as to hedging wheat, will be entered into by the Farmers National Grain Corporation; but you do not specifically request a ruling at this time with reference to acceptances growing out of that arrangement. The Federal Reserve Board, however, will be glad to rule upon the eligibility of such acceptances upon being informed as to the nature of the provisions regarding the hedging of wheat and as to any other respects in which that agreement as finally prepared may differ from the agreement prepared on behalf of the Grain Stabilization Corporation.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6698

September 9, 1930.

SUBJECT: Code word to cover telegraphic trans-  
actions in new issue of Treasury  
Certificates of Indebtedness, Series  
TS-1931.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOWHIDDEN" has been designated to cover the new issue of Treasury Certificates of Indebtedness, Series TS-1931, dated September 15, 1930, due September 15, 1931.

This word should be inserted in the Federal Reserve Telegraph Code Book, following the supplemental code word "NOWHID" on page 172.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

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.

September 8, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Dallas has established a rediscount rate of 3 1/2 per cent on all classes of paper of all maturities, effective September 9, 1930.

X-6700

## STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

August 2 to 29, 1930.

|               | <u>\$5</u>        | <u>\$10</u>    | <u>\$20</u>    | <u>Total<br/>sheets</u> | <u>Amount</u>     |
|---------------|-------------------|----------------|----------------|-------------------------|-------------------|
| Boston        | 70,000            | 60,000         | 10,000         | 140,000                 | \$12,943.00       |
| New York      | 200,000           | 120,000        | 40,000         | 360,000                 | 33,282.00         |
| Philadelphia  | 70,000            | 40,000         | 10,000         | 120,000                 | 11,094.00         |
| Cleveland     | 60,000            | 30,000         | 20,000         | 110,000                 | 10,169.50         |
| Richmond      | 40,000            | 20,000         | 10,000         | 70,000                  | 6,471.50          |
| Atlanta       | 30,000            | 16,000         | 16,000         | 62,000                  | 5,731.90          |
| St. Louis     | 20,000            | 10,000         | 8,000          | 38,000                  | 3,513.10          |
| Minneapolis   | 20,000            | 10,000         | 8,000          | 38,000                  | 3,513.10          |
| Kansas City   | 20,000            | 8,000          | 8,000          | 36,000                  | 3,328.20          |
| Dallas        | 20,000            | 14,000         | 8,000          | 42,000                  | 3,882.90          |
| San Francisco | 40,000            | 24,000         | 20,000         | 84,000                  | 7,765.80          |
|               | <u>590,000</u>    | <u>352,000</u> | <u>158,000</u> | <u>1,100,000</u>        | <u>101,695.00</u> |
|               | 1,100,000 sheets, |                | \$92.45 per M, |                         | \$101,695.00      |

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6703

September 13, 1930.

SUBJECT: Audit of incomplete Federal Reserve Notes on hand in Bureau of Engraving and Printing as of close of business June 30, 1930.

Dear Sir:

There is enclosed herewith copy of a letter addressed to the Secretary of the Treasury by the Chief of the Division of Public Debt Accounts and Audit, certifying a piece count of the entire stock of Federal reserve note faces and uniform backs allocated to Federal reserve notes on hand in the Bureau of Engraving and Printing as of the close of business June 30, 1930.

The Board has been provided with a detailed report of this audit, a recapitulation of which is also enclosed for your information.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO GOVERNORS OF ALL F.R.BANKS.

Enclosures.

C O P Y

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X-6703-a

Audit No. 433

July 17, 1930.

The Honorable,

The Secretary of the Treasury:

Sir:

There is submitted for your information a report of audit of incomplete Federal Reserve Notes of all denominations on hand in the Bureau of Engraving and Printing as of the close of business June 30, 1930. In accordance with arrangements made between the Federal Reserve Board and this office, a representative of the Board was present during the process of the audit.

A piece count was made from July 1 to 3 inclusive of the entire stock of Federal Reserve Note Faces and of the Uniform Backs allocated to Federal Reserve Notes. The required reserve of 4,250,000 sheets of incomplete notes, Faces and Backs, as authorized in the letter of the Governor of the Federal Reserve Board to the Undersecretary of the Treasury under date of December 2, 1929, was found to be on hand, and in addition there were also found 444,505-1/5 sheets of Federal Reserve Note Faces in process of work. The results of the audit are shown in detail in the attached report.

During the process of the audit the courtesy, cooperation and assistance of the officials and employees of the Bureau were appreciated.

Respectfully submitted,

(Signed) M. R. Loafman

Chief, Division of Public Debt Accounts and Audit.

X-6704

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.

September 11, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Minneapolis has established a rediscount rate of  $3 \frac{1}{2}$  per cent on all classes of paper of all maturities, effective September 12, 1930.

## FEDERAL RESERVE BOARD

WASHINGTON

X-6706

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 13, 1930.

SUBJECT: U. S. Casualty Company v. Nashville Branch of Federal Reserve Bank of Atlanta, et al.

Dear Sir:

I enclose for your information a copy of a Bill in Chancery filed in the above entitled case. You will note that it alleges that the check in question was deposited in a New York bank, forwarded to the Federal Reserve Bank of New York, and then to the Nashville Branch of the Federal Reserve Bank of Atlanta. A decree against the Federal Reserve Bank of Atlanta is sought on the ground that it was negligent in sending the check direct to the drawee bank.

I am calling this to your attention because Mr. Edward J. Smith, Counsel for the Nashville Branch of the Federal Reserve Bank of Atlanta, with the acquiescence of Mr. Robert S. Parker and the undersigned, has decided to file a demurrer in this case; and I do not know of any case in which a bill of this kind has been demurred to. Mr. Smith's theory is that the bill shows on its face that the New York rule is applicable; and there is no privity of contract between the complainant and the Federal Reserve Bank of Atlanta; and that, therefore, the bill should be dismissed on demurrer. As an alternative, he also contends that the Court should take judicial notice of Regulation J; that the regulation has the force and effect of law; that, under the regulation, there is no privity of contract; and that the bill should be dismissed.

While we are not entirely sure that the Court will sustain such a demurrer, Mr. Parker and I feel that it can do no harm to try it and that the filing of a demurrer in this case suggests interesting possibilities. If it is successful it will establish an easy and expeditious means of disposing of many of these check collection cases.

This is merely for your information, but I shall be interested in any views which you may care to express on this subject.

With all best regards, I am

Cordially yours,

Walter Wyatt,  
General Counsel.

Enclosure.



COPY

NO. 42315

O.B

Filed June 23, 1930

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TO THE HONORABLE JAMES B. NEWMAN, CHANCELLOR, ETC  
HOLDING THE CHANCERY COURT OF DAVIDSON COUNTY  
TENNESSEE :

UNITED STATES CASUALTY COMPANY,  
a non-resident corporation resident  
of the state of New York, being  
qualified and doing business in the  
state of Tennessee

Complainant

VS;

FOURTH & FIRST NATIONAL BANK  
a national banking institution of  
Davidson County, Tennessee,  
NASHVILLE BRANCH FEDERAL RESERVE  
BANK, a branch of the Atlanta Federal  
Reserve Bank, a national banking  
institution, with its office in  
Davidson County, Tennessee,  
COLUMBIA BANK & TRUST COMPANY, a state  
banking institution resident of Maury  
County, Tennessee, and D. D. ROBERTSON,  
an adult resident of Davidson County,  
Columbia, Tennessee, Receiver for the  
Bank & Trust Company,

Defendants

Complainant would respectfully show to the Court:

That on July 15, 1929, the Columbia Insurance  
Agency, a duly licensed insurance agency representing the  
complainant at Columbia, Tennessee, drew its check on the  
Columbia Bank & Trust Company for \$277.83, payable to the  
complainant for the amount of the agency's account due  
complainant. The check was in due season forwarded to the  
complainant's home office in New York and was then endorsed  
by it and deposited in the Continental Bank of New York for

collection. That Bank forwarded the check for collection through the Federal Reserve Bank of New York. On July 20, 1929 the Federal Reserve Bank of New York forwarded its cash letter to the Nashville Branch Federal Reserve Bank in the sum of \$21,503.48, which included the check above mentioned. This letter was received by the Nashville Branch Federal Reserve Bank, July 22, 1929, and on the same day, the said Nashville Branch Federal Reserve Bank sent to the Columbia Bank & Trust Company its cash letter in the sum of \$4,376.62, which included the above mentioned check and which check was therefore sent by the Nashville Branch Federal Reserve Bank direct to the bank on which drawn for presentment and payment. At the time there were two other regular banking institutions, including a national bank, doing business in Columbia, Tennessee, which was known to the Nashville Branch Federal Reserve Bank.

On July 24th, the Nashville Branch Federal Reserve Bank received from the Columbia Bank & Trust Company a check drawn on the defendant Fourth & First National Bank of Nashville, for \$4,362.52, being in payment of said cash letter of the Nashville Branch Federal Reserve Bank sent to the Columbia Bank & Trust Company, less returned items, and on said day, July 24th, 1929, the Nashville Branch Federal Reserve Bank presented said check drawn by the Columbia Bank & Trust Company to the Fourth & First National Bank for payment which was refused. In the meantime the said check of \$277.83 was marked paid by the Columbia Bank & Trust Company and placed with its

paid cancelled checks and was returned to the Columbia Insurance Agency marked "paid" along with its other cancelled checks and in balancing its account. 155

The check drawn on the Fourth & First National Bank was passed through the clearing house of Nashville and payment was not refused when it was first presented to the Fourth & First National Bank coming through clearings, but during the day, and probably before any entry thereof against the account of the Columbia Bank & Trust Company, this bank closed its doors and the defendant Fourth & First National Bank was apprised thereof. At the time the Columbia Bank & Trust Company was indebted for borrowed money or rediscounts to the Fourth & First National Bank and that bank then returned said check for \$4,362.52 to the Nashville Branch Federal Reserve Bank, refusing payment, and applied the deposit with the Columbia Bank & Trust Company in said Fourth & First National Bank to the amount due the latter by the former.

II

Wherefore, complainant is advised and charges that it is entitled to recover said amount of \$277.83 from the Nashville Branch Federal Reserve Bank for the reason that said bank was negligent in the collection of said check in sending it direct to the Columbia Bank & Trust Company on whom it was drawn, knowing that there were other banks in the same city.

That likewise, or if taken in this view, in either event, the defendant Fourth & First National Bank of Nashville is liable to complainant for the reason that it had no right or authority to apply the deposit of the Columbia Bank & Trust Company as above.

stated without paying said check sent to the Nashville Branch Federal Reserve Bank and by it cleared to the Fourth & First National Bank, the payment on the check not being refused when it was presented.

That satisfaction from either of said defendants would of course satisfy the complainant's demand against all, leaving the other defendants to litigate and adjust the matter among themselves.

That if mistaken in the foregoing views, complainant is at least entitled to have and set up said check as a claim against the assets of the defunct Columbia Bank & Trust Company in the hands of its receiver and receive its dividend thereon.

### III

The parties reside as stated in the caption and are sui juris

#### PREMISES CONSIDERED, COMPLAINANT PRAYS:

1. That those named as defendants in the caption hereof be made such by the issuance and service of process upon them requiring them to appear and answer this bill at the earliest practical rule day of the Court; but their oaths to their answers are waived.

2. That the complainant be granted a decree against the Nashville Branch Federal Reserve Bank and/or Fourth & First National Bank of Nashville for the amount of said check, interest and costs.

3. If denied the relief sought in the foregoing prayer,

then that said check be set up and established as a valid claim and demand against the assets of the Columbia Bank & Trust Company in the hands of the receiver and that he be ordered to pay pro rata dividend thereon.

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4. That complainant have all such further and general relief as it may be entitled to at the hearing.

We are surety for the costs of this cause.

McGugin & Evans  
Solicitors for Complainant.

McGugin & Evans.

BY-LAWS OF THE FEDERAL RESERVE BOARD

EFFECTIVE SEPTEMBER 15, 1930.

## Article I.

The Chairman.

The Secretary of the Treasury, as Chairman of the Board, shall preside at all meetings when present. In the absence of the Chairman, the Governor shall act as presiding officer. In the absence of both the Chairman and the Governor, the Vice-Governor shall preside, and in the absence of all three such officers, the remaining member of the Executive Committee shall preside.

## Article II.

The Governor.

Sec. 1. The Governor of the Federal Reserve Board shall be the active executive officer thereof; subject, however, to the supervision of the Board and to such rules and regulations as may be incorporated herein or may from time to time, by resolution, be established.

Sec. 2. The Governor shall have general charge of the executive and routine business of the Board not specifically assigned under the by-laws or by resolution of the Board to any individual member or committee thereof, and shall have supervision of the Board's staff.

Sec. 3. The Governor shall be an ex-officio member of all Standing Committees of the Board.

## Article III.

The Vice-Governor.

Sec. 1. In the absence or disability of the Governor, his powers shall be exercised and his duties discharged by the Vice-Governor, and in the absence or disability of both of these officers, such powers shall be exercised and such duties discharged by the remaining member of the Executive Committee; in the absence or disability of all members of the Executive Committee the powers and duties of the Governor shall be exercised by the senior member of the Board present.

Sec. 2. It shall be the duty of the Vice-Governor to cooperate with the Governor in the administration of the executive business of the Board.

Article IV.

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Secretary and Assistant Secretaries.

Sec. 1. The Board shall appoint a Secretary and one or more assistant secretaries.

Sec. 2. The Secretary shall keep an accurate record of the proceedings of the Board and shall conduct such correspondence and perform such other duties as may be assigned to him by the Governor or by the Board. In the absence or disability of the Secretary, the duties of that office may, by direction of the Board, be performed by an assistant secretary.

Sec. 3. The Secretary shall have custody of the seal and, acting under the authority of the Board, shall have power to affix same to all instruments requiring it. Such instruments shall be attested by the Secretary.

Sec. 4. The assistant secretaries shall each perform such duties as may be assigned to them from time to time by the Board or by the Secretary.

Article V.

Assistant to the Governor.

Sec. 1. The Board may authorize appointment of an Assistant to the Governor.

Sec. 2. The Assistant to the Governor shall perform such duties as shall be assigned to him by the Governor.

Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the duties of the Executive Committee. In the absence of all three regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.

Provided, however, that if only two of the appointive members of the Board are in Washington such two members may act as an interim committee and exercise the powers and discharge the duties of the Executive Committee. Any action taken by such interim committee of two members, however, shall not be finally effective unless and until ratified by the Board. At the next regular meeting of the Board there shall be reported to it for ratification all actions taken by such interim committee of two members since the last regular meeting of the Board. Upon ratification by the Board, all actions taken by such interim committee of two members shall have the same force and effect as actions taken by the Board itself and shall be effective as of the date such action was taken by the interim committee of two members unless otherwise specifically provided by the Board.

Sec. 3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec. 4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec. 5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

## Article VII.

### Standing Committees.

In addition to the Executive Committee there shall be the following Standing Committees, appointments to which shall be made by the Governor, subject to the approval of the Board.

#### Sec. 1. Law.

To the Law Committee shall be referred for study and report all questions of a legal nature. To this Committee shall also be assigned the preparation or revision of the Board's regulations, contemplated amendments to the Federal Reserve Act, applications under the Kern amendment to the Clayton Act, and applications for the exercise by national banks of trust powers.

The General Counsel shall serve as Secretary of the Committee.

#### Sec. 2. Examination.

To this Committee shall be referred all questions relating to the examination of Federal Reserve or member banks including



admission of state banks and permission to establish and operate branches.

The Chief Examiner shall serve as Secretary of this Committee.

Sec. 3. Research and Statistics.

This Committee shall have charge of all investigations of an economic and statistical character authorized by the Board and shall supervise the work of the Division of Research and Statistics and the preparation and publication of the Federal Reserve Bulletin. This Committee shall also have supervision of the statistical and publication work of the Federal Reserve Banks.

The Director of the Division of Research and Statistics shall serve as Secretary of this Committee, or in his absence the Assistant Director shall so serve.

Sec. 4. Salaries and Expenditures of Federal Reserve Banks.

To this Committee shall be assigned all recommendations from Federal Reserve Banks for changes of salaries and other expenditures. This Committee shall make reports with respect to charge-offs and franchise tax of Federal Reserve Banks.

The Secretary of the Board shall serve as Secretary of this Committee.

Sec. 5. District Committees.

To each Federal Reserve Bank and District shall be assigned a Committee of not less than two members of the Federal Reserve Board. It shall be the duty of each Committee to keep itself informed by correspondence and visit of the affairs of the Bank and the condition of the District, and make investigation and report on all questions appertaining to the operation of any Federal Reserve Bank or the condition of any Federal Reserve District that may be referred to it by the Board. These Committees shall also aid the Committee on Salaries and Expenditures with information regarding personnel of the respective Federal Reserve Banks of which they have charge. These Committees shall also make recommendations to the Board for the appointment of Directors at Federal Reserve Banks and Branches.

Article VIII.

The Fiscal Agent and Deputy Fiscal Agent.

Sec. 1. The Board shall appoint a Fiscal Agent and a Deputy Fiscal Agent. The duty of the Fiscal Agent shall be to collect and deposit all moneys receivable by the Board with the Treasurer of the United States, to be placed in a special fund established on the books of the Treasurer for the Federal Reserve Board. The Deputy Fiscal Agent shall perform the duties of the Fiscal Agent during his absence or disability.

Sec. 2. The Fiscal Agent and Deputy Fiscal Agent shall each execute a separate bond with surety satisfactory to the Board.

Sec. 3. Payments of expenses and other disbursements of the Board shall be made by the Fiscal Agent upon proper vouchers out of moneys

advanced to him by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Section 5 of this Article. In the absence of the Fiscal Agent payment of expenses and other disbursements shall be made by the Deputy Fiscal Agent upon proper vouchers out of moneys advanced to the Fiscal Agent by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Sections 5 and 6 of this article.

Sec. 4. The Fiscal Agent shall prepare a quarterly account in such form as shall be approved by the Comptroller General of the United States and, after approval by the Governor, such quarterly account shall be submitted to the General Accounting Office. Such account shall cover payments of expenses and other disbursements made by both the Fiscal Agent and the Deputy Fiscal Agent.

Sec. 5. The Governor shall, when necessary, make requisition on the Treasurer of the United States for the advance of such sums to the Fiscal Agent as may be necessary from the Federal Reserve Board fund.

Sec. 6. The Deputy Fiscal Agent in making disbursements of the Board upon proper vouchers out of the moneys advanced to the Fiscal Agent shall sign against funds to the official credit of the Fiscal Agent with the Treasurer of the United States in the name of the Fiscal Agent by himself as Deputy Fiscal Agent.

Article IX.

Gold Settlement Fund

and

Federal Reserve Agents' Fund.

All funds deposited by or for account of the respective Federal Reserve Agents in the Federal Reserve Agents' fund of the Federal Reserve Board and all funds deposited by or for account of the respective Federal Reserve Banks in the Gold Settlement Fund of the Federal Reserve Board shall be held on deposit with the Treasurer of the United States and shall be subject to withdrawal only by check of the Federal Reserve Board signed by the Secretary or an Assistant Secretary and countersigned by the Governor or acting executive officer of the Board.

Article X.

Requisition for Delivery

of

Federal Reserve Notes.

Requisitions upon the Comptroller of the Currency for the delivery

of Federal Reserve notes to the respective Federal Reserve Agents shall be made by the Secretary or Assistant Secretary in response only to requests made by the Federal Reserve Agents to the Board for such notes. The Secretary or Assistant Secretary shall submit daily for approval to the Governor or acting executive officer of the Board a schedule showing the amount of each denomination of Federal Reserve Notes requisitioned by him for the account of each Federal Reserve Agent.

Article XI.

The Seal.

The following is an impression of the seal adopted by the Board.

SEAL.

Article XII.

Counsel.

Sec. 1. The Board shall appoint a General Counsel whose duty it shall be to advise with the Board, or any member thereof, as to such legal questions as may arise in the conduct of its business; to prepare, at the Board's request opinions, regulations, rulings, forms and other legal papers and to perform generally such legal services as he may be called upon by the Board to perform.

Sec. 2. Subject to the direction of the Governor, the General Counsel shall have authority to correspond directly with the Counsel of the various Federal Reserve Banks and to request their opinions as to the interpretation of the local laws of the States included in their respective Federal Reserve Districts. Copies of all such correspondence shall be furnished to the Board for its information.

Sec. 3. Whenever it may be deemed advisable, the Board may appoint one or more Associate or Assistant Counsel, or one or more Assistants to Counsel. The duty of such Associate or Assistant Counsel shall be to assist the General Counsel in the performance of his duties and to perform the duty of the General Counsel in his absence. The duty of such Assistant to Counsel or Assistants to Counsel shall be to assist the General Counsel in the performance of his duties.

Sec. 4. The Board may appoint from time to time Consulting Counsel, who may be attorneys at law engaged in outside practice.

Article XIII.

Meetings.

Sec. 1. Five members of the Board shall constitute a quorum for the transaction of business.

Sec. 2. Stated meetings of the Board shall be held on such days of the week and at such hours as the Board by a majority vote may fix from time to time. One meeting day each week shall be set apart for consideration of the following matters, advance notice of not less than two days being sent to members of important questions to be taken up at the meeting:

Discount and open market matters;  
Approval of expenditures and salaries;  
Establishment of Federal Reserve Branches,  
Agencies, Currency Stations;  
Permission for establishment of member  
bank branches;  
Amendment of Board's rules and regulations;  
New policies or changes of policy;  
Such other major matters as may be reserved  
for consideration at the weekly meeting.

Sec. 3. Special meetings of the Board may be called by the Chairman or Governor or upon the written request of three members of the Board.

Sec. 4. At all meetings of the Board the following shall be the order of business:

- (1) Reading or inspection of the Minutes of the last regular meeting and Minutes of meetings of the Executive Committee.
- (2) Report of the Governor.
- (3) Report of the Secretary.
- (4) Reports of the committees or members on assigned business.
- (5) Unfinished business.
- (6) New business.

Sec. 5. No vote shall be taken or motion made by the Board at a meeting or conference when others than the members of the Board and its Secretarial staff are present.

Article XIV.

Absences.

Sec. 1. Absences of appointive members of the Board shall as far as practicable be arranged so as not to interfere with the expeditious conduct of the Board's business in Washington.

## Article XV.

Information and Publication.

Sec. 1. All persons employed by the Board shall keep inviolate its business, affairs, and concerns, and shall not disclose or divulge the same to any unauthorized person whomsoever, and any employee who shall give information contrary to this by-law shall be liable to immediate dismissal. Except upon vote of the Board, no one other than a Member of the Board, or the Secretary, Assistant Secretaries, Assistant to the Governor, and General Counsel, shall be permitted to inspect any of the Board's minutes.

Sec. 2. No statements shall be made to the press expressive of the Board's policy or descriptive of its action except as authorized and approved by the Board. Such statements shall be issued only in written form and when authorized and approved they shall be issued through the office of the Governor or such other officer or member of the Board as may be specifically designated. While each member of the Board must determine for himself the propriety or necessity of expressing publicly his individual opinion on any question, members shall not quote publicly the opinion of other members on matters which have not formally been passed upon by the Board.

Sec. 3. There shall be published monthly, a bulletin to be known as "The Federal Reserve Bulletin", which shall be the official periodical organ or publication of the Federal Reserve Board.

Sec. 4. No resolutions of a personal character, except upon the death of a member of the Federal Reserve Board while serving as such, shall appear in any publication of the Federal Reserve Board.

## Article XVI.

Amendments.

These by-laws may be amended at any regular meeting of the Board by a majority vote of the entire Board, provided that a copy of such amendments shall have been delivered to each member at least seven days prior to such meeting.

X-6708

FEDERAL RESERVE BOARD  
STATEMENT FOR THE PRESS

For immediate release.

September 16, 1930.

The Federal Advisory Council at its meeting today made certain changes in its organization as a result of the recent death of Mr. Frank O. Wetmore of Chicago, and the resignation from the Council of Mr. Levi L. Rue of Philadelphia.

Mr. Melvin A. Traylor of the First National Bank of Chicago succeeds Mr. Wetmore as representative of the Seventh District, and Mr. Howard A. Loeb of the Tradesmens National Bank and Trust Company of Philadelphia, succeeds Mr. Rue.

Mr. B. A. McKinney of Dallas, former Vice President of the Council, has been elected President to fill the vacancy caused by Mr. Wetmore's death, and Mr. Walter W. Smith of St. Louis has been elected Vice President. These officers as ex-officio members, and Mr. William C. Potter of New York, Mr. Harris Creech of Cleveland, Mr. Loeb and Mr. Traylor will comprise the Executive Committee of the Council. Mr. Walter Lichtenstein, of Chicago, will continue as Secretary.

F E D E R A L A D V I S O R Y C O U N C I L

1930

Officers:

B. A. McKinney, President  
 Walter W. Smith, Vice President  
 Walter Lichtenstein, Secretary

Executive Committee:

B. A. McKinney Howard A. Loeb  
 Walter W. Smith Harris Creech  
 Wm. C. Potter Melvin A. Traylor

M E M B E R SDistrict.

|        |                    |  |
|--------|--------------------|--|
| No. 1  | Herbert K. Hallett | Atlantic National Bank,<br>Boston, Mass.                       |
| No. 2  | William C. Potter  | Guaranty Trust Company of<br>New York, N. Y.                   |
| No. 3  | Howard A. Loeb     | Tradesmens National Bank &<br>Trust Company, Philadelphia, Pa. |
| No. 4  | Harris Creech      | Cleveland Trust Company,<br>Cleveland, Ohio.                   |
| No. 5. | John Poole         | Federal American National Bank,<br>Washington, D. C.           |
| No. 6  | J. P. Butler, Jr.  | Canal Bank & Trust Company,<br>New Orleans, La.                |
| No. 7  | Melvin A. Traylor  | First National Bank,<br>Chicago, Ill.                          |
| No. 8  | Walter W. Smith    | First National Bank,<br>St. Louis, Mo.                         |
| No. 9  | George H. Prince   | First National Bank,<br>St. Paul, Minn.                        |
| No. 10 | Walter S. McLucas  | Commerce Trust Company,<br>Kansas City, Mo.                    |
| No. 11 | B. A. McKinney     | First National Bank in Dallas,<br>Dallas, Texas.               |
| No. 12 | F. L. Lipman       | Wells Fargo Bank & Union Trust Co.,<br>San Francisco, Calif.   |

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

## FEDERAL RESERVE BOARD

WASHINGTON

X-6711

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 17, 1930.

SUBJECT: Holidays during October, 1930.

Dear Sir:

On Monday, October 13th, in observance of Columbus Day, there will be neither Gold Settlement Fund nor Federal reserve note clearing, and the books of the Board's Gold Settlement Fund will be closed.

The offices of the Board, and the following Federal Reserve Banks and Branches will be open for business as usual:

|              |               |
|--------------|---------------|
| Cleveland    | St. Louis     |
| Cincinnati   | Little Rock   |
|              | Memphis       |
| Richmond     |               |
| Charlotte    | Minneapolis   |
| Atlanta      | Kansas City   |
| Birmingham   | Denver        |
| Nashville    | Oklahoma City |
| Jacksonville |               |
| Detroit      |               |

In addition to the holiday mentioned above, the following Branches of the Federal Reserve Bank of Atlanta will be closed on the dates indicated:

|         |            |               |                    |
|---------|------------|---------------|--------------------|
| Friday  | October 10 | Havana Agency | Revolution of Yara |
| Friday  | October 10 | Jacksonville  | Farmers' Day       |
| Tuesday | October 14 | Birmingham    | Fraternal Day      |

Please notify branches.

Very truly yours,

J. C. Noell,  
Assistant Secretary.



## 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.

# FEDERAL RESERVE BOARD

171

WASHINGTON

X-6714

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 19, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6714-a and X-6714-b, covering in detail operations of the main line, Leased Wire System, during the month of August, 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 AUGUST, 1930.

X-6714-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   | 26,542                     | 2,932  | 29,474                            | 3.37                              |
| New York   | 123,591                    | -  | 123,591                           | 14.13                             |
| Philadelphia   | 32,609                     | 1,753  | 34,362                            | 3.93                              |
| Cleveland  | 82,621                     | 2,562  | 85,183                            | 9.74                              |
| Richmond   | 50,532                     | 2,647  | 63,179                            | 7.22                              |
| Atlanta  | 57,115                     | 7,833  | 64,948                            | 7.43                              |
| Chicago  | 98,632                     | 3,670  | 102,302                           | 11.70                             |
| St. Louis  | 75,230                     | 2,635  | 77,865                            | 8.90                              |
| Minneapolis  | 30,370                     | 3,369  | 33,739                            | 3.86                              |
| Kansas City  | 76,794                     | 2,401  | 79,195                            | 9.05                              |
| Dallas   | 65,015                     | 8,486  | 73,501                            | 8.40                              |
| San Francisco  | 103,563                    | 3,798  | 107,361                           | 12.27                             |
| Total  | 832,614                    | 42,086   | 874,700                           | 100.00                            |
| F. R. Board business . . . . .                               |                            |  | 285,510                           | 1,160,510                         |
| Treasury Department business Incoming and Outgoing . . . . . |                            |  |                                   | 58,792                            |
| Total words transmitted over main lines . . . . .            |                            |  |                                   | 1,219,302                         |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6714-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.

1792

REPORT OF EXPENSE MAIN LINE  
FEDERAL RESERVE LEASED WIRE SYSTEM, AUGUST, 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           | \$ 1.00             | \$ \$ -            | \$ 261.00           | \$ 766.28                        | \$ 261.00          | \$ 505.28                        |
| New York              | 1,216.64            | -                   | -                  | 1,216.64            | 3,212.93                         | 1,216.64           | 1,996.29                         |
| Philadelphia          | 225.00              | -                   | -                  | 225.00              | 893.62                           | 225.00             | 668.62                           |
| Cleveland             | 306.66              | -                   | -                  | 306.66              | 2,214.72                         | 306.66             | 1,908.06                         |
| Richmond              | 190.00              | -                   | 230.00(&)          | 420.00              | 1,641.71                         | 420.00             | 1,221.71                         |
| Atlanta               | 270.00              | -                   | -                  | 270.00              | 1,689.46                         | 270.00             | 1,419.46                         |
| Chicago               | 4,172.15(#)         | 2.00                | -                  | 4,174.15            | 2,660.39                         | 4,174.15           | 1,513.76(*)                      |
| St. Louis             | 195.00              | -                   | -                  | 195.00              | 2,023.72                         | 195.00             | 1,828.72                         |
| Minneapolis           | 200.00              | -                   | -                  | 200.00              | 877.70                           | 200.00             | 677.70                           |
| Kansas City           | 287.50              | -                   | -                  | 287.50              | 2,057.82                         | 287.50             | 1,770.32                         |
| Dallas                | 251.00              | -                   | -                  | 251.00              | 1,910.03                         | 251.00             | 1,659.03                         |
| San Francisco         | 380.00              | -                   | -                  | 380.00              | 2,790.00                         | 380.00             | 2,410.00                         |
| Federal Reserve Board | -                   | -                   | 15,703.37          | 15,703.37           | -                                | -                  | -                                |
| <b>Total</b>          | <b>\$ 7,953.95</b>  | <b>\$ 3.00</b>      | <b>\$15,933.37</b> | <b>\$ 23,890.32</b> | <b>\$22,738.38</b>               | <b>\$ 8,186.95</b> | <b>\$ 16,065.19</b>              |
|                       |                     |                     |                    | <u>1,151.94(a)</u>  |                                  |                    | <u>1,513.76(b)</u>               |
|                       |                     |                     |                    | <b>\$ 22,738.38</b> |                                  |                    | <b>\$ 14,551.43</b>              |

(&) Main line rental, Richmond-Washington.

(#) Includes salaries of Washington operators.

(\*) Credit.

(a) Received \$1,151.94 from Treasury Department covering business for the month of August, 1930.

(b) Amount reimbursable to Chicago.

"THE FEDERAL RESERVE SYSTEM."

By Paul M. Warburg.

Chapter XI: "The Redistricting Intermezzo."

Review.

By C. S. Hamlin,  
September, 1930.

(References, when not otherwise indicated, are to Mr. Warburg's book.)

-I-

The essential facts in the controversy, as alleged by Mr. Warburg, were as follows:

1. On October 20, 1915, a Redistricting Committee was appointed by the Federal Reserve Board.
2. On November 12, 1915, this Committee filed a preliminary report to the effect that a reduction in the number of Federal reserve banks was imperatively demanded for the best interests of the Federal Reserve System and of the country.
3. In this report the Committee asked instructions from the Board whether it should prepare a specific plan of reduction.
4. This preliminary report was set down by the Board for discussion on November 13th and again on November 15, 1915, but the meetings were postponed because of the absence of Secretary McAdoo.
5. The Board finally set down November 22, 1915 for the discussion of the merits of the report and a final vote thereon.
6. At the meeting on November 22nd, discussion of the merits was prevented by reason of the delivery to the Board of an opinion of the Attorney General advising the Board that it had no power under the Federal Reserve Act to reduce the number of Federal reserve districts or Federal reserve banks.
7. The opinion of the Attorney General was obtained by the Governor of the Board without the authority or knowledge of the Board.

8. The opinion prevented any discussion of the merits of the Committee report, and necessitated an abandonment of the whole matter, although a majority of the Board favored the Committee report and would have voted accordingly had a vote been taken on the merits.

1 - 427, 430, 436.

-II-

Mr. Warburg states as his reason for writing this Chapter, that after Senator Glass, in 1923, and Dr. H. P. Willis, in 1926, had lifted a corner of the veil regarding the controversy, it became imperative for him to break the silence of thirteen years and raise the veil further so that the real facts might be known and the story freed from the "half truths and perversions" by which it had been clouded.

1 - 454.

-III-

Mr. Warburg's lifting of the veil reveals, - as he alleges, - a sinister combination or conspiracy on the part of the President of the United States, the Attorney General of the United States, the Secretary of the Treasury, and the Governor of the Federal Reserve Board, to forestall discussion on the merits of the report of the Redistricting Committee by means of an opinion of the Attorney General, obtained by the Governor of the Federal Reserve Board, without authority from or knowledge of the Board, advising the Board that it had no authority, under the Federal Reserve Act, to reduce the number of Federal reserve districts or Federal reserve banks.

1 - 430.

- 3 -

X-6715

-IV-

Mr. Warburg's charge is a very grave one, and to avoid any possibility of error, I shall quote his very words:

"Thus while the Board had deferred the decision out of courtesy to Mr. McAdoo, the latter, together with the Board's Governor and the President, had combined, without the knowledge of the four appointive members of the Board, to forestall any debate by securing the opinion of the Attorney General."

1 - 430.

"The President and the Attorney General formed their judgment solely upon the evidence of the Secretary of the Treasury, whose action was to be reviewed and who had studiously avoided hearing the views of the Committee, and upon the evidence of the Governor devoted to Mr. McAdoo and acting in accordance with his instructions."

1 - 430.

-V-

Mr. Warburg draws a sharp line of cleavage between the sheep and the goats in this controversy, - between those who favored redistricting, called by him the "Majority", - and those who were opposed to redistricting, - to whom he refers as the "Minority."

He charges that the Minority were guided solely by political considerations, while the "Majority" acted as non-partisan trustees of the country at large.

The following quotations from the Chapter bring out this line of cleavage distinctly:

"It was certain, therefore, that three of the Members of the Board of seven would try to block any drastic readjustment.

1 - 427.

"The remaining four, however, had seen enough of the petty point of view resulting from a twelve-headed system, and of the difficulties of its administration, to convince them that with



regard to banking standards and efficiency of service it would clearly be for the benefit of the country if the numbers of the reserve banks should be reduced."

1 - 427.

"The determined insistence on the creation and preservation of "one crop" districts . . . could hardly be justified except on political grounds." (Italics mine.)

1 - 429.

"The four of us considered ourselves the non-partisan trustees of the interests of the country at large."

1 - 440, 441.

"The other three dealt with the question from the point of view of the interests of their Party." (Italics mine)

1 - 440, 441.

He even brings a similar charge against the President of the United States:

"It was natural that the President, on this question, could not disregard the political considerations." (Italics mine)

1 - 452, 453.

Mr. Warburg then portrays the role he played in the controversy:

"It was my duty to approach the problem from a non-partisan and non-political point of view, - with the sole thought in mind of what the best interests of the country, as a whole, required."

1 - 452, 453.

This calm, judicial juxtaposition of the attitude of the President, the Attorney General, the Secretary of the Treasury and the Governor of the Board, as against the pure altruism of Mr. Warburg, is certainly worthy of a Shakespeare!

-VI-

The writer proposes to "lift the veil" - to use Mr. Warburg's metaphor, - even further than he has done, and to show how grotesquely absurd are the charges of conspiracy hurled against the President, the

Attorney General, the Secretary of the Treasury, and the Governor of the Federal Reserve Board.

-VII-

Mr. Warburg refers briefly to the preliminary report of the Committee filed November 12, 1915, and of two meetings held on November 13th and November 15th by the Board to discuss it. He contents himself with the bare statement that these two meetings were postponed until November 22nd because of Mr. McAdoo's absence.

1 - 430, 431, 436.

He further quotes the Redistricting Committee, which stated in its report of December 2, 1915:

"Your Committee desires to repeat that at no time had there been a discussion of the Committee's original report of November 13th, or of the revised report of November 17, 1915."

1 - 436

From the above one would naturally be led to believe that, at the above meetings, the Board had convened but had immediately adjourned to November 22nd, because of the absence of Mr. McAdoo.

Why, it may be asked, does Mr. Warburg thus gracefully glide over the meeting of November 15th?

Was there no "discussion" at that meeting, of the preliminary report of November 12th?

The fact is that at that meeting of November 15th the preliminary report was discussed, briefly perhaps as to its merits, but at great length as to its demerits, and moreover it was one of the most earnest and vehement discussions ever held in the Board.

The discussion occupied a whole day, - "From morn till noon, from noon till dewey eve," - the Board sitting both in the morning and in the afternoon.

No final vote was taken, however, because of the absence of Secretary McAdoo, and because at the end of the day there was no report left to be acted upon, - as will appear later.

It was pointed out by the minority, during the discussion, that the Committee report in effect stated that because of the weakness of one-half of the Federal reserve banks the System would prove a failure and that a reduction of the number of Federal reserve banks from twelve to eight or nine was imperative for the good of the System and of the country.

The minority further stated that such a startling conclusion would cause uneasiness and lack of confidence in the System throughout the country; that this conclusion should have been supported by a statement of the facts and figures on which the conclusion was based; that no such facts or figures were contained in the report.

The minority then requested the Committee to file a supplemental report giving these facts and figures and that one week be allowed the minority to study the report as thus supplemented.

A formal motion or resolution was made to this effect, but was strongly opposed by the Committee, which opposition was later explained by the Committee in its report of December 2, 1915, as follows:

"The fact that the request of two members of the Board for another preliminary report in writing as to the reasons for its recommendations was opposed by the Committee, was, as explained by the Committee, solely because it desired to have the report discussed on its merits without delay and at that time lay before the Board all the facts and figures it had collected. Such a course was in consonance with our usual practice."

The writer knows of no such practice of the Federal Reserve Board and is very confident that the attempt of a Committee to withhold the facts and figures on which its report is based from the report itself, and to present them only when the report is before the main body for immediate vote, would not be sustained by any deliberative body known to Anglo-saxon procedure.

The charge was freely made during the discussion that the minority was trying to obstruct the proceedings and delay a final vote. The minority, however, pointed out that a delay of one week in which to study the facts and figures on which the report was based, was not an unreasonable request in view of the radical changes in the Federal Reserve Act recommended by the Committee.

The motion that the Committee report the facts and figures upon which its conclusions were based and that one week's time be allowed the "minority" to study the report thus supplemented, was finally put to the vote and was defeated by a vote of four to two.

3 Diary, p. 102, 103, 107.

The writer believes it apparent from the above that any lack of discussion of the merits of the Committee's report at this meeting was due not to the minority but to the action of the majority in defeating this motion.

Finally, as a climax of a weary day of discussion, the Committee itself announced that it would withdraw its report and would later file another, to which the Board consented.

3 Diary, p. 112, 113.

At the next meeting of the Board, on November 17, 1915, one of the "majority" stated that he was satisfied that the preliminary report contained statements which might give a false impression, and that the criticism of the minority was, to a certain extent, justified.

3 Diary, p. 112.

Evidently the discussion held on November 15th had made a decided impression on the Committee!

On that day, - November 17, 1915, the Committee prepared a supplementary report eliminating some but not all of the matters criticised by the minority. This report also, however, was silent as to the essential facts and figures upon which its conclusion was based.

The Committee justified this omission as follows:

"The problem is preeminently one for the exercise of general judgment as to what will make for the most effective organization of the Federal Reserve Banking System, and your Committee does not, therefore, think it necessary to develop at length or in detail the reasons which have weighed with its individual members, each of whom has reached his conclusion in his own way." (Italics mine)

Would it not have been fairer to the minority to have the Committee's facts and figures so that they also could reach their conclusion in their own way?

1 - 771.

The Committee report of November 17, 1915 continued:-

"Attention may, however, be called to some of the considerations in favor of a reduction in the number of districts."

1 - 771.

The Committee then enumerates the general considerations of economy of operation, embarrassment in dealing with weak units, simplicity in check clearing and collection and greater ability to meet severe tests which may come when the war is over.

1 - 767.

It is very significant, however, as above stated, that no mention is made by Mr. Warburg of the discussion or of the contents of the first preliminary report which was discussed in the Board, as above stated, on November 15, 1915.

The supplemental report of Nov. 17, 1915, is referred to by him merely in a foot note on page 440 although it is printed in full in appendix 29 at page 767.

Throughout the chapter, ignoring the preliminary reports, excepting as to the foot note above mentioned, Mr. Warburg quotes as a justification of the Committee's position the Committee report made on Dec. 2, 1915, long after the redistricting dispute had been disposed of by the Board. A copy of this latter report is printed on page 431.

-VIII-

One result of the discussion in the Board on November 15th, not heretofore pointed out, should here be mentioned.

It will be remembered that in its preliminary report, the Committee had in effect expressed the conviction that one year's operation of the System had convinced it that a reduction in the number of Federal reserve banks was imperative, and that if not reduced, the System might prove to be a failure.

In rendering the final report of December 2, 1915, however, the Committee reversed itself and stated that the System had already brought immeasurable benefits to the country, and "..... whether with twelve banks or eight banks will prove of inestimable value." (Italics mine)

1 - 434.

-IX-

Before considering the final meeting of the Board held on

November 22, 1915, at which the Governor presented the letter of the President and the opinion of the Attorney General, it may not be out of place to refer briefly to certain interesting and significant events which transpired just before that meeting.

-X-

In its final report of December 2, 1915, the Committee stated that it delayed filing its preliminary report, - which was discussed, as above shown on November 15th, - in order to give Mr. Harding an opportunity to show it to Secretary McAdoo to obtain any suggestions he might care to make, but that as Mr. Harding could not confer with him, because of illness, the Committee finally filed its preliminary report on Saturday, November 13, and it was set down for discussion by the Board on November 15, 1915.

1 - 435, 436.

Although Mr. Harding did not have a personal interview with Secretary McAdoo, he did communicate with him through Mr. Williams, as will later appear.

Let us "lift the veil" a little further and see what is disclosed.

Mr. Williams, the Comptroller of the Currency, and an ex-officio member of the Board, told the writer that on Friday, November 12th, Mr. Harding called on him and had a talk with him, later reduced to writing and approved by Mr. Harding; that Mr. Harding told him that the Committee would report in favor of redistricting and desired their report to be sent to the President, and that unless the President personally requested the Committee to withhold its report, the Committee

would vote to put it through, but that if the President did so request, the Committee would lay it on the table for the present.

3 Diary, p. 95.

This was certainly a somewhat extraordinary ultimatum to deliver to the President of the United States!

The writer has also a copy of a letter from Mr. Williams to Secretary McAdoo enclosing the memorandum, above referred to, of his conversation with Mr. Harding, which memorandum, Mr. Williams said was duly examined and approved by Mr. Harding.

3 Diary, p. 96.

In this letter, Mr. Williams told Secretary McAdoo that Mr. Harding asked him to say that on the occasion of his call on the Secretary two or three evenings before, he carried with him a copy of the Committee report together with a map showing the proposed redistricting, with permission from the Committee to leave it with him, - Secretary McAdoo - for his information; that he, - Mr. Harding, - says he now has it on his desk, and will send it to Secretary McAdoo should he care to see it before it is submitted to the Board next week.

Mr. Williams also told the writer that Governor Harding told him that the plan and map referred to in the memorandum, abolished the Federal Reserve District of Boston, merging it with the Federal Reserve District of New York.

3 Diary, p. 121, 139.

The above statement is confirmed by Dr. Willis who told the writer that, at Mr. Warburg's request, he had delimited the districts in a draft of report given him by Mr. Warburg, and that this draft merged



Boston with New York.

3 Diary, p. 137.

Mr. Williams also said later that Mr. Harding told him he had reported his talk with him to the Committee and that none of them had dissented. Later, Mr. Harding repeated this to the Board.

3 Diary, p. 108, 138, 139.

The above statements of Mr. Harding seem completely inconsistent with what Mr. Warburg states in his book, - that the Committee agreed that no plan should be considered which might increase the power of the Federal Reserve Bank of New York, and his further statement that no specific plan of reduction was formulated by any Committee.

1 - 427, 438.

These latter statements of Mr. Warburg are plain and unequivocal, yet it is interesting to note that on December 15, 1915, in response to a request of the Board, the Committee filed a memorandum giving a general review of its work, and annexed to this memorandum or produced at the same time with it, several plans and maps, one of which consolidated the Boston with the New York District!

The Committee stated, in the memorandum, that while the plan which merged Boston with New York was the most advisable, yet in view of the sentiment of the country it did not contemplate merging Boston and New York, and expressed the hope that Boston may succeed in proving its ability to act as an independent and self-supporting centre.

3 Diary, p. 154-A (Loose leaf)

Clearly everyone today will admit that Boston has proved its ability to act as a Federal reserve centre, but that is not the reason for quoting the above. The reason is that although Mr. Warburg, as above quoted, said the Committee had agreed not to increase further the power of New York, yet it had one plan before it which would materially increase its power and, as shown by Mr. Williams, as quoted above, Mr. Harding admitted that the plan which he was holding for Secretary McAdoo's inspection as the plan of the Committee - (Italics mine) - was the plan which abolished Boston as a Federal reserve district and Federal reserve bank, and merged it with New York!

It is evident that such a merger would have enormously increased the power of the Federal Reserve Bank of New York.

It should also be remembered that Mr. Harding told Mr. Williams that he had reported to his colleagues on the Committee his conversation with Mr. Williams in which he stated that the Committee's plan in fact merged the Federal Reserve District of Boston in that of New York.

3 Diary, p. 108, 121, 139.

While it may well be that the Committee had not formally voted at this time to adopt the plan abolishing Boston, yet the fact that Mr. Harding told Mr. Williams that the Committee plan did abolish Boston would certainly warrant anxiety and apprehension at even the possibility that New York's power might be increased, in spite of Mr. Warburg's statement to the contrary, above quoted.

-XI-

The writer furthermore was informed by Dr. Willis, the then Secretary of the Board, that Mr. Harding, on Saturday, November 20, 1915, - two

days before the final meeting of the Board on November 22, 1915, came to him and asked him to act as an intermediary between the Committee and Secretary McAdoo, telling him, from man to man, that he was willing to compromise as follows: - The Committee to lay on the table the redistricting report and Secretary McAdoo to yield on certain disputed questions as to open market powers and clearings; the Secretary further to direct Comptroller Williams to remove Mr. Starek, the National Bank Examiner at New York, and also to order him to furnish, henceforth, copies of the "yellow sheets" attached to the Bank Examiner's reports to the Federal Reserve Agents, which the Comptroller up to this time had declined to furnish.

3 Diary, 106, 116.

Dr. Willis reported this conversation to Secretary McAdoo immediately, and he agreed to meet Governor Harding on Sunday the following day.

3 Diary, p. 116.

Prior to this meeting, Secretary McAdoo told the writer he should never agree to compromise on these or any other lines, and later, on Sunday, after the interview, told the writer that Mr. Harding did not ask him to compromise, but told him unequivocally that he should vote to dismiss the whole matter at the meeting of the Board on Monday, - as will later appear.

3 Diary, 116, 117.

Whether or not Mr. Warburg knew of this conversation between Mr. Harding, Dr. Willis and Secretary McAdoo, in which a compromise was suggested, the writer does not claim to be informed, but if he knew of

the ultimatum to the President, above mentioned, or of the suggestion of Mr. Harding, or either of them, it certainly placed him, - the "non-partisan trustee of the country's interests," as he felicitously called himself, - in a decidedly anomalous position. Perhaps, however, he may have reached the conclusion that the other matters, quoted above, represented the "greater good" and justified dropping the redistricting plan!

-XII-

We can now take up the question of the submission to the Board by the Governor of the opinion of the Attorney General, which Mr. Warburg charges was brought about by a combination to forestall debate, on the part of the President of the United States, the Secretary of the Treasury, the Attorney General, and the Governor of the Federal Reserve Board.

The events leading up to the request by the Governor for the Attorney General's opinion were as follows:

Just prior to the meeting of November 15, 1915, the Governor heard indirectly that the Committee was consulting with J. P. Cotton, Esq., - who had acted in several matters as special Counsel of the Board, - as to the Board's power. In the discussion of the preliminary report, as the writer recalls, the Committee made some reference to this fact.

3 Diary, p. 89, 92.

On November 15th, just prior to the meeting, the Governor prepared a formal resolution asking the Committee whether it had sought an opinion from any one other than from Mr. Elliott, the General Counsel of the Board, with relation to its power to reduce the number of the Federal reserve banks.

3 Diary, p. 100, 101.

On November 16, 1915, Mr. Williams wrote to the Committee asking it to produce Mr. Cotton's opinion.

3 Diary, p. 109.

Late on Saturday afternoon, November 20, 1915, the Committee gave the writer a copy of Mr. Cotton's opinion, dated November 19, 1915, in which he advised the Committee that the Board had power to reduce the number of the Federal reserve banks.

Mr. Elliott, it should be remembered, had previously advised the Board that it had no such power.

According to the writer's recollection, no authority from the Board had been obtained by the Committee to secure this opinion from Mr. Cotton.

In any event, the fact remained that at the meeting of the Board set for November 22, Monday, - only a few hours distant, - when it was expected that a final vote would be taken, there would have been before the Board two radically conflicting opinions as to the power of the Board, - that of Mr. Elliott, the General Counsel, and that of Mr. Cotton, the special Counsel.

Such conflict of opinion, it must be evident, would have plunged the Board into hopeless confusion, and an opinion from the Attorney General was absolutely necessary to settle the question of power once for all.

The Governor would have called a special meeting of the Board to obtain a formal vote requesting such an opinion, but it was late Saturday afternoon and the Board members had separated so that a

meeting on Sunday would not have been practicable. The Governor felt that it was the intention of what Mr. Warburg describes as "the majority" to force a vote on Monday, and it therefore, seemed imperative to ask the Attorney General for an opinion.

Ordinarily, under the practice of the Board, a request of three members for an opinion of the Attorney General upon any important question would be acted upon favorably by the Board almost as a matter of course, without question. Had the Board voted adversely upon such a request, the Secretary of the Treasury, as Chairman of the Federal Reserve Board, under existing law and practice, could have, of his own volition, called upon the Attorney General for an opinion; or any member of the Board could at any time request the President to call for such an opinion.

Under these circumstances, the Governor, late on that Saturday evening explained the situation over the telephone to Secretary McAdoo, who told him that he had a copy of Mr. Cotton's opinion and further, - what he did not know before, - that the Attorney General had been engaged in studying the question of the Board's power for some time, at his request. Secretary McAdoo further said that the President wished the Governor to write him a letter requesting him to obtain and forward an opinion of the Attorney General.

The Governor accordingly, addressed a letter to the President stating that, both in his capacity as Governor and as a member of the Board, he would be greatly helped if an opinion of the Attorney General could be secured.

The letter was sent to the President on Sunday, November 21, 1915, and on Monday, November 22nd, just before the Board meeting, a letter from the President was received by the Governor, together with a copy of the Attorney General's opinion, which the Governor at once laid before the Board.

This opinion negated any power in the Board and thus settled the conflict between the opinions of the General and special Counsel of the Board.

To sum up: - The Board had secured an opinion from its General Counsel; the Redistricting Committee, without any authority from the Board, had secured an opinion from the Special Counsel; and the Secretary of the Treasury, of his own volition, had called for an opinion from the Attorney General. The two former conflicting opinions would have been before the Board at its meeting of November 22nd. It was absolutely necessary for the Board to have also the opinion of the Attorney General upon the same subject, asked for informally by the Secretary of the Treasury, and in asking for this opinion, at the suggestion of the President, on Sunday, the 21st of November, the Governor merely anticipated by one day what the Board as a matter of course, or the Secretary of the Treasury in his own right, would have done on the next day. This anticipatory action of the Governor, moreover, as it turned out, made it possible for the Board to have the Attorney General's opinion before it when it met the next day and thus saved the necessity of further postponement of the meeting to await its receipt.

The Redistricting Committee seemed to feel that there should have been a formal hearing at which each side could have presented its case before the Attorney General. No such opportunity, however, was afforded the Minority when the Committee asked for Mr. Cotton's opinion.

1 - 436.

The Committee, however, forgot that the only question before the Attorney General was one of law, and that the latter had before him the opinion of Mr. Elliott, and also that of Mr. Cotton, - presumably sent with the other papers by Mr. Elliott.

5 Diary, p. 146.

The Committee stated that if the Attorney General had known that branches would have been substituted for all Federal reserve banks abolished, his opinion might have been different, but the writer recalls no reference in Mr. Cotton's opinion or in the preliminary report of the Committee to this argument. If it was in Mr. Cotton's mind, he evidently attached no importance to it.

Mr. Warburg, however, in effect claims that the addition to the Board's files of the Attorney General's opinion beside those of the General and Special Counsel of the Board, constituted a combination or conspiracy to suppress discussion! As well might one claim that a decision of the Supreme Court of the United States that a claimant had in law no cause of action should be characterized as a combination or conspiracy of the Justices of that Court to forestall discussion!

The writer believes that the above statement of facts will effectually dispose of Mr. Warburg's charges of combination or conspiracy to



suppress discussion and that this myth will vanish into thin air.

-XIII-

As a matter of fact, however, the whole question of redistricting had in effect been disposed of prior to the receipt of the Attorney General's opinion.

Mr. Warburg, over and over again, states that a majority of four members of the Board favored cutting down the number of Federal reserve banks, and plainly seeks to have it implied that they would have so voted but for the Attorney General's opinion.

1 - 438.

This statement may have been true at one time, but it was not true on the morning of November 22nd, the date of the final meeting.

On Sunday, November 21st, as above stated, Secretary McAdoo told the writer that Mr. Harding had told him earlier in the day that he had become satisfied that any attempt to cut down the number of Federal reserve banks would be resisted in the courts and lead to long drawn out litigation which would be most injurious to the Federal Reserve System, and that he had determined to vote to dismiss the whole matter.

3 Diary, p. 117.

Senator Hoke Smith had previously told the writer of a similar conversation with Mr. Harding.

3 Diary, p. 115.

Thus Mr. Warburg's majority of four had dwindled to a minority of three.

The writer was further informed, on the very best authority, that one other member of Mr. Warburg's "Majority" had reached the same conclusion.

Perhaps these members had learned of the informal action of the Federal Advisory Council in unanimous opposition to any cutting down of Federal reserve banks at the present time.

3 Diary, p. 114.

Thus, if a final vote had been taken on November 22nd, - wholly apart from the Attorney General's opinion, - the Committee report would have been defeated by a vote of five to two and the whole matter would have passed into oblivion.

-XIV-

It should further be pointed out that although Mr. Warburg, in his book, over and over again expresses his conviction that the number of Federal reserve banks should be reduced for the good of the System and of the country, yet he took a very different position in addresses made by him at about that time and later, as the following quotations will show:

In an address delivered at Charlotte, North Carolina, on November 23, 1915, - only one day after the final disposition by the Board of the redistricting report, in reviewing the first year's operation of the Federal Reserve System, Mr. Warburg said:

"I am looking back upon the first year with full satisfaction." (Italics mine)

Again, in the same address he said:

"It was a difficult problem to write so intricate a law as the Federal Reserve Act. It is a very remarkable achievement to have put upon the books a statute which has brought into life a system which has proved itself entirely workable and successful." (Italics mine)

2 - 350, 351.

As one of the Committee, he also reported to the Board on December 2, 1915, that "the Federal Reserve System whether with twelve banks or eight banks will prove of inestimable value."

(Italics mine)

1 - 434.

It has also been claimed that Mr. Warburg's demand for reducing the number of Federal reserve banks is inconsistent with his oft repeated recommendation that a portion of the paid-in capital be returned by the Federal reserve banks to the member bank stockholders. If strong enough to be able to return part of their paid-in capital, surely they were strong enough to exist without the necessity of merging some of them with relatively stronger banks.

Mr. Warburg makes this recommendation unequivocally in his address at St. Paul, Minn., on October 22, 1915, - just one month before the Board meeting of November 22, 1915 (2-310); and also in his address at Atlantic City on June 9, 1916 (2 - 432).

In a letter to Senator Glass, however, dated February 29, 1916, he qualified this recommendation, favoring a temporary return of the paid-in capital of some of the Federal reserve banks.

This recommendation was based on the fear that failure to pay dividends might hurt the prestige of the Federal reserve banks, and

accordingly he favored paying back a part of the paid-in capital, thus reducing the necessity for earnings.

In connection with the above letter to Senator Glass, it is significant to point out that, up to June 30, 1916, the only banks which had declared dividends were the Federal Reserve Banks of Atlanta, Dallas, and Richmond, - followed by Kansas City in July - while the relatively strong banks, excepting only Chicago, did not begin to declare dividends until much later, almost at the end of the year 1916.

Thus the prestige of the Federal Reserve System which Mr. Warburg was trying to protect by returning part of the paid-in capital of the Federal reserve banks, was being in fact maintained by some of the relatively weak banks which Mr. Warburg wished to eliminate.

Another interesting fact to note is that the Federal Advisory Council, on November 18, 1915, - the day after the discussion in the Board on the Committee's preliminary report, - voted in favor of returning two-thirds of the paid-in capital of all of the Federal reserve banks to the member bank stockholders.

3 Diary, p. 110.

The Federal Advisory Council consists of bankers representing the twelve Federal reserve districts, and the above vote was an impressive tribute to the soundness and successful operation of the twelve Federal reserve banks, and utterly inconsistent with Mr. Warburg's claim that the number of Federal reserve banks should be reduced.

To cap the climax, the Federal Advisory Council, on the same date, - November 16, 1915, informally considered the question of reducing the number of Federal reserve banks, and while many thought it could wisely be done, yet it unanimously was of the opinion that it should not be undertaken at the present time.

3 Diary, p. 114.

-XV-

Mr. Warburg goes out of his way to drag in the question of rotation of the office of Governor. He charges the then Governor with subserviency to Secretary McAdoo, and states that the independence and prestige of the Board make it imperative that one of the other four appointive members should be the next Governor.

1 - 445.

Apparently the bare suspicion that the Governor was in harmony with the views of the President of the United States and the Secretary of the Treasury was a sufficient basis for the demand that he should be displaced and his place filled by one of the "Majority."

The fact also that any member of the Board should be either a present or former officer of the United States, seems to have almost infuriated Mr. Warburg; and yet, not long before, in outlining the principles of a modified Central Bank of Issue, he favored a central body at Washington (corresponding to the Federal Reserve Board) to consist, in part, of the Secretary of the Treasury, the Comptroller of the Currency, the Treasurer of the United States, and (*italics*

mine) six members of Congress!

2 - 77.

Mr. Warburg outlines the efforts he made to force the President to provide for rotation in the office of Governor, and evidently believes it was through his insistency that the then Governor was not redesignated, although reappointed for a ten-year term.

The writer takes a languid interest only in this matter, but would present the following brief statement of the facts.

Mr. Warburg states that two appointive members of the Board had an interview with the President and strongly urged the necessity of rotation in the office of Governor.

1 - 445.

This meeting took place during the week prior to June 19, 1916.

3 Diary, p. 233.

Mr. Warburg also states that he interviewed Secretary McAdoo and gave him a memorandum on the same subject on August 3, 1916.

1 - 445.

The writer will not undertake to express any opinion as to the effect on the President and Secretary McAdoo of Mr. Warburg's attempt to force rotation in the office of Governor, but will merely point out one reason, sufficient at least for himself, why he was not redesignated as Governor, viz. - that on Monday, June 19th, and again on June 30th, he informed Secretary McAdoo that while he would be glad to be reappointed for a new ten-year term, he personally had no desire to be redesignated as Governor, and begged him not to hesitate to drop his name in that connection, and even suggested another member for Governor,

in response to Mr. McAdoo's question.

3 Diary, p. 235, 240.

On July 21, 1916, the writer informed one member of the Committee who had seen the President, of this conclusion, adding that he was now merely a disinterested spectator and would loyally support whomsoever the President might designate.

3 Diary, p. 246.

Some light on this matter may also be thrown by a quotation from a letter sent to the writer by President Wilson on August 10, 1916:

"...I can not send you a note at this particular time without expressing my gratitude and appreciation for the generous and public-spirited attitude you have taken in the matter of the Governorship of the Federal Reserve Board, as reported to me by Mr. McAdoo...."

(Signed) Woodrow Wilson.

Mr. Warburg makes another interesting statement, - that Mr. Delano was not redesignated as Vice Governor but "was sacrificed in order to save appearances for the Governor."

1 - 453.

That the writer did not consider "appearances saved" for himself by the failure to redesignate Mr. Delano as Vice Governor would seem to appear from the fact that on June 19, 1916 (3 Diary, p. 235), on June 30, 1916 (3 Diary, p. 240), and even as late as August 9, 1916 (3 Diary, p. 270) he suggested to Secretary McAdoo the advisability of designating Mr. Delano as Governor of the Board!

As to why Mr. Warburg was designated as Vice Governor in place of Mr.

Delano, the writer has no recollection, but he is satisfied that the designation of Mr. Warburg as Vice Governor sprang from no desire to "save appearances" for the writer.

-XVI-

In summing up this unfortunate controversy, the writer would point out that the three members referred to by Mr. Warburg as the "Minority" had all had much to do with the preparation and final draft of the Federal Reserve Act, - the writer having been charged by Secretary McAdoo with the duty of examining critically all changes in the bill as passed by the House, suggested by the Senate Committee. Naturally these three members of the Board would require cogent reasons for such a radical change in the Federal Reserve Act as was demanded by the Redistricting Committee of the Board, especially after the experience of only one year's operation of the System.

These three members were perfectly familiar with Mr. Warburg's determined but fruitless efforts, while the Act was pending in Congress, to limit the number of Federal reserve banks to four, or to six as a maximum. They cordially accepted the will of Congress in fixing the number at between eight and twelve. While the writer would have preferred beginning with a smaller number than twelve, Federal reserve banks, he loyally accepted the decision of the Reserve Bank Organization Committee, consisting of the Secretary of the Treasury, the Comptroller of the Currency, and the Secretary of Agriculture, Mr. Houston, in fixing the number at twelve. The three of us were firm in the



conviction, however, that no reduction in the number should be made, - even assuming the Board had the necessary power, - unless and until the result of experience in the workings of the System clearly demonstrated that a reduction in number was absolutely necessary for the good of the System and of the country. They felt that the report of the Redistricting Committee revealed no such necessity. They felt that any attempt to reduce the number of Federal reserve banks would be resisted in the courts and would cause confusion, uncertainty, and lack of confidence in the Federal Reserve System, - a result specially to be avoided at that time when the world war was raging in Europe. Their feeling in the matter was also confirmed by the knowledge that the members of the Federal Advisory Council, - on November 16, the day following the discussion in the Board already referred to, - after informal discussion, were unanimously against any attempt to reduce the number of Federal reserve banks at the present time.

Finally, one member of the Committee and one other member of the Board, whatever their former views may have been, reached the conclusion that a reduction of the number of Federal reserve banks should not be undertaken at that time.

Thus, as once before stated, if a final vote had been taken at the meeting of the Board on November 22, 1915, wholly apart from the adverse opinion of the Attorney General, the Redistricting Committee's report in favor of reduction in the number of Federal reserve banks would have been defeated by the decisive vote of five to two, and

Mr. Warburg's "Majority" of four would have dwindled into a feeble "Minority" of two.

-XVII-

The writer believes that by thus "lifting the veil" at the point where Mr. Warburg ceased to lift it, he has exploded the myth of a combination or conspiracy on the part of the President and other officers of the United States to suppress debate in the Board; and he is firmly of the opinion that the subsequent marvellous work of the twelve Federal reserve banks in bearing on their shoulders, like Atlas, the credit burdens of the whole world during and since the war, will have convinced the most skeptical that the failure of the attempt to reduce the number of the Federal reserve banks has enured to the benefit not only of the System but, as well, to the benefit of the entire people of the United States.

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## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6716

September 22, 1930.

Dear Sir:

It is noted that communications directed to the Governor of the Board by some of the Federal reserve banks are being addressed to: "Eugene Meyer, Jr." This is to advise you that in addressing Mr. Meyer the word "Junior" should be omitted.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

To the Governors and Agents of  
all Federal Reserve Banks.

C O P Y

X-6718

September 20, 1930.

The Federal Reserve Board.  
Mr. Wyatt - General Counsel.

Publication of Notice that  
Member Bank intends to Withdraw  
from Federal Reserve System.

Mr. McClelland advises me that the Board desire my opinion as to any questions of law which may be involved in the proposal that, whenever a State member bank files written notice of its intention to withdraw from membership in the Federal Reserve System at the expiration of six months, the Board publish this fact in the Federal Reserve Bulletin, in order that the depositors and the public generally may have advance information of the member bank's intention to withdraw. I also understand that the Board desires my views as to the intention of Congress in requiring such six months' written notice.

#### SUMMARY OF OPINION.

1. The law does not expressly require the Board to publish the fact whenever a member bank files written notice of its intention to withdraw from membership in the Federal Reserve System, and no such requirement can be implied; but there is no legal reason why the Board should not publish such information if in the Board's judgment it would be in the public interest to do so.
2. The purpose of the requirement that six months' written notice shall be filed with the Board before a State bank withdraws from membership was not to protect the depositors of such member banks but to protect the Federal reserve banks against the too sudden reduction of their own capital.
3. It also affords such member banks an opportunity to think the matter over and possibly to change their minds before they actually withdraw from the System.
4. If the public is entitled to notice when a State member bank voluntarily decides to withdraw from membership in the Federal Reserve System at the expiration of six months, then it would seem that the public is also entitled to notice whenever the Federal Reserve Board notifies a State member bank to appear before it and show cause why its membership in the Federal Reserve System should not be forfeited for violation of law; but, to publish such notice in the latter case probably would close the bank before it had the hearing to which it is entitled under section 9 of the Federal Reserve Act.
5. If the Board should adopt the practice of giving publicity to notices of withdrawal from the System for the purpose of giving the public advance information, it might also be expected to publish other information affecting the welfare of depositors; and I respectfully suggest that the Board give careful consideration to the possible ramifications of this principle before deciding whether to adopt it in this case.

THE STATUTE.

The entire law with reference to the withdrawal of State banks from the Federal Reserve System is contained in the following paragraph of Section 9 of the Federal Reserve Act as amended:

"Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: PROVIDED, THAT 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 ANY SUCH STATE 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: Provided, however, That no Federal reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the Board. Whenever a member bank shall surrender its stock holdings in a Federal reserve bank, or shall be ordered to do so by the Federal Reserve Board, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any indebtedness due or to become due to the Federal reserve bank it 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 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 repayment of deposits and of any other balance due from the Federal reserve bank."

The original Federal Reserve Act contained no provision authorizing State banks to withdraw from membership in the Federal Reserve System; all of the above paragraph, except the part printed in capital letters, was inserted by the Act of June 21, 1917; and the words in capital letters were inserted by the Act of April 17, 1930.

PURPOSE OF NOTICE.

The Act of June 21, 1917, amended and reenacted all of Section 9 of the Federal Reserve Act for the purpose of making membership in the Federal Reserve System more attractive to State banks. In a report submitted by the Banking and Currency Committee of the Senate on May 9, 1917, the following statement was made with reference to this amendment. (Cong. Record, Vol. 55, p. 1981) :

"This section makes more convenient and desirable to the State banks and trust companies membership in the Federal Reserve System and throws reasonable safeguards around the admission of State banks, requiring them to comply with the ordinary safeguards of the national banks, but enables the State banks or trust companies which become members to withdraw without loss in case they find the membership undesirable. These withdrawals, however, are not to be permitted in such a way as to cause any sudden disturbance of the reserve bank to which the withdrawing State banks or trust companies are attached."

The words underlined clearly indicate that the purpose of the requirement of six months' written notice before withdrawing from the Federal Reserve System is to protect the Federal reserve banks rather than the depositors of such member banks.

This purpose is further effected by the provision that, except under express authority of the Federal Reserve Board, no Federal reserve bank shall cancel within the same calendar year more than 25 per cent of its capital stock for the purpose of effecting voluntary withdrawals.

PUBLICATION NOT REQUIRED OR FORBIDDEN.

The statutes does not require any publication of the notice of a member bank's intention to withdraw from the Federal Reserve System, and there is nothing in the statute from which a requirement that the Federal Reserve Board publish such a notice could be implied. On the contrary, the failure to require such publication indicates that Congress did not expect such notice to be published.

When Congress desires information to be published for the benefit of the public it usually provides expressly for the publication of such information and specifies the manner and duration of such publication. Thus, Section 11(a) of the Federal Reserve Act requires the Federal Reserve Board to publish each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks; Section 5211 of the Revised Statutes requires reports of the condition of national banks to be published in a newspaper in the place where the national bank is located; Section 5170 of the Revised Statutes requires a newly organized national bank to publish its certificate of authority to commence business in a newspaper printed in the city or

county where the bank is located for at least sixty days; Section 5221 of the Revised Statutes requires notice of the voluntary liquidation of a national bank to be published for two months in a newspaper published in the City of New York and also in a newspaper published in the city or town in which the bank is located; and Section 5235 of the Revised Statutes requires the Comptroller to publish notice of the appointment of a receiver for a national bank for three consecutive months. The failure to require publication of notice of intention of a State bank to withdraw from the Federal Reserve System is strong evidence that Congress did not expect or intend such notice to be published.

On the other hand, the law does not forbid the Federal Reserve Board to publish such notice and I know of no legal reason why the Board should not do so if in the Board's judgment it would be in the public interest.

#### POSSIBLE RAMIFICATIONS.

I understand from Mr. McClelland's memorandum that it is proposed to give publicity to the filing of a notice by a member bank of its intention to withdraw from the Federal Reserve System, "in order that the depositors and the public generally may have advance information of the member bank's intention to withdraw". I assume that this is for the purpose of enabling depositors to transfer their accounts to other banks before the withdrawal becomes effective, if they are unwilling to do business with a nonmember bank; and, viewing the matter from this standpoint alone, it would seem entirely proper to give the depositors such information and afford them such an opportunity.

If such information is published on this principle, however, the Board might be expected to publish other information affecting the welfare of depositors, and I respectfully suggest that the Board give careful consideration to the possible ramifications of this principle before deciding whether to adopt it in this case.

If the public is entitled to notice when a State member bank files notice of its intention to withdraw from membership in the Federal Reserve System at the expiration of six months, then on the same theory it would seem that the public is entitled to notice whenever the Federal Reserve Board notifies a member bank to appear before it to show cause why its membership should not be forfeited for violation of law. To publish such information in the latter class of cases, however, would seriously injure the business of the bank and probably would cause a run resulting in the closing of the bank. Section 9 of the Federal Reserve Act requires the Board to afford a bank a hearing before forfeiting its membership in the Federal Reserve System for violation of law; and, if notice of such hearing were made public, the bank probably would be deprived of the benefit of any hearing by being forced into the hands of a receiver before the hearing could take place.

If the public is entitled to notice that a member bank is about to withdraw from the Federal Reserve System then it would seem that it is also entitled to notice when a member bank's capital is impaired, when it is continually deficient in reserves, or when there is any other situation affecting

the interests of its depositors. Such notice has never been published, however, and it is obvious that the publication of such notices would produce runs on banks, precipitate their insolvency, and in the long run do more harm than good. Other methods have been provided for meeting such situations. When a national bank's capital is impaired the Comptroller of the Currency is authorized to levy an assessment, and when it is insolvent he is authorized to appoint a receiver. When a member bank fails to comply with the reserve requirements the Federal Reserve Board is authorized to assess penalties; when a State member bank fails to comply with the provisions of the Federal Reserve Act and the Board's regulations the Board is authorized to forfeit its membership in the Federal Reserve System; and when a national bank fails to comply with the provisions of the Federal Reserve Act or the National Bank Act the Comptroller of the Currency is authorized to institute suit for the forfeiture of its charter.

In deciding whether or not to give publicity to the filing of notice by a State bank of its intention to withdraw from membership, however, I do not feel that the Board needs to be strongly influenced by the possibility of finding it necessary to apply that principle to other cases in order to be consistent. In other words, I think the Board could afford to be inconsistent if it believes that the publication of notice of intention to withdraw voluntarily would be in the public interest but that practical considerations would prevent the publication of information pertaining to proceedings to forfeit the membership of a State member bank or to the other facts and circumstances to which I have alluded above.

#### OTHER PRACTICAL CONSIDERATIONS.

The requirement that State member banks file written notice of their intention six months before withdrawing from the Federal Reserve System has the effect of affording them a "cooling off period" during which they have an opportunity to think the matter over and possibly decide not to withdraw from the Federal Reserve System. There have been a number of cases where member banks, because of some friction with the Federal reserve banks or for other temporary cause, have filed notice of intention to withdraw and have changed their minds before the expiration of the six months' period.

To publish the fact that a State bank has filed notice of its intention to withdraw might have the effect of preventing it from later changing its mind; but, on the other hand, it might also have the effect of causing its depositors to bring pressure on the bank to remain in the System. It is impossible to prophesy what the effect might be, and might not operate uniformly in all cases. I personally believe that the effect of publishing such notice will depend upon the amount of publicity given, the newspapers of the place in which the bank is located, upon the attitude of the public at the time toward the bank and toward the Federal Reserve System, and upon numerous other factors which will vary in each individual case. If there have been rumors respecting the bank's solvency, the publication of such a notice might conceivably cause a run on the bank. If the people in the locality should have a high regard for the Federal Reserve System and place great importance on membership in the System, the publication of such a notice



might result in the transfer of their accounts to other banks in an orderly manner, and this might cause the member bank to decide not to withdraw from the System. If the member bank were highly regarded by the public and if the public were hostile or indifferent to the Federal Reserve System, the publication of such notice probably would have no effect whatever, except possibly to reduce the chances of the bank's officers and directors changing their minds about withdrawing from the System.

CONCLUSION:

In the last analysis, the question whether the Board should adopt the practice of giving publicity to the filing of notice by a member bank of its intention to withdraw from the Federal Reserve System is a question of policy for the Board to decide in accordance with the dictates of its own judgment. The above memorandum is not intended as an argument in favor of or against the adoption of such policy, but is intended to call to the Board's attention the various different factors which the Board may desire to consider before reaching a decision on this question.

Respectfully,

Walter Wyatt,  
General Counsel.

WW --omc--sad

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.

September 24, 1930.

At a preliminary conference held by the Federal Reserve Board in connection with the regular fall meeting of the governors and chairmen of the twelve Federal reserve banks, a comprehensive review was made of the agricultural, general economic and credit situation throughout the country. Being the season of usual marketing of the country's crops, reports were made with particular reference to the status of agricultural staples in each of the Federal reserve districts and there was special discussion of the conditions affecting their marketing and financing.

The Board was assured and satisfied that in each of the twelve Federal reserve districts ample credit facilities are available for financing the marketing of the crops, and that such facilities are being provided by the banks and other agencies concerned in the orderly marketing of agricultural commodities. The twelve Federal reserve banks through rediscounts for their member banks, loans to Federal Intermediate Credit Banks on agricultural paper of cooperative associations and purchases of bankers' acceptances covering agricultural commodities, are making their resources available for the marketing of the country's crops at the lowest rates in the history of the System.

It was the view of the conference that the extension of credit to support the orderly marketing of crops - at all times an important function of the Federal reserve banks - is of special importance at the present

time. To that end, the Federal Reserve Board was assured that the Federal reserve banks will continue their efforts to acquaint their communities with the facilities of the System and the disposition of the management of those banks to meet the problems connected with the marketing of the crops.

For release, morning papers, Sept. 24, 1930.

The Federal Intermediate Credit Banks of Columbia, South Carolina, New Orleans, Louisiana, Houston, Texas, Wichita, Kansas, St. Louis, Missouri, and Louisville, Kentucky, are mailing to all banks and agricultural credit corporations in the cotton belt letters in the form quoted below. Copies of these letters are being given out locally by the respective banks for publication Wednesday morning.

"TO ALL BANKS AND AGRICULTURAL CREDIT CORPORATIONS IN \_\_\_\_\_:

"The marketing of the cotton crop of the present season is now under way and the Federal Intermediate credit banks are not only ready but eager to make available their facilities for financing farmers' notes secured by properly stored cotton, and thus aid in carrying it until it can be marketed in an orderly manner.

"In addition to their ability under the law to make loans to cooperative marketing associations secured by warehouse receipts, the Federal Intermediate credit banks have power to discount farmers' notes for banks, agricultural credit corporations, and other financing institutions. Moreover, by amendments recently enacted by Congress, the banks are permitted to make direct loans to such institutions secured by the same class of paper which may be discounted, and the minimum maturity requirement is removed. In this way the procedure for carrying farmers' paper by the Federal intermediate credit banks has been simplified.

"Any State or National bank, trust company, savings bank or similar institution, and any properly organized credit corporation with adequate capital and competent management, which handles eligible agricultural paper and meets the requirements of the Federal intermediate credit bank, may be granted the privilege of discounting with or obtaining loans from the Federal intermediate credit bank. WITH SUCH RELATIONS ESTABLISHED, THE FEDERAL INTERMEDIATE CREDIT BANK WILL ACCEPT FROM SUCH INSTITUTIONS, AND CARRY, NOTES BEARING INTEREST RATES PERMITTED BY THE LAW AND REGULATIONS AND REPRESENTING LOANS TO COTTON GROWERS ON THE BASIS OF NINE CENTS PER POUND, OR SEVENTY-FIVE PER CENT OF THE MARKET VALUE IF

- 2 -

SUCH PERCENTAGE EXCEEDS NINE CENTS, FOR MIDDLING WHITE COTTON OF SEVEN EIGHTHS INCH STAPLE, SUCH COTTON BEING OF TENDERABLE GRADE AND STAPLE, PROPERLY STORED AND INSURED, AND PLEDGED AS SECURITY FOR THE LOANS. Cotton farmers who desire to avail themselves of this opportunity should apply to a banking institution or agricultural credit corporation in their locality which has or obtains the privilege of doing business with the Federal intermediate credit bank.

"The Federal Intermediate Credit Bank of \_\_\_\_\_, like each of the other eleven Federal intermediate credit banks, has ample lending capacity and therefore is in a position promptly to render a large amount of assistance in financing the storage and orderly marketing of the present crop.

"We hope to have the active cooperation of banks and agricultural credit corporations in rendering this service to the cotton growers of every community in the cotton growing sections of this district.

FEDERAL INTERMEDIATE CREDIT BANK OF \_\_\_\_\_

By \_\_\_\_\_  
President."

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6722

September 25, 1930.

SUBJECT: Insurance.

Dear Sir:

On March 30, 1929 the Board addressed a letter, X-6279, to the Secretary of the Governors' Conference asking that the following topic be placed on the program for the Governors' spring conference:

"Should self-insurance reserves be carried by the Federal reserve banks and if so when and for what purposes should they be used and what effect if any should they have on the cost of fidelity or other insurance carried by the banks."

The Governors' Conference considered this question and adopted the following resolution:

"Resolved, that it is desirable that all Federal reserve banks should set up self-insurance reserves for the purpose of meeting any losses of whatever nature not covered otherwise, and that the effect should be a very material reduction in the cost of all types of insurance."

At the present time, eight of the Federal reserve banks have self-insurance reserve funds and it is assumed that the setting up of these reserves has resulted in a material reduction in annual cost of insurance. The Board expects to again review the question of self-insurance reserves, however, with the object of fixing some-limits on the amount of such reserves. Before doing this, it would like to have before it a complete statement of (1) the amount and annual cost of the various classes of insurance carried by each Federal reserve bank and (2) the extent that those reserve banks which have self-insurance funds have used them to replace insurance which would otherwise

-2-

have been carried. The Board would like also to have you state the views of your directors and officers with reference to these funds, especially with regard to the amount and the kinds of insurance, if any, they should take the place of, the aggregate amount which should be accumulated in such fund and whether such amount should be determined by some fixed rule. It will be appreciated if you will have this information forwarded to the Board at your early convenience.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6723

September 30, 1930.

Dear Sir:

Under date of March 11, 1929, the Federal Reserve Board transmitted to the Federal reserve banks, with a request for their cooperation, letters addressed to the Board by the Treasury Department on February 14th and March 8th, with regard to arrangements which had been made by the Department with Mr. George H. Blake for the preparation of a complete collection of currency specimens.

For your information, a communication reading as follows has now been received from the Undersecretary of the Treasury:

"Reference is made to Department's letter of February 14, 1929, in which the Federal Reserve Board was requested to instruct the Federal Reserve Banks to forward to the Treasurer of the United States uncanceled any specimens of uncurrent United States currency. Any instructions in such respect given the Federal Reserve Banks may now be revoked."

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6725

October 2, 1930.

SUBJECT: Amendment to Regulation D permitting computation of deficiencies in reserves on the basis of member banks deposits at opening of business instead of close of business.

Dear Sir:

The Federal Reserve Board has amended subsection (a) of Section IV of its Regulation D so as to provide that, in computing penalties for deficiencies in reserves, the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business, instead of the close of business, on the same day. No change, however, was made in the existing practice of computing such deficiencies on the basis of average daily net deposit balances covering semiweekly, weekly or semimonthly periods.

The amendment becomes effective as to each member bank at the beginning of the first reserve computation period of such member bank commencing after midnight on October 31, 1930.

Section IV(a) of the Regulation, as amended, reads as follows:

"SECTION IV. PENALTIES FOR DEFICIENCIES IN RESERVES

"Inasmuch as it is essential that the law with respect to the maintenance by member banks of the required minimum reserve balances be strictly complied with, the Federal Reserve Board, under authority vested in it by section 19 of the Federal reserve act, hereby prescribes the following rules governing penalties for deficiencies in reserves:

"(a) Basic penalty.

"(1) Deficiencies in reserve balances of member banks in cities where Federal reserve banks or branches thereof are located and in such other reserve cities as the Federal Reserve Board may designate from time to time will be computed on the basis of average daily net deposit balances covering semiweekly periods. Deficiencies in reserve balances of member banks in all other reserve cities will be computed on the basis of average daily net deposit balances covering weekly periods. Deficiencies in reserve balances of other member banks will be computed on the basis of average daily net deposit balances covering semimonthly periods.

"(2) In computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day; and the semiweekly, weekly and semimonthly periods

referred to in paragraph (1) hereof shall end at the close of business on days to be fixed by the Federal reserve banks with the approval of the Federal Reserve Board.

"(3) Penalties for such deficiencies will be assessed monthly on the basis of average daily deficiencies during each of the reserve computation periods ending in the preceding calendar month.

"(4) Such penalties shall be assessed at a basic rate of 2 per cent per annum above the Federal reserve bank discount rate on 90 day commercial paper, in effect on the first day of the calendar month in which the deficiencies occurred."

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

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

C O P Y

X-6726-a

October 2,  
1930.

Mr. James G. McConkey, Counsel,  
Federal Reserve Bank of St. Louis,  
St. Louis, Missouri.

Dear Mr. McConkey :

I have received your letter of September 26th and have read with much interest your comments on the question whether the Federal Courts will take judicial notice of the rules and regulations of the Federal Reserve Board without their being pleaded and introduced in evidence.

I can see considerable logic in the views expressed in Judge Lacombe's opinion in the case of Nagel v. United States, 140 Fed. 302; but, in order to remove the basis for that view as far as possible, in so far as the regulations of the Federal Reserve Board are concerned, the Board publishes amendments to its regulations very promptly in its official publication, the Federal Reserve Bulletin, and publishes all new regulations in its Annual Report which is submitted to Congress pursuant to a specific requirement of the Federal Reserve Act. This affords Federal reserve banks official publications to which reference can be made for a record of the Board's regulations and the amendments thereto and I believe should be of considerable assistance in inducing the courts to take judicial notice of such regulations.

I understand that if Mr. Smith loses out on the demurrer in the case of United States Casualty Company v. Nashville Branch of the Federal Reserve Bank of Atlanta, he does not intend to stand on the demurrer but will plead the regulations in his answer.

In view of the fact that the question involved is of interest to all the Federal reserve banks, I am taking the liberty of furnishing a copy of your letter to Counsel for all other banks.

With kindest regards, I am,

Very truly yours,

Walter Wyatt,  
General Counsel.

WW OMC

Mr. Wyatt.

- 2 -

X-6726-b

In the case of ROBINSON vs. BALTIMORE & OHIO R. R. CO., 222 U. S. 506, Mr. Justice Vandeventer, in speaking of the necessity of pleading a ruling of the Interstate Commerce Commission under a Statute which permits the ruling to be admitted as evidence without other proof, says, at L. C. 512:

"Undoubtedly this provision makes the decisions of the Commissioner, as so published, admissible in evidence without other proof of their genuineness, but, it does not require that they be judicially noticed or relieve litigants from offering them in evidence as they would any other competent evidence intended to be relied upon. Its purpose is to relieve litigants from the inconvenience and expense of obtaining certified copies of the decisions, by authorizing the use of the published copies, but it does not change the rules of evidence."

The Tennessee Supreme Court side-stepping the force of the Regulations pleaded in the LOUISVILLE & NASHVILLE R. R. CO. vs. the NASHVILLE BRANCH of the FEDERAL RESERVE BANK OF ATLANTA case was quite disappointing to me, since I had plead the Regulations in the case of BANK OF WILLISTON vs. FEDERAL RESERVE BANK OF ST. LOUIS, and, the opinion handed down by the Trial Court had so disheartened the Plaintiff's Attorneys as to deter them in pushing the case further.

The railroad case was handled admirably. I have great respect for Mr. Smith's ability, and, if the litigation was not in Tennessee, I would feel greater faith in his winning out on demurrer.

I hope that if Mr. Smith loses out on the demurrer, he will plead the Regulations rather than stand on the demurrer; for, I believe that when the matter again reaches the Tennessee Supreme Court we should have the pleadings in such shape as to have the Court pass upon the Regulations under the most favorable conditions.

With kindest regards,

Very truly yours,

(Signed) Jas. G. Mc Conkey,  
Counsel.

C O P Y

X-6726-b

FEDERAL RESERVE BANK  
OF  
ST. LOUIS

September 26, 1930.

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

Dear Mr. Wyatt:

RE:- U. S. CASUALTY CO.

VS

Nashville Branch of the  
FEDERAL RESERVE BANK OF ATLANTA, et al.

Mr. Smith's proposed demurrer to the suit brought by the U. S. Casualty Co. against the Nashville Branch of the Federal Reserve Bank of Atlanta presents a novel way to get rid of these troublesome collection cases.

While the U. S. Courts usually take judicial notice of the Rules and Regulations promulgated under authority of Federal Statutes and treat them as if included in the Act itself

|             |              |                |
|-------------|--------------|----------------|
| U.S.        | vs. GREMAUD, | 220 U. S. 506, |
| CAHA        | vs. U. S.,   | 152 U. S. 211, |
| FIRST NAT'L | vs. FELLOWS  | 244 U. S. 416  |

Judge Lacombe of the 2nd U. S. Circuit in a case involving an action on a Postmaster's bond, and, where a Postal Department circular was relied on, but not pleaded, says:

"When there is some question of Statute law the Court can itself, by reference to books with which it is familiar and which such Judge possesses, determine just what statutory provisions were in force at a given time, there is no necessity of encumbering the record with them. But, it is different with Departmental Regulations. No department ever sends its compilation of regulations to the Judge. They are frequently amended, and, without special information from the Department. No one can tell whether a particular regulation in some printed compilation was in force a year later. It is grossly unfair to a Trial Judge to cite some regulation upon a brief or appeal which was not laid before him in the trial. We have no doubt that it is far better practice to read any regulation which may be relied upon into the record before the Trial Court."

NAGEL vs. UNITED STATES, Feb, 1906., 140 Fed. 302.

C O P Y

X-6727

## FEDERAL RESERVE BANK

OF RICHMOND

October 2, 1930.

Federal Reserve Board,  
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

This bank brought suit against G. S. Attmore to recover the amount of two notes, one for \$5,000.00 and one for \$2,000.00, which had been transferred to us by the First National Bank of New Bern. The maker of the notes had a deposit of \$1,500.00 in the First National Bank of New Bern at the time of its failure and claimed the right to apply this sum as a credit upon the notes in our hands.

The point presented by such contention is not, of course, novel, and has already been decided by the Supreme Court of the United States, but in the affirmative and further defense the attorney for the defendant appears to desire to enter into a general investigation of the Federal Reserve System in general and of the history of the First National Bank of New Bern and its predecessors in particular.

Because of the sweeping nature of the charges and the apparent animus with which they were made, I am sending you a copy of the answer. I did not include a copy of the complaint because that contains merely the necessary formal allegations and the allegation of the making and endorsement and transfer of the notes in suit and that they have not been paid.

You will notice that we are required to produce at a preliminary hearing the reports of examination of the National Bank of New Berne and of the First National Bank of New Bern. Technically speaking, no such reports are in the hands of the Federal Reserve Bank. Copies of the reports are, as you know, furnished by the Comptroller of the Currency to the Federal Reserve Agent as a representative of the Federal Reserve Board, and he is permitted to furnish to the Governor of the bank or his proper representatives such information as he considers proper. Of course, in practice the Agent allows any officer of the Federal Reserve Bank to examine these reports when he has any proper occasion to do it, but the reports are never allowed to go out of the custody of the Agent or his assistants. We will set this fact up at the preliminary hearing. So far as the interests of this bank are concerned, I should have no objection to the exhibition of the reports. Of course, I should object to having them offered in evidence at a trial before a jury as they could only serve to becloud the issue and encumber the record. We will, however, resist to the fullest the effort to compel exhibition of them in order to maintain the principle,

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

We are planning to make a motion to strike out the affirmative defense upon the ground that the matter set up in it is irrelevant and immaterial to the issue. As soon as there is a hearing upon this last motion and on the motion to produce documents made by the defendant, I will advise you of the result.

I, personally, do not consider that the litigation in this suit will be of any particular importance, but I am sending you a copy of the answer, and, of course, in this, as in other cases, would appreciate any suggestions which you might care to make.

Very truly yours,

(Signed) M. G. Wallace,  
Counsel.

MGW L

The defendant by inference raises the point that Federal Reserve Banks have no power to take marginal or surplus collateral. This would be important if it was material: but both notes sued on are rediscounted notes, hence the point can never become material.

C O P Y

X-6727-a

NORTH CAROLINA  
 CRAVEN COUNTY

IN THE SUPERIOR COURT

FEDERAL RESERVE BANK OF RICHMOND,  
 VIRGINIA, a Banking Corporation,

vs.

G. S. ATTMORE, TRADING AS NEUSE  
 MOTOR COMPANY and G. S. ATTMORE,  
 INDIVIDUALLY.

A N S W E R

The defendant, answering the complaint, says:

1. Allegation 1 is denied; save it is admitted that the defendant G. S. Attmore is a resident of Craven County, North Carolina, at all times herein mentioned. It is denied that plaintiff is a Banking Corporation. It is admitted, however, that the effort has been made by the plaintiff to pervert this Federal Reserve Bank, creation of the Democratic Administration, and to abrogate, destroy and disregard the beneficent and wise purposes and limitations of the creation, as set forth in the title of an act, to-wit: "An act to provide for the establishment of Federal Reserve Banks, to furnish elastic currency, to afford a means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States and for other purposes." (Federal Reserve Act, December 23, 1913).

2. In answer to allegation 2, this defendant admits that he is the sole owner of the Neuse Motor Company; that the same is a trade name, duly registered, as provided by law of the State of North Carolina; and that he is engaged in the sale of the Chevrolet automobile and the exercise of the franchise of Chevrolet Motor Company.



3. Allegation 3 is denied. It is especially denied that the paper writing described in the allegation was executed or delivered for value.

4. Allegation 4 is denied; and it is especially denied that the defendant G. S. Attmore, for value received, endorsed, etc., and that The First National Bank of New Bern became the holder, etc., in due course and for value.

5. Allegation 5 is denied; and this defendant demands that the plaintiff produce the secret written agreements and contracts which it compelled the insolvent First National Bank of New Bern to execute to it relevant to marginal collateral; and to the papers referred to in the complaint; that the plaintiff be required to set forth the facts in detail concerning its possession of the paper writing described in allegation 3 of the complaint. The truth of the matters and things set forth in allegation 5 is hereinafter stated, upon the information and belief of this defendant,

6. Allegation 6 is admitted.

7. Allegation 7 is admitted.

8. In answer to allegation 8, the allegation is denied; and this defendant demands that the plaintiff produce the secret written agreements and contracts which is compelled the insolvent First National Bank of New Bern to execute to is relevant to marginal collateral; that the plaintiff be required to set forth the facts in detail concerning its possession of the paper writing described in allegation 3 of the complaint. The truth of the matters and things set forth in allegation 8 is hereinafter stated, upon the information and belief of this defendant.

9. In answer to allegation 9, it is admitted that the maturity dates of the paper writings referred to in allegation 3 and allegation 6 have passed; and it is admitted that this defendant has not paid to the plaintiff either the sum of \$5,000.00 or the sum of \$2,000.00. All other matters alleged in this allegation are denied; save it is admitted that this defendant refuses to make payment to the plaintiff as demanded in this complaint.

10. Allegation 10 is denied.

This defendant, FURTHER PLEADING TO THE COMPLAINT, avers:

That the First National Bank of New Bern, being insolvent, was placed in the hands of Raymond E. Schumacher, Receiver, appointed by the Comptroller of the Currency for the purpose of liquidation, and The National Bank of New Berne, being insolvent, appointed a liquidating agent, to-wit, W. W. Griffin. That Schumacher, Receiver, is a proper and necessary party and should be brought into court and permitted to plead to the affirmative defense and cross-plea set up by the defendant, and this defendant now so moves.

FOR FURTHER ANSWER, AND DEFENSE AND AS A COUNTER-CLAIM, defendant says:

1. That the plaintiff should sue under its proper title, which is "Federal Reserve Bank of Richmond, Va.", see section 225, chapter 3, title 12, United States Code Annotated, and as such only has power to sue (section 341, chapter 3, etc.); and it is not a banking corporation, but is a Federal Reserve Bank, created, existing and organized under chapter 3, title 12, United States Code Annotated, the Act of December 23, 1913, under title "Federal Reserve Act" (section 226, chapter 3, etc.); and possesses such powers only as by said act are permitted to it and as are enumerated under section 341 to 361 inclusive, chapter 3 above mentioned.

2. That on the 18th day of August, 1928, and prior thereto, The National Bank of New Berne was, as such, a going concern, and "a member bank" of the Federal Reserve Bank of Richmond, this plaintiff, agreeable to sections 281 and 282, chapter 3 aforesaid; and at said date and time, and at all times thereafter, up to and including the 19th day of March, 1929, the value of the shares of the capital stock of the said Federal Reserve Bank of Richmond, owned by the said The National Bank of New Berne, under section 287, chapter 3 of the act aforesaid, was in value in excess of the sum of \$7,500.00. That prior to the 19th day of March, 1929, the value of said stock ~~became~~ available in cash (section 288, chapter 3 aforesaid) for application to the indebtedness of the said National Bank to the plaintiff.

That on the 18th day of August, 1928, up to and including the 19th day of March, 1929, the said The National Bank of New Berne had a deposit with the plaintiff of a sum in excess of \$7,500.00 (sections 461 and 462, chapter 3 aforesaid).

3. That prior to 1920, there was in existence in New Bern, North Carolina, the Peoples Bank, a state corporation, a member of the plaintiff Federal Reserve Bank. That said bank was largely indebted to the plaintiff, and, because of the requirements applied by the plaintiff, unable to properly function. That plaintiff, in its exercise of power arrogantly assumed, caused The National Bank of New Berne to absorb the said Peoples Bank and to assume its obligations.

That The National Bank of New Berne became insolvent, and such fact became known to the plaintiff, and the plaintiff, in fact and in law, then knew The National Bank of New Berne to be insolvent, (section 481, chapter 3 aforesaid). And the said The National Bank of New Berne continued insolvent on

through the 18th of August, 1922, and through the 20th day of March, 1929, and such fact continued to be known to the plaintiff, and with the full knowledge of the plaintiff said The National Bank of New Berne executed and entered into a paper writing, hereto attached and marked Exhibit A, which same was kept secret and did not obtain public knowledge until about April, 1930, all as defendant is advised, informed and believes.

4. That on the 20th day of March, 1929, the First National Bank of New Berne was organized and put into existence, with all of the component and surrounding facts and circumstances and conditions, hereinbefore set out, fully known to the plaintiff; and, as this defendant is advised, informed and believes and so avers, took over certain of the assets of the said The National Bank of New Berne and assumed all of the liabilities of The National Bank of New Berne, save the capital stock. That the capital and surplus of the said First National Bank was provided, as this defendant is advised, informed and believes, illegally and in fraud from the County of Craven and from the public funds of the County of Craven, which said fact was fully known at the time, and prior thereto, to the plaintiff, and every detail, as aforesaid, fully known to said plaintiff.

That said First National Bank of New Bern, in March, 1929, became a member bank and a stockholder and owned stock in the Federal Reserve Bank of Richmond, of the then and now value in excess of \$7,500.00, which same was owned subject to the provisions of said chapter 3 of the Act aforesaid; and, in addition thereto, it maintained its reserve balance with the said plaintiff in excess of the sum of \$7,500.00, as by section 462 it was required to do.

5. That, as this defendant is advised, informed and verily believes, the said First National Bank of New Bern was, at the time of its creation, insolvent, and its condition of insolvency continued from the 20th day of March, 1929, to the 26th day of October, 1929, when it ceased to function.

That the last published statement of the said insolvent The National Bank of New Berne, showing its condition as of December 31, 1928, is in round figures as set forth in Exhibit B hereto attached; and the first statement of the said First National Bank of New Bern, as of March 27th, 1929, is as set forth in Exhibit C hereto attached. That Exhibit A hereto attached has reference, in paragraph 1 (c) to the same choses in action included under the first item of the first statement of the First National Bank, Loans and Discounts, and the same item Exhibit B last statement of the National Bank of New Berne, with the exception only of those choses in action withdrawn as insolvent under the direction of the examiners, and grouped as collateral to the note of The National Bank of New Berne to the First National Bank, referred to in allegation 3, page 1, allegation 3, page 2, and elsewhere, of the contract between the said two banks, which contract is Exhibit A, hereto attached. And the plaintiff, at the time thereof, was fully advertent to the facts herein stated, and the said \$250,000. note, with the collateral thereto attached, was utterly insolvent and, under no conditions, worth more than the sum of \$20,000., or some such small amount, and the same has never been collected and can never be collected, as this defendant is advised, informed and believes.

6. That, as hereinbefore set forth, said Peoples Bank was a member of the Federal Reserve Bank and, as such, was fully and regularly and carefully examined and all knowledge derived therefrom held by the plaintiff.

That, as aforesaid, the plaintiff required and brought about the amalgamation of the two banks, to wit: Peoples Bank and The National Bank of New Berne.

That about 1927 or 1928, the National Bank of New Berne was required to make good \$225,000. worth of loses, and the same was done by the use of \$225,000. of the money of Craven County.

That at or about that time, plaintiff, dominating said bank, notified the officials of the said bank that it desired the bank to employ Mr. Hugh P. Beal to take charge of said bank, and negotiations were thereupon entered into with the said Mr. Hugh P. Beal, then one of the bank examiners of the plaintiff.

That at that time, Mr. Beal accepted a position with a member bank in Elizabeth City, and remained with it about five months, or until it closed; but thereupon, at the instance of the plaintiff, came to New Bern and examined each and every of the assets of The National Bank of New Berne. That, at the time of said examination, there was in the said bank, as a part of its current assets, a large part of the assets acquired from the Peoples Bank above mentioned, which the said representative of the plaintiff had already investigated while examining the Peoples Bank and bringing about the amalgamation aforesaid.

That Mr. Beal became the vice-president of the said National Bank, under the mandate of the plaintiff, and remained with the said bank for a period of about six months.

That on or about the 7th day of March 1929, there was deposited in the 7th National City Bank, under the control of the said Beal, to the account of The National Bank of New Berne, the sum of \$200,000., proceeds from

the sale of an issue of \$600,000. Craven County notes, which said notes were issued unlawfully by the Commissioners of Craven County, under a special Act of the Legislature, all done unlawfully. That from said \$200,000., \$180,000. thereof was placed, under the orders, direction and management of the said Beal, in the Planters Bank of Richmond; and, thereafter, on or about the 18th, 19th or 20th of March, in the Federal Reserve Bank of Richmond, all by and under the direction and control of the said Beal, by means known to the plaintiff, but unknown to this defendant.

That on or about the 19th or 20th of March, the Comptroller of the Currency licensed, and there came into existence, a National Bank to be operated by the City of New Bern, which opened its doors on the 20th of March, under federal charter No. 13298, in reserve district No. 5, that is, district of the Federal Reserve Bank of Richmond. That the said Hugh P. Beal was the vice-president and executive officer of the said bank, who had organized and created the same, under the advice and counsel of the plaintiff and of the Comptroller of the Currency, as this defendant is advised and informed and verily believes.

That on or about the 19th or 20th of March, 1929, the said sum was placed to the credit of the First National Bank of New Bern as its paid in capital stock and surplus.

That, in addition thereto, another sum of \$50,000. or \$80,000., or some such amount, was likewise, in some similar manner, handled and made available for the use of the said First National Bank, through the agency above mentioned.

That paper writing, Exhibit A, was then made and executed, copy thereof filed with the plaintiff, and at all times herein mentioned in the records of the plaintiff, including the exhibits referred to in said paper writing.

That at all times herein mentioned, the said The National Bank of New Berne was insolvent, and its condition fully reported to and fully known by the plaintiff. That all of its assets were, from time to time, appraised, and the value thereof determined, and information and report provided to the plaintiff.

That, prior to the said 20th or March, 1929, plaintiff had maintained, at New Bern, its agent and representative, to whom it sent items for collection in cash across the counter of said The National Bank of New Berne.

7. That, on the said 20th or March, 1929, the said assets of The National Bank of New Berne became the assets of the new National Bank, that is to say, the First National Bank of New Bern. That the county money, above mentioned, obtained unlawfully and through fraud, never became the property of the First National Bank of New Bern, but always remained the property of the County of Craven, and the said First National Bank of New Bern, with all these matters and and things fully known to the plaintiff, was insolvent when it opened on the 20th day of March, 1929, and continued and remained insolvent throughout its short career, that is, to the 26th day of October, 1929, when it closed.

That unlawfully, contrary to the power granted to the plaintiff, wholly ultra vires and in fraud upon the depositors and creditors of The National Bank of New Berne and the First National Bank of New Bern, plaintiff held in its possession some \$600,000. or \$700,000. face value of the assets of the said two



National Banks at all times herein mentioned, including the paper writings referred to in allegations 3 and 6 of the complaint. That, from its very beginning, twelve of its creditors, including the plaintiff, held about sixty-four per cent of all of its assets to cover about thirty-four per cent of the total general liability of the said new National Bank, leaving about thirty-six per cent of the assets, composed of the "left overs", which said "left overs", as this defendant is advised, informed and believes, are and were of practically no earthly value.

That this defendant is advised, informed and believes that the Receiver appointed by the Comptroller of the Currency, under the advice and guidance of the Comptroller of the Currency and with the knowledge and consent of the plaintiff, has brought actions to reduce to possession all of the said sixty-four per cent of assets, save prime \$600,000. or \$700,000. choses and carefully selected by the plaintiff, and as to those, said Receiver has conveniently selected and designated certain thereof for use for the purposes: first, of embarrassment to the community and, second, the destruction of the business life of the community.

That under the law, plaintiff can neither hold nor own the assets above mentioned, but is limited by the provisions of Chapter 3, Title 12 U. S. O. A. That in law, plaintiff ought to be required to account to R. E. Schumacher, Receiver of the First National Bank of New Bern for all of the assets of said bank in its hands and to account to W. W. Griffin, Liquidating Agent, for all of the assets of The National Bank of New Bern, and especially should be required to account to the County of Craven for the four hundred twenty-five odd thousand dollars of its moneys unlawfully, fraudulently had and obtained.

That the debt, if any debt there was, owed by the First National Bank of New Bern to the plaintiff, on the 26th of October, 1929, was \$208,000., more or less. That said indebtedness, plaintiff has undertaken to represent as \$208,000. of the receivables of said First National Bank, discounted with \$400,000. to \$500,000. of the bills receivable of said bank as marginal collateral, under some sort of written agreement.

8. That on the 18th day of August, 1929, this defendant executed a paper writing, as follows, to wit:

No. 63732

New Bern, N. C. Aug. 18, 1928.

Ninety Days after date we promise to pay to the order  
of Ourselves at

The National Bank of New Berne

Five Thousand Dollars \$5,000.00

With interest after maturity; and we, the makers and endorsers hereof, hereby agree to continue and remain bound for the payment of this note and all interest thereon, notwithstanding any extension of time granted to the principal, and notwithstanding any failure or omission to protest this note for non-payment or to give notice of non-payment or dishonor or protest or to make a presentment or demand for payment expressly waiving any protest and any and all notice of any extension of time or of non-payment or dishonor or protest in any form, or any presentment or demand for payment, or any notice whatsoever. For value received.

Due 11/16/28

Neuse Motor Co.,  
By G. S. Attmore, Partner.

And delivered the same to the above mentioned The National Bank of New Berne and at the time no consideration passed from said The National Bank of New Berne to this defendant, and the same was wholly an accomodation obligation.

That such fact was known to the plaintiff, the plaintiff, being in law chargeable with such knowledge in view of the provisions of chapter 3 hereinbefore referred to, and in view, especially, of sections 481 and 484, and of its examinations made and supervision exercised.

That the plaintiff had caused an examination of the said The National Bank of New Berne to be made shortly after August 18, 1928, and at several intervals thereafter, and from a proper examination it was bound to appear that no thing of value passed from the said The National Bank of New Berne to this defendant, all as this defendant is advised, informed and believes.

That in said transaction, the said The National Bank of New Berne was and became the agent of the plaintiff, said paper writing bearing its endorsements across its back as follows:

"The National Bank of New Berne, New Bern, N. C. Nov. Renewed

Pay to the order of any bank or banker or pay to 26451 order of Federal Reserve Agent Federal Reserve Bank of Richmond.

Pay to the order of Federal Reserve Bank of Richmond, Va.  
Sep- 1 1928 Demand, notice & Protest waived National Bank of New Berne W. J. Caroon Cashier.

Pay to the order of Federal Reserve Bank of Richmond for collection for the account of Federal Reserve Agent.  
Sep 4 - 1928".

That, thereafter, on December 16, 1928, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That thereafter, on January 4, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That thereafter, on February 4, 1929, the said accommodation note was renewed in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words,

forms and figures.

9. That said The National Bank of New Berne and the plaintiff Federal Reserve Bank and the First National Bank of New Bern wrongfully converted and undertook by their collusive acts, and especially by paper writing Exhibit A hereto attached, to convert the same; and the plaintiff then held the same as trustee, by virtue of the wrong, for this defendant.

That said accommodation instrument was in the actual possession of the plaintiff, held as hereinbefore set forth, wrongfully and illegally, and with knowledge of its conversion and with knowledge of the matters and things hereinbefore averred, contrary to the power of plaintiff, all as defendant is advised and believes.

10. That on June 1, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, forms and figures.

That on July 1, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That on July 30, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That on August 30, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff

and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That on September 28, 1929, the said accommodation note was renewed, in equivalent words, form, figures and with the endorsements by the plaintiff and by the agent of the plaintiff in the identical or equivalent words, form and figures.

That each and every of the foregoing instruments are and were renewal accommodations. That this defendant is not indebted to the plaintiff on account thereof in any sum.

11. That the paper writing described in allegation 6 is the obligation of this defendant and represents an actual loan made to this defendant, but the said paper writing is not the property of the plaintiff, nor is the plaintiff the holder thereof in due course. That this defendant had on deposit with the First National Bank of New Bern, at the time it closed its doors, the sum of \$1,585.62, and this defendant is entitled to apply its said deposit as an offset and has offered to pay to the Receiver of the First National Bank of New Bern the difference between the amount of said deposit and the amount of said demand, that the same has been refused. Defendant now stands ready, able and willing to pay, and here tenders and proffers to pay, the said sum in satisfaction of said demand.

That this defendant is advised, informed and believes that said note was in the actual possession of said First National Bank of New Bern and is now in the possession of R. E. Schumacher, Receiver of the First National Bank of New Bern, and bears unrestricted endorsement.

12. This defendant is advised, informed and believes and so avers, that the plaintiff has not paid value nor any sum whatever for either of the

notes described in the complaint.

13. That if the plaintiff was the holder of said note or of that paper described in allegation 3 on the 26th day of October, 1929, then this defendant avers that the same was held under and upon terms and conditions set forth in a written instrument, the productions whereof is demanded, and at the time the plaintiff had in its possession funds of the First National Bank in excess of \$7,500.00 and the said First National Bank at the time was a stockholder holding stock in the plaintiff in excess of the amount of \$7,500.00. That the defendant had on deposit with, and the First National Bank was indebted to the defendant in the sum of \$1,585.62. Then this defendant is entitled to be subrogated to the rights of the First National Bank of New Bern in and to and against said fund and the value of said stock and is entitled to have said deposit applied as a set off upon the said note.

14. That this defendant is entitled:

First, to have the plaintiff surrender to R. E. Schumacher and/or W. W. Griffin, Receiver and Liquidating Agent, respectively, of the First National Bank of New Bern and The National Bank of New Bern, all of the assets in its hands or possession, the property of the First National Bank of New Bern and The National Bank of New Berne;

Second, to elect, designate and point out such part, at face value, of said property and choses in action as is equal to the indebtedness existing by said First National Bank of New Bern and the former indebtedness of The National Bank of New Berne to the said plaintiff and to return and restore to the said Schumacher and the said Griffin all the excess of choses in action aforesaid; including items described in complaint.

Third, to have the paper writings described in allegation 3 and 6 returned and restored, and the paper writing described in allegation 3 surrendered back to this defendant, and the paper writing described in allegation 6 credited with this defendant's deposit and, upon the payment of the debt, surrendered up to this defendant;

Fourth, to have said R. E. Schumacher, Receiver collect for the proportionate use and benefit of this defendant all such choses in action so held by the plaintiff to which it is in law not entitled, and which it is undertaking and attempting to convert, contrary to law, contrary to the Act, chapter 3 hereinbefore referred to, and contrary to good morals.

Fifth, to have appointed by this Court some fit, competent, discreet and disinterested person to have and receive and hold and collect and preserve all the said \$600,000. or \$700,000. of assets, under appointment as a Receiver of this court, pending the orders of this Court in the disposition of this cause by this Court, to the end that the judgment of this Court be made effective.

WHEREFORE, this defendant pray that plaintiff take nothing on account of the \$5,000. note described in the complaint; that the same be surrendered up to this Court and marked null and void. That the plaintiff be required and directed to surrender the \$2,000. note described in the complaint to R. E. Schumacher, Receiver, and that the same be credited in the sum of \$1,585.62, as of the 26th day of October, 1929. That a copy of this answer be served upon R. E. Schumacher, Receiver of the First National Bank of New Bern, and that said Receiver be required to elect to make himself party defendant or required to answer the affirmative matter set up by this defendant;

and for such general and further relief as defendant may be entitled. That the plaintiff be required to show cause before his Honor Small, Judge, at New Bern, on October 4, 1930, at 10 o'clock A.M., or such time thereafter as counsel may be heard, why the paper writing described in the complaint should not be impounded in court; and why a competent and fit person should not be appointed by this Court to have possession of, collect and preserve the choses in action referred to in the further answer of the defendant. That plaintiff be required to produce the following documents and writings, to-wit:

1. Detailed report of the examination of the Peoples Bank of New Bern, made and filed with the plaintiff just prior to its absorption by The National Bank of New Berne.

2. A detailed report of the examination of The National Bank made immediately before and immediately after the absorption of the Peoples Bank.

3. Each detailed report of the National Bank of New Berne thereafter.

4. The first and all detailed reports of examination of the First National Bank of New Bern.

5. The special report of examination, showing the use by the said bank of the public funds of Craven County.

6. The written documentary information and reports from the Comptroller of the Currency, from the several examiners concerning the organization of the First National Bank of New Bern, having especial reference to:

- (a) the capital and surplus fund and its source;

- (b) the assets;



(c) the liabilities;

(d) the choses in action of The National Bank of New Berne in the possession of the plaintiff on the 19th day of March, 1929.

(e) the choses in action remaining in hand on the 21st day of March, 1929.

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Attorney for Defendant

NORTH CAROLINA

GRAVEN COUNTY

G. S. Attmore, being duly sworn, deposes and says:

That he has read the foregoing answer and that the same is true of his own knowledge except as to those matters and things stated therein on information and belief and as to those he believes it to be true.

---

Sworn to and subscribed before me

this            day of September, 1930.

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Notary Public

My commission expires:

"Exhibit "A"

COPY

X-6727-a

THIS CONTRACT, made and entered into this 19th day of March, A.D., 1929, by and between The National Bank of New Berne, New Bern, N. C., a national banking association having its principal place of business in the City of New Bern, N. C., hereinafter called the First Bank, party of the first part, and the First National Bank of New Bern, New Bern, N. C., a national banking association having its principal place of business in the said City of New Bern, hereafter called the Second Bank, party of the second part,

## WITNESSETH:

WHEREAS, the capital stock of the First Bank is impaired and such bank is in an embarrassed condition, and,

WHEREAS, the Second Bank has offered to assume and pay all liabilities to depositors of the First Bank, in consideration of the transfer by the First Bank to the Second Bank of certain assets selected by the latter, consisting of \_\_\_\_\_ dollars (\$1,926,756.08) worth of assets, and for the further consideration of the issue and delivery by the First Bank to the Second Bank of its promissory note payable on demand for an amount sufficient to cover the difference between the assets as shown by the books of the First Bank and the assets as selected and accepted by the Second Bank, amounting to \_\_\_\_\_ Dollars (\$250,000.00) as above stated, less the amount of the capital, profits and reserves of the First Bank at the time of the transfer, the payment of such promissory note to be secured by pledge of all the assets of the First Bank not transferred to the Second Bank;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH: That the parties hereto in consideration of the promises and of One Dollar by each of the parties hereto to the other in hand paid, and receipt thereof is hereby acknowledged, do agree as follows:-

(2)

X-6727-a

1. The First Bank does hereby grant, bargain, sell, assign, transfer and set over unto the Second Bank and its successors and assigns the following property of the First Bank:

(a) The Banking House and real estate situate in the City of New Bern, North Carolina, together with all fixtures, appurtenances, equipment, vaults, office furniture and supplies now contained in said banking house, or elsewhere.

(b) All other real estate situate in Craven, Jones, Carteret and Pamlico Counties.

(c) All Bills receivable, notes, bills of exchange, drafts and other evidences of indebtedness, all bonds, securities, judgments, claims and choses in action, all cash on hand and due from banks, cash items and revenue stamps, all right, title and interest in and to the stock in the Federal Reserve Bank of Richmond, Virginia, and accrued dividends thereon, and all overdrafts.

2. The First Bank agrees to execute and deliver to the Second Bank a good and sufficient deed to said real estate and also all proper assignments, conveyances, bills of sale, assurances and all other instruments and documents which may at any time and from time to time be necessary or desirable to transfer the title of said property to and effectually vest the same in the Second Bank.

3. The First Bank agrees to execute and deliver to the Second Bank its promissory note payable on demand at six per cent interest for an amount equal to the difference between the assets of the First Bank as shown by its books and the assets as accepted by the Second Bank of \_\_\_\_\_ Dollars (\$250,000.00), less the amount of capital profits and reserves of the First Bank, these amounts are not absolute and may be changed.

4. The First Bank does hereby grant, bargain, sell, convey, assign, transfer

and set over unto the Second Bank all of the assets set out in Exhibit "A" attached hereto, aggregating \_\_\_\_\_ Dollars (\$1,926,756.08) and the First Bank further grants, bargains, sells, conveys, assigns, transfers and sets over unto the Second Bank all other assets of said bank, including its furniture, fixtures, equipment, all items charges to profit and loss, all other notes of every description, choses in action, judgments, deeds of trusts, claims and leases, as collateral security for said note of \_\_\_\_\_ Dollars (\$250,000.00) heretofore mentioned to be given by the First Bank to the Second Bank. The Parties hereto agree that the said assets so held as collateral by the Second Bank shall be collected and converted by said bank into money at such time and in such manner and for such consideration as the Second Bank shall deem best, and the proceeds of such collection shall be applied by the Second Bank towards the payment of the note aforesaid. The First Bank further agrees that it will from time to time on demand of the Second Bank execute and deliver to the Second Bank all necessary assignments, transfers, deeds and instruments which may be necessary or desirable to more fully effect the transfer of said assets to the Second Bank and the proper collection thereof. The Second Bank agrees to keep accurate books of account showing all transactions in respect to the collection of the assets of the First Bank, and it is understood by the Second Bank that it will collect all assets of the First Bank, with the least expense possible, but shall be allowed a reasonable charge for any costs that may be expended to pay attorney's fees and necessary costs.

5. The Second Bank agrees that it will proceed to collect and liquidate the notes and other assets delivered to it as collateral security in such manner and for such prices as, in the judgment of the Second Bank, will be for the best interest of both banks, and after all of said notes and assets have been collected

(4)

or liquidated, the Second Bank agrees that if the aggregate amount received therefrom shall exceed the aggregate amount of the note of the First Bank and all legal expenses and costs, it will pay over the balance to the stockholders of the First Bank, in accordance with their respective rights and interests, but it is understood and agreed by the parties of this agreement that the Second Bank shall have the right at any and all times during a period of three years from date of the execution of this agreement to substitute for any assets which are granted, bargained, sold, conveyed, assigned, transferred or set over unto the Second Bank any of the notes or other assets delivered to it as collateral security for the payments of the note of \_\_\_\_\_ Dollars (\$250,000.00) described herein at face value or with interest adjusted to the date on which interest has been paid on the item for which it is substituted, or to substitute cash received in liquidation of any of the collateral security to the above mentioned note for any items sold to the said Second Bank.

6. The Second Bank hereby assumes and agrees to pay all liabilities for the First Bank which appear on the general ledger statement of the First Bank as of close of business of March 19th, 1929, with the exception of the stockholders liability of the First Bank under the law, which is not assumed, a copy of which is hereto attached and marked Exhibit "B" and made a part hereof. The Second Bank does not assume or agree to pay liabilities of the stockholders of the First Bank.

7. It is also understood that the Second Bank assumes none of the running expenses or liabilities of the First Bank beyond March 19th, 1929, except those employees it may decide to take over.

8. It is understood and agreed that all moneys received by the First Bank from any source shall be applied on its note aforesaid issued to the Second Bank

until the same is paid.

9. All instruments required to be given by either bank in order to carry out the terms, conditions and covenants of this agreement shall be executed and delivered by the president and cashier of each bank unless their respective Boards of Directors shall otherwise direct.

IN TESTIMONY WHEREOF the parties hereto have caused these presents to be signed by its President, attested by its Cashiers, and its corporate seals affixed, in duplicate, on the day and year first hereinbefore written.

THE NATIONAL BANK OF NEW BERNE, NEW BERNE, N.C.

(SIGNED) By W. W. Griffin,  
President.

Attest:

(SIGNED) W. J. Caroon, Cashier.

FIRST NATIONAL BANK,

By J. V. Blades,  
President.

Attest:

(SIGNED) W. J. Caroon, Cashier.

STATE OF NORTH CAROLINA, )  
 COUNTY OF CRAVEN )SS:

On the 20th day of March, 1929, before me, personally came W. W. Griffin to me known, who being by me duly sworn, did depose and say: That he resides in the city of New Bern, that he is President of The National Bank of New Berne of New Bern, N. C., the corporation described in and which executed the above instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that ~~it was so~~ affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

(Signed) Lizzie McGowan. (SEAL)  
 Notary Public.

My Com. expires: 10-23-'30.

STATE OF NORTH CAROLINA, )  
 COUNTY OF CRAVEN )SS:

On the 20th day of March, 1929, before me, personally came J. V. Blades to me known, who being by me duly sworn, did depose and say: That he resides in the city of New Bern, that he is President of The First National Bank of New Bern, N. C., the corporation described in and which executed the above instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

(Signed) Lizzie McGowan. (SEAL)  
 Notary Public.

My Com. expires: 10-23-'30.

NORTH CAROLINA, Craven County,  
The foregoing certificates of  
Lizzie McGowan  
\_\_\_\_\_ (a Notary Public  
of Craven County, are adjudged  
to be correct.  
Let the instrument with the  
certificates be registered;

Witness my hand, this 19th day  
of Feby. 1930.

(Signed)

L. E. Lancaster, Clerk Superior Court.

Copies JEW.



THE NATIONAL BANK OF NEW BERNE

to

FIRST NATIONAL BANK OF NEW BERN

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CONTRACT

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Filed for registration at 10:50  
o'clock A.M., Feb. 19, 1930,  
in the office of Register of Deeds  
of Craven County, N. C., and  
Recorded in Book No. 297, Page 22.  
(Signed) J. S. Holland  
Register of Deeds.

## EXHIBIT B

|                         |                |
|-------------------------|----------------|
| Loans                   | \$2,220,116.63 |
| Overdrafts              | 1,417.01       |
| U. S. Bonds             | 28,000.00      |
| N. C. Bonds             | 17,000.00      |
| Stock Federal Reserve   | 9,000.00       |
| Banking House           | 75,000.00      |
| Due from United States  | 1,250.00       |
| Cash and Due from Banks | 176,207.56     |
| Other                   | 877.00         |
|                         | <hr/>          |
|                         | \$2,528,858.00 |

## Liabilities

|                     |                |
|---------------------|----------------|
| Capital Stock       | \$ 250,000.00  |
| Surplus             | 56,454.00      |
| Dividends           | 75.00          |
| Circulation         | 24,650.00      |
| Bills Rediscounted  | 155,283.00     |
| Individual Deposits | 1,929,228.00   |
| Due to State Banks  | 28,968.00      |
| Due to Banks        | 84,209.00      |
|                     | <hr/>          |
|                     | \$2,528,868.00 |

## EXHIBIT C

Charter No. 13298

Reserve District No. 5

## Report of Condition of

## The First National Bank of New Bern

In the State of North Carolina, at the close of Business on March  
27, 1929

## RESOURCES

|   |                |
|---|----------------|
| Loans and discounts   | \$1,909,255.60 |
| Overdrafts  | 1,477.04       |
| United States Government securities owned                         | 28,000.00      |
| Other bonds, stocks and securities owned                          | 54,900.00      |
| Banking house, \$65,000.00; Furniture and fixtures, \$10,000.00   | 75,000.00      |
| Reserve with Federal Reserve Bank                                 | 59,109.60      |
| Cash and due from Banks   | 146,404.02     |
| Outside checks and other cash items                               | 7,650.24       |
| Redemption fund with U. S. Treasurer and due from U. S. Treasurer | 1,250.00       |
|   | <hr/>          |
| TOTAL   | \$2,283,046.50 |

## LIABILITIES

|   |               |
|---|---------------|
| Capital stock paid in   | \$ 150,000.00 |
| surplus   | 30,000.00     |
| Undivided profits - net   | 1,192.55      |
| Reserves for interest, taxes, and other expenses accrued and unpaid | 38,324.89     |
| Circulating notes outstanding                                       | 25,000.00     |

## EXHIBIT C continued

|   |       |                |
|---|-------|----------------|
| Due to banks, including certified and cashier's<br>checks outstanding | \$    | 104,420.47     |
| Demand deposits   |       | 514,327.07     |
| Time deposits   |       | 1,246,371.92   |
| Bills payable and rediscounts   |       | 173,409.60     |
|   |       | <hr/>          |
|   | TOTAL | \$2,283,046.50 |

State of North Carolina; County of Craven, ss:

I, W. J. Caroon, Cashier of the above-named bank, do solemnly swear that the above statement is true to the best of my knowledge and belief.

W. J. Caroon, Cashier.

Correct - Attest:

Subscribed and sworn to be-  
fore me this 2 day of April,  
1929.

Thomas J. Mitchell,  
Notary Public

My com, expires March 11-31.

C. W. Hodges,  
J. V. Blades,  
W. F. Dowdy,  
W. W. Griffin,  
F. H. Whitty,  
Hugh P. Beal,  
Directors.

C O P YFEDERAL RESERVE BANK  
OF RICHMOND

October 6, 1930.

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

My dear Mr. Wyatt:

I received your letter of October 23rd and your telegram of the same date and enclose herewith a copy of the complaint filed by this bank against G. S. Attmore, trading as the Neuse Motor Company.

I understand from my associate in North Carolina that a ruling on a motion to strike out if made before answer is filed is appealable to the Supreme Court. I have some doubt as to whether or not we should take an appeal in this case if the court refuses to strike out the affirmative defense. You will notice that upon any theory the defendant is indebted to us in approximately \$5,500.00, and I am convinced that his motive in filing this defense is chiefly to create as much delay as possible. The attorney who represents the defendant in this case represented also the maker of other notes held by us, a corporation which was recently adjudicated a bankrupt upon an involuntary petition in which we joined. At the examination of the officers of the bankrupt before the referee we brought out that a few months before bankruptcy the only active officer and chief stockholder of the bankrupt corporation had made very substantial transfers and payments in settlement of debts said to have been due by the corporation to himself, his wife, his father, and sister. We cross-examined him rather sharply about these transactions and are now preparing to institute proceedings to recover the property so transferred and the amount of the payments as fraudulent, and also upon the ground that many of them were made within four months prior to the petition. I think that the attorney felt some decided animus growing out of this bankruptcy proceeding and is endeavoring to create as much trouble for the Federal Reserve Bank and the Receiver of the failed bank as he can. If we do not appeal our motion to strike out, we would be required to file a reply admitting or denying the allegations of the affirmative defense, but I regret to say that there is no danger of our being forced into trial on the merits in the reasonably immediate future, as the docket in Craven County is very much congested.

It has also occurred to me that the affirmative defense might constitute a cause of action arising under the laws of the United States apart from the mere fact of our incorporation under those laws. As well as I can interpret the affirmative defense the thought in the pleader's mind is that we have certain collateral to secure our rediscounted notes, which collateral we had no power to take and which therefore belongs to the Receiver. He, as a depositor of the failed bank, has an equitable interest in its assets, and, therefore, is entitled to demand that the collateral in our hands be administered to produce the maximum benefit to the Receiver. We might therefore contend that the allegation in Paragraph 7 of the

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

October 6, 1930.

answer set up a cause of action under the laws of the United States which was distinct and different from the cause of action alleged in our complaint, and, therefore, made the controversy a removal case.

I do not see, however, how it could be possible for any court to grant any relief on this allegation unless the Receiver was a party, and if the Receiver is a party the case is of course removable on that ground. Consequently, I am deferring all consideration of our right to the removal of this case to a federal court until it is decided whether or not the Receiver will be made a party.

The decision of the Supreme Court to which I alluded was *Sowell v. Federal Reserve Bank*, 294 Fed. 798, 268 U. S. 449. In writing to you I relied upon my memory of the points decided in the case mentioned. Upon a further examination of it it appears that the court strongly suggests that some relief might be granted on account of the offsetting balance if the Receiver were a party. I think that we should be able to convince the court that the remedy should not be a stay of the suit by the Federal Reserve Bank because if the Federal Reserve Bank holds some 75 or 100 rediscounted notes and an equal number as marginal collateral, and the makers of many of these notes have deposit balances, and some of them claim defenses good against the Receiver but not against the Federal Reserve Bank, the task of determining just how long or upon what terms the suits should be staid becomes impossible. If the court is of opinion that the situation demands an equitable remedy, the remedy can be given with comparative ease and certainty by giving judgment in favor of the Federal Reserve Bank against the maker but without prejudice to the right of the maker when he has paid the judgment to assert an equitable lien or claim upon any assets which might be returned to the Receiver by the Federal Reserve Bank after it had been paid in full. In other words, the claim of the depositor is in the nature of a claim to subrogation to such lien as the Federal Reserve Bank had on the assets transferred to it, and a right of subrogation does not arise until the person claiming subrogation has satisfied the claim of the person to whose rights he claims subrogation.

Under common law practice the remedy of the defendant would probably be by a suit in chancery. Under code practice it might be obtained in the same proceeding.

It might be of some interest to you in connection with this suit to know of the general situation in New Bern. The National Bank of New Berne was in a more or less shaky condition for many years. Once at least the bank examiner required it to charge off a large amount of doubtful assets. I think that cash to replace the assets thus charged off was obtained by advancing county funds to a holding company, which took the bad assets. Several of the directors of the National Bank of New Berne were influential in local politics. Later on the National Bank of New Berne was again in difficulties and a new bank was organized to take over its business. I think that the capital for this new bank likewise came by an indirect route from the county treasury. Practically all of the stock of the

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

October 6, 1930.

new bank was issued to Mr. J. V. Blades, who in a suit brought to enforce his liability as stockholder is now contending that he did not in reality own the stock but acted for a syndicate.

The collapse of the First National Bank of New Bern has been followed by the failure of the two state banks in the town, leaving only a Morris Plan Bank operating.

The distress has been acute, and as often happens in such cases, those borrowers who might be able to pay are disposed to take the position that they will not pay if they can avoid it.

We have been compelled to bring a great many suits and in nine of them answers have been filed denying that we are holders in due course of the notes sued on and setting up offsets and defenses which would be good against the Receiver.

The above outline of the situation in New Bern which I gave you is based chiefly upon conversations with the Receiver and with my associate in New Bern. This is particularly true of the alleged use made of the county funds.

I notice that in your letter you appear to be chiefly interested in the question concerning our title to marginal collateral. To me the effort to require the production of the reports of examination is equally interesting. As I stated, if these reports were produced and offered in evidence I should have no particular objection except that they were utterly immaterial; but it occurs to me that the real object of attempting to require the production of these reports is to allow the attorney to obtain information which he might use in other litigation which he has with the Receiver of the First National Bank of New Bern; and also it seems to me to be very important not to allow the establishment of a precedent under which these reports can be demanded upon slight occasion. If the trial judge is familiar, or if I can rightly explain to him the relation between the Federal Reserve Agent as a representative of the Federal Reserve Board and the Federal reserve banks as corporations, we should have no trouble upon this point, but if, by any chance, the trial judge orders the production of these reports a situation will arise which will directly concern the Federal Reserve Board and the Comptroller of the Currency. I would be obliged, therefore, if you would consider carefully this phase of the litigation. I find in the statutes no direct reference to the reports of examination, and the statute which forbids an examiner to disclose information appears to contain an express exception permitting disclosures under order of a court of competent jurisdiction, which appears to include a state court.

Please pardon the length of this letter, but as you appeared to consider the litigation of some importance, it occurred to me that you might wish to have a full description of the situation.

Very truly yours,

(Signed) M. G. Wallace,  
Counsel.

MGW L

C O P Y

NORTH CAROLINA.

IN THE SUPERIOR COURT.

GRAVEN COUNTY.

Federal Reserve Bank of Richmond,  
Virginia, a banking corporation,

vs

COMPLAINT.

G. S. Attmore, trading as Neuse  
Motor Company and G. S. Attmore,  
individually.

The plaintiff, complaining of the defendants, alleges:

1. That the plaintiff is a banking corporation duly created and existing under and by virtue of the banking laws of the United States of America, with principal offices in the City of Richmond, Virginia, and the defendants are residents of Craven County, North Carolina.

2. That as plaintiff is informed and believes, the defendant, G. S. Attmore, is the sole owner of the Neuse Motor Company and is conducting a general automobile business in the City of New Bern, said County and State, and trading under the firm name of Neuse Motor Company and as such is engaged in the sale of chevrolet automobiles and other motor driven cars and trucks and parts and equipment.

3. That on September 28, 1929, the said defendant, G. S. Attmore, trading as Neuse Motor Company, for value received, executed and delivered his promissory note for the sum of \$5,000.00 and in words and figures as follows, to-wit:

"No.

New Bern, N. C. Sept. 28, 1929.

Oct. 29, 1929, after date we promise to pay to the order of Ourselves

Five Thousand Dollars, \$5,000.00.



Negotiable and payable at The First National Bank, New Bern, N. C., with interest after maturity, and we, the makers and endorsers hereby agree to continue and remain bound for the payment of this note and all interest thereon, notwithstanding any failure and omission to protest this note for non-payment, or to give notice of non-payment or dishonor or protest or to make presentment or demand for payment, expressly waiving any protest and all notice of non-payment or dishonor or protest in any form, or any presentment or demand for payment, or any notice whatsoever.

For value received.

Due

Neuse Motor Co. (SEAL)

By G. S. Attmore, Manager, (SEAL) "  
Partner.

4. That thereafter on or about September 28, 1929, the said defendant, G. S. Attmore, trading as Neuse Motor Company, for value received, endorsed, transferred and assigned unto the First National Bank of New Bern the said promissory note and the First National Bank of New Bern became the holder of said note in due course and for value.

5. That thereafter on or about September 28, 1929, the First National Bank of New Bern, for valuable consideration, transferred and assigned the said note to the plaintiff and the plaintiff thereby became the holder of said note in due course and for value and is now the owner and holder of said note in due course and for value.

6. That on October 8, 1929, the defendant, G. S. Attmore, trading as Neuse Motor Company, for value received, executed and delivered to the First National Bank of New Bern his promissory note in the sum of \$2,000.00 and in words and figures as follows, to-wit:

"No. 08065

New Bern, N. C. Oct. 8, 1929.

Thirty days after date we promise to pay to the order of

The First National Bank, New Bern, N. C. Two Thousand Dollars, \$2000.00.

Negotiable and payable at The First National Bank, New Bern, N. C., with interest after maturity. And we, the makers and endorsers, hereby agree to continue and remain bound for the payment of this note and all interest thereon, notwithstanding any failure and omission to protest this note for non-payment, or to give notice of non-payment or dishonor or protest or to make presentment or demand for payment, expressly waiving any protest and all notice of non-payment or dishonor or protest in any form, or any presentment or demand for payment, or any notice whatsoever.

For value received.

Due Nov. 7.

Neuse Motor Co., (SEAL)

By G. S. Attmore, Mgr. (SEAL) "  
New Bern, N. C. Partner.

7. That at the time of the execution and delivery of said note as aforesaid by the defendant, G. S. Attmore, trading as Neuse Motor Company, the defendant, G. S. Attmore, individually, endorsed said note and thereby became liable thereon as such endorser and guaranteed the payment of same.

8. That thereafter on or about October 8, 1929, the said First National Bank of New Bern, for valuable consideration, endorsed, transferred and assigned the said note to plaintiff and plaintiff thereby became the holder of said note in due course and for value and is now the owner and holder of said note in due course and for value.

9. That the said notes are past due and unpaid and demands have been made upon the defendants and each of them for payment but the defendants have failed and refused to make payment of said notes or either of them or any part thereof or the interest accrued thereon and do still fail and refuse to make payment of said notes.

10. That the defendants are due and owing the plaintiff the full sum of \$7,000.00 with interest on \$5,000.00 from October 29, 1929, until paid, and interest on \$2,000.00 from November 7, 1929, until paid.

WHEREFORE plaintiff demands judgment against the defendants and each of them, jointly and severally:

1. In the full sum of \$7,000.00 with interest on \$5,000.00 from October 29, 1929, until paid, and interest on \$2,000.00 from November 7, 1929, until paid.

2. For costs of this action and such other and further general relief as plaintiff may be entitled to receive.

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Attorney for Plaintiff.

## FEDERAL RESERVE BANK

OF RICHMOND

October 13, 1930.

Federal Reserve Board,  
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

My dear Mr. Wyatt:

I attended the argument on the motion concerning which I have written you in the case of Federal Reserve Bank of Richmond vs. G. Attmore. The court took under advisement our motion to strike out the further defense and certain other paragraphs of the plaintiff's answer, and we are filing a written memorandum of argument.

We found the court at the end of a rather busy day and the Judge stated frankly that he did not have time or leisure to consider lengthy or oral arguments, consequently the oral arguments were very brief, and as no stenographer was in the room I did not have them taken down.

The defendant did not press his motion for the production of the reports of examination. This motion may be renewed at any time, but my associate in the case thinks that the motion was not made with the idea of requiring or compelling the production of the reports, but merely in an attempt to suggest to the jury who might try the case that we possess valuable information which we were unwilling to disclose.

The code in North Carolina provides for a special motion to require the production of papers or documents in the possession of an adverse party, and my opponent says that the insertion of such a demand in an answer is irregular and I think that it was inserted for the reasons stated above, because under their practice the pleadings are read aloud to the jury in lieu of opening statements by the parties.

As I stated above, our motion to strike out the further defense is under advisement by the trial court. If the court rules against us my associate thinks that we should appeal. He feels very hopeful that the Supreme Court of the State will strike out the further defense and thinks that such action by the Supreme Court would deter other parties from offering similar defense in the many cases which we now have pending in that court. If the court strikes out the further defense our opponent is very likely to appeal, as any delay is in his favor.

There is a point which I should like you to consider in connection with the advisability of allowing this question to go to the Supreme Court of the State in its present form. On a motion to strike out any portion of a pleading upon the ground that the allegations are irrelevant and immaterial, the court must of necessity consider that the allegations are true or rather must assume that evidence can be produced sufficient to sustain them. The result is that an opinion rendered in such a proceeding by an appellate court based upon the assumption that the allegations are true is likely to be interpreted by the general public as an adjudication by the court that the allegations are true. You will recall that in the Atlanta *par* clearance suit the

Federal Reserve Board,  
Washington, D. C.

October 13, 1930.

Federal Reserve Bank of Atlanta demurred and the case reached the Supreme Court of the United States on the demurment, and the result was that the court's opinion dealing with a purely hypothetical question was treated as a solemn adjudication that the allegations were true and so the opinion produced a very unpleasant effect on the public mind.

For the reasons pointed out above, there is some possibility that the same situation might arise in the proceedings in the present case. If I were considering a matter of tactics in the particular case or even in the situation growing out of the failure of this particular bank, I should without hesitation decide to appeal from a ruling of the lower court refusing to strike out the further defense, but the possibility of some unpleasant result to the Federal Reserve System as a whole has made me hesitate a little and consider whether or not it would be advisable to answer and refute the allegations in the further defense, even though that course would involve a great deal of trouble, and would certainly tend to confuse the issue as far as the case at bar was concerned, because it would involve the introduction of a great deal of testimony tending to explain and justify our conduct in a transaction which was in no way related to the simple issue upon which the particular case depends.

There will probably be no decision on our motion to strike out until November, and so this letter may be premature, but I thought that I would put the situation before you in order that you might be turning it over in your mind and be prepared to assist me with your suggestions when the question of an appeal arises.

While I was in New Bern the Receiver of the failed bank showed me a rather lengthy notice served on him by a depositor of the failed bank, acting through the same attorney who represents Mr. Attmore. This notice in effect called on the Receiver to institute proceedings against us to recover all the marginal collateral upon the ground that the taking of marginal collateral was ultravires, and upon the further ground that we knew of the insolvency of the First National Bank of New Bern from its organization and that the giving of collateral by it amounted to a fraudulence preferably in which we participated. The Receiver told me that he would ignore the notice but he rather thought that the attorney would institute the suit. This suit would, of course, raise the same questions as those involved in the suit against Attmore, but would raise them as a direct question for decision, and personally, if the question must be fought out, I should rather have it in the direct suit, especially as that suit could be removed in the Federal court.

I remain,

Very truly yours,

(Signed) M. G. Wallace,  
Counsel.

MGW:D

X-6731

## STATEMENT OF BUREAU OF ENGRAVING AND PRINTING.

Federal Reserve Notes, Series 1928.

September 3 to 30, 1930.

|               | <u>\$5</u>     | <u>\$10</u>    | <u>\$20</u>    | <u>Total<br/>Sheets</u> | <u>Amount</u>      |
|---------------|----------------|----------------|----------------|-------------------------|--------------------|
| Boston        | 70,000         | 60,000         | 10,000         | 140,000                 | \$12,943.00        |
| New York      | 200,000        | 120,000        | 40,000         | 360,000                 | 33,282.00          |
| Philadelphia  | 70,000         | 50,000         | 10,000         | 130,000                 | 12,018.50          |
| Cleveland     | 60,000         | 30,000         | 20,000         | 110,000                 | 10,169.50          |
| Richmond      | 40,000         | 20,000         | 10,000         | 70,000                  | 6,471.50           |
| Atlanta       | 30,000         | 16,000         | - -            | 46,000                  | 4,252.70           |
| St. Louis     | 20,000         | 10,000         | - -            | 30,000                  | 2,773.50           |
| Minneapolis   | 20,000         | 10,000         | - -            | 30,000                  | 2,773.50           |
| Kansas City   | 20,000         | 8,000          | - -            | 28,000                  | 2,588.60           |
| Dallas        | 20,000         | 14,000         | - -            | 34,000                  | 3,143.50           |
| San Francisco | 40,000         | 24,000         | 20,000         | 84,000                  | 7,765.80           |
|               | <u>590,000</u> | <u>362,000</u> | <u>110,000</u> | <u>1,062,000</u>        | <u>\$98,181.90</u> |

1,062,000 sheets . . . . . \$92.45 per M . . . \$98,181.90

X-6733

BY-LAWS OF THE FEDERAL RESERVE BOARD

EFFECTIVE OCTOBER 13, 1930.

## Article I.

The Chairman.

The Secretary of the Treasury, as Chairman of the Board, shall preside at all meetings when present. In the absence of the Chairman, the Governor shall act as presiding officer. In the absence of both the Chairman and the Governor, the Vice-Governor shall preside, and in the absence of all three such officers, the remaining member of the Executive Committee shall preside.

## Article II.

The Governor.

Sec. 1. The Governor of the Federal Reserve Board shall be the active executive officer thereof; subject, however, to the supervision of the Board and to such rules and regulations as may be incorporated herein or may from time to time, by resolution, be established.

Sec. 2. The Governor shall have general charge of the executive and routine business of the Board not specifically assigned under the by-laws or by resolution of the Board to any individual member or committee thereof, and shall have supervision of the Board's staff.

Sec. 3. The Governor shall be an ex-officio member of all Standing Committees of the Board.

## Article III.

The Vice-Governor.

Sec. 1. In the absence or disability of the Governor, his powers shall be exercised and his duties discharged by the Vice-Governor, and in the absence or disability of both of these officers, such powers shall be exercised and such duties discharged by the remaining member of the Executive Committee; in the absence or disability of all members of the Executive Committee the powers and duties of the Governor shall be exercised by the senior member of the Board present.

Sec. 2. It shall be the duty of the Vice-Governor to cooperate with the Governor in the administration of the executive business of the Board.

Article IV.

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Secretary and Assistant Secretaries.

Sec. 1. The Board shall appoint a Secretary and one or more assistant secretaries.

Sec. 2. The Secretary shall keep an accurate record of the proceedings of the Board and shall conduct such correspondence and perform such other duties as may be assigned to him by the Governor or by the Board. In the absence or disability of the Secretary, the duties of that office may, by direction of the Board, be performed by an assistant secretary.

Sec. 3. The Secretary shall have custody of the seal and, acting under the authority of the Board, shall have power to affix same to all instruments requiring it. Such instruments shall be attested by the Secretary.

Sec. 4. The assistant secretaries shall each perform such duties as may be assigned to them from time to time by the Board or by the Secretary.

Article V.

Assistant to the Governor.

Sec. 1. The Board may authorize appointment of an Assistant to the Governor.

Sec. 2. The Assistant to the Governor shall perform such duties as shall be assigned to him by the Governor.

Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the duties of the Executive Committee. In the absence of all three regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.



Provided, however, that if only two of the appointive members of the Board are in Washington such two members may act as an interim committee and exercise the powers and discharge the duties of the Executive Committee. Any action taken by such interim committee of two members, however, shall not be finally effective unless and until ratified by the Board. At the next regular meeting of the Board there shall be reported to it for ratification all actions taken by such interim committee of two members since the last regular meeting of the Board. Upon ratification by the Board, all actions taken by such interim committee of two members shall have the same force and effect as actions taken by the Board itself and shall be effective as of the date such action was taken by the interim committee of two members unless otherwise specifically provided by the Board.

Sec. 3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec. 4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec. 5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

## Article VII.

### Standing Committees.

In addition to the Executive Committee there shall be the following Standing Committees, appointments to which shall be made by the Governor, subject to the approval of the Board.

#### Sec. 1. Law.

To the Law Committee shall be referred for study and report all questions of a legal nature. To this Committee shall also be assigned the preparation or revision of the Board's regulations, contemplated amendments to the Federal Reserve Act, applications under the Kern amendment to the Clayton Act, and applications for the exercise by national banks of trust powers.

The General Counsel shall serve as Secretary of the Committee.

#### Sec. 2. Examination.

To this Committee shall be referred all questions relating to the examination of Federal Reserve or member banks including

admission of state banks and permission to establish and operate branches. The Chief Examiner shall serve as Secretary of this Committee.

### Sec. 3. Research and Statistics.

This Committee shall have charge of all investigations of an economic and statistical character authorized by the Board and shall supervise the work of the Division of Research and Statistics and the preparation and publication of the Federal Reserve Bulletin. This Committee shall also have supervision of the statistical and publication work of the Federal Reserve Banks.

The Director of the Division of Research and Statistics shall serve as Secretary of this Committee, or in his absence the Assistant Director shall so serve.

### Sec. 4. Salaries and Expenditures of Federal Reserve Banks.

To this Committee shall be assigned all recommendations from Federal Reserve Banks for changes of salaries and other expenditures. This Committee shall make reports with respect to charge-offs and franchise tax of Federal Reserve Banks.

The Secretary of the Board shall serve as Secretary of this Committee.

### Sec. 5. District Committees.

To each Federal Reserve Bank and District shall be assigned a Committee of not less than two members of the Federal Reserve Board. It shall be the duty of each Committee to keep itself informed by correspondence and visit of the affairs of the Bank and the condition of the District, and make investigation and report on all questions appertaining to the operation of any Federal Reserve Bank or the condition of any Federal Reserve District that may be referred to it by the Board. These Committees shall also aid the Committee on Salaries and Expenditures with information regarding personnel of the respective Federal Reserve Banks of which they have charge. These Committees shall also make recommendations to the Board for the appointment of Directors at Federal Reserve Banks and Branches.

## Article VIII.

### The Fiscal Agent and Deputy Fiscal Agent.

Sec. 1. The Board shall appoint a Fiscal Agent and a Deputy Fiscal Agent. The duty of the Fiscal Agent shall be to collect and deposit all moneys receivable by the Board with the Treasurer of the United States, to be placed in a special fund established on the books of the Treasurer for the Federal Reserve Board. The Deputy Fiscal Agent shall perform the duties of the Fiscal Agent during his absence or disability.

Sec. 2. The Fiscal Agent and Deputy Fiscal Agent shall each execute a separate bond with surety satisfactory to the Board.

Sec. 3. Payments of expenses and other disbursements of the Board shall be made by the Fiscal Agent upon proper vouchers out of moneys

advanced to him by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Section 5 of this Article. In the absence of the Fiscal Agent payment of expenses and other disbursements shall be made by the Deputy Fiscal Agent upon proper vouchers out of moneys advanced to the Fiscal Agent by requisition and warrant out of the special fund and placed to his official credit with the Treasurer of the United States as provided by Sections 5 and 6 of this article.

Sec. 4. The Fiscal Agent shall prepare a quarterly account in such form as shall be approved by the Comptroller General of the United States and, after approval by the Governor, such quarterly account shall be submitted to the General Accounting Office. Such account shall cover payments of expenses and other disbursements made by both the Fiscal Agent and the Deputy Fiscal Agent.

Sec. 5. The Governor shall, when necessary, make requisition on the Treasurer of the United States for the advance of such sums to the Fiscal Agent as may be necessary from the Federal Reserve Board fund.

Sec. 6. The Deputy Fiscal Agent in making disbursements of the Board upon proper vouchers out of the moneys advanced to the Fiscal Agent shall sign against funds to the official credit of the Fiscal Agent with the Treasurer of the United States in the name of the Fiscal Agent by himself as Deputy Fiscal Agent.

#### Article IX.

##### Gold Settlement Fund

and

##### Federal Reserve Agents' Fund.

All funds deposited by or for account of the respective Federal Reserve Agents in the Federal Reserve Agents' fund of the Federal Reserve Board and all funds deposited by or for account of the respective Federal Reserve Banks in the Gold Settlement Fund of the Federal Reserve Board shall be held on deposit with the Treasurer of the United States and shall be subject to withdrawal only by check of the Federal Reserve Board signed by the Secretary or an Assistant Secretary and countersigned by the Governor or acting executive officer of the Board.

#### Article X.

##### Requisition for Delivery

of

##### Federal Reserve Notes.

Requisitions upon the Comptroller of the Currency for the delivery

of Federal Reserve notes to the respective Federal Reserve Agents shall be made by the Secretary or Assistant Secretary in response only to requests made by the Federal Reserve Agents to the Board for such notes. The Secretary or Assistant Secretary shall submit daily for approval to the Governor or acting executive officer of the Board a schedule showing the amount of each denomination of Federal Reserve Notes requisitioned by him for the account of each Federal Reserve Agent.

#### Article XI.

##### The Seal.

The following is an impression of the seal adopted by the Board.

SEAL.

#### Article XII.

##### Counsel.

Sec. 1. The Board shall appoint a General Counsel whose duty it shall be to advise with the Board, or any member thereof, as to such legal questions as may arise in the conduct of its business; to prepare, at the Board's request opinions, regulations, rulings, forms and other legal papers and to perform generally such legal services as he may be called upon by the Board to perform.

Sec. 2. Subject to the direction of the Governor, the General Counsel shall have authority to correspond directly with the Counsel of the various Federal Reserve Banks and to request their opinions as to the interpretation of the local laws of the States included in their respective Federal Reserve Districts. Copies of all such correspondence shall be furnished to the Board for its information.

Sec. 3. Whenever it may be deemed advisable, the Board may appoint one or more Associate or Assistant Counsel, or one or more Assistants to Counsel. The duty of such Associate or Assistant Counsel shall be to assist the General Counsel in the performance of his duties and to perform the duty of the General Counsel in his absence. The duty of such Assistant to Counsel or Assistants to Counsel shall be to assist the General Counsel in the performance of his duties.

Sec. 4. The Board may appoint from time to time Consulting Counsel, who may be attorneys at law engaged in outside practice.

## Article XIII.

Meetings.

Sec. 1. Five members of the Board shall constitute a quorum for the transaction of business.

Sec. 2. Stated meetings of the Board shall be held on such days of the week and at such hours as the Board by a majority vote may fix from time to time. One meeting day each week shall be set apart for consideration of the following matters, advance notice of not less than two days being sent to members of important questions to be taken up at the meeting:

Discount and open market matters;  
 Approval of expenditures and salaries;  
 Establishment of Federal Reserve Branches,  
 Agencies, Currency Stations;  
 Permission for establishment of member  
 bank branches;  
 Amendment of Board's rules and regulations;  
 New policies or changes of policy;  
 Such other major matters as may be reserved  
 for consideration at the weekly meeting.

Sec. 3. Special meetings of the Board may be called by the Chairman or Governor or upon the written request of three members of the Board.

Sec. 4. At all meetings of the Board the following shall be the order of business:

- (1) Reading or inspection of the Minutes of the last regular meeting and Minutes of meetings of the Executive Committee.
- (2) Report of the Governor.
- (3) Report of the Secretary.
- (4) Reports of the committees or members on assigned business.
- (5) Unfinished business.
- (6) New business.

Sec. 5. No vote shall be taken or motion made by the Board at a meeting or conference when others than the members of the Board and its Secretarial staff are present.

## Article XIV.

Absences.

Sec. 1. Absences of appointive members of the Board shall as far as practicable be arranged so as not to interfere with the expeditious conduct of the Board's business in Washington.

Article XV.

Information and Publication.

Sec. 1. All persons employed by the Board shall keep inviolate its business, affairs, and concerns, and shall not disclose or divulge the same to any unauthorized person whomsoever, and any employee who shall give information contrary to this by-law shall be liable to immediate dismissal. Except upon vote of the Board, no one other than a Member of the Board, or the Secretary, Assistant Secretaries, Assistant to the Governor, and General Counsel, shall be permitted to inspect any of the Board's minutes.

Sec. 2. No statements shall be made to the press expressive of the Board's policy or descriptive of its action except as authorized and approved by the Board. Such statements shall be issued only in written form and when authorized and approved they shall be issued through the office of the Governor or such other officer or member of the Board as may be specifically designated. While each member of the Board must determine for himself the propriety or necessity of expressing publicly his individual opinion on any question, members shall not quote publicly the opinion of other members on matters which have not formally been passed upon by the Board.

Sec. 3. There shall be published monthly, a bulletin to be known as "The Federal Reserve Bulletin", which shall be the official periodical organ or publication of the Federal Reserve Board.

Sec. 4. No resolutions of a personal character shall be passed by the Board on the termination of the membership of a member of the Board.

Article XVI.

Amendments.

These by-laws may be amended at any regular meeting of the Board by a majority vote of the entire Board, provided that a copy of such amendments shall have been delivered to each member at least seven days prior to such meeting.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6734

October 17, 1930.

SUBJECT: Holidays during November, 1930.

Dear Sir:

On Saturday, November 1st, the New Orleans Branch of the Federal Reserve Bank of Atlanta will be closed in observance of All Saints' Day, and the Havana Agency on account of Election Day. Please include credits for New Orleans Branch for November 1st in the Gold Fund Clearing of November 3rd.

On Tuesday, November 4th, General Election Day, there will be neither Gold Settlement Fund nor Federal reserve note clearing, and the books of the Board's Gold Settlement Fund will be closed. For your information, the offices of the Federal Reserve Board and the following banks and branches will be open for business on that day:

Boston

Little Rock

Louisville

Cleveland )until 1 p.m.

Cincinnati)Eastern Standard  
time

Omaha

Atlanta

Salt Lake City

New Orleans

Birmingham

Jacksonville

On Tuesday, November 11th, in observance of Armistice Day, and on Thursday, November 27th, Thanksgiving Day, there will be neither Gold Settlement Fund nor Federal reserve note clearing, and the books of the Board's Gold Settlement Fund will be closed. The offices of the Federal Reserve Board and the following banks and branches will be open for business on Tuesday, November 11th:

New York

Buffalo

Detroit

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-6735

October 17, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeo-graph statements, X-6735-a and X-6735-b, covering in detail operations of the main line, Leased Wire System, during the month of September, 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 SEPTEMBER, 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   | 27,578                     | 3,527  | 31,105                            | 3.58                               |
| New York   | 129,376                    | -  | 129,376                           | 14.91                              |
| Philadelphia   | 31,664                     | 1,645  | 33,309                            | 3.84                               |
| Cleveland  | 82,495                     | 2,804  | 85,299                            | 9.83                               |
| Richmond   | 52,715                     | 3,141  | 55,856                            | 6.44                               |
| Atlanta  | 58,748                     | 7,978  | 66,726                            | 7.69                               |
| Chicago  | 98,941                     | 4,213  | 103,154                           | 11.89                              |
| St. Louis  | 72,780                     | 3,009  | 75,789                            | 8.73                               |
| Minneapolis  | 32,130                     | 3,788  | 35,918                            | 4.14                               |
| Kansas City  | 81,978                     | 2,837  | 84,815                            | 9.78                               |
| Dallas   | 65,036                     | 7,247  | 72,283                            | 8.33                               |
| San Francisco  | 89,928                     | 4,084  | 94,012                            | 10.84                              |
| Total  | 823,369                    | 44,273   | 867,642                           | 100.00                             |
| F. R. Board business . . . . .                               |                            |  | 286,526                           | 1,154,168                          |
| Treasury Department business Incoming and Outgoing . . . . . |                            |  |                                   | <u>132,318</u>                     |
| Total words transmitted over main lines . . . . .            |                            |  |                                   | 1,286,486                          |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6735-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, SEPTEMBER, 1930.

X-6735-b

| Name of Bank          | Operators'<br>Salaries | Operators'<br>Overtime | Wire<br>Rental      | Total<br>Expenses   | Pro Rata<br>Share of<br>Total<br>Expenses | Credits            | Payable to<br>Federal<br>Reserve<br>Board |
|-----------------------|------------------------|------------------------|---------------------|---------------------|---|--------------------|---|
| Boston                | \$ 260.00              | \$ -                   | \$ -                | \$ 260.00           | \$ 756.09                                 | \$ 260.00          | \$ 496.09                                 |
| New York              | 1,129.14               | -                      | -                   | 1,129.14            | 3,148.96                                  | 1,129.14           | 2,019.82                                  |
| Philadelphia          | 225.00                 | -                      | -                   | 225.00              | 811.00                                    | 225.00             | 586.00                                    |
| Cleveland             | 306.66                 | -                      | -                   | 306.66              | 2,076.08                                  | 306.66             | 1,769.42                                  |
| Richmond              | 211.00                 | -                      | 230.00(&)           | 441.00              | 1,360.12                                  | 441.00             | 919.12                                    |
| Atlanta               | 270.00                 | -                      | -                   | 270.00              | 1,624.11                                  | 270.00             | 1,354.11                                  |
| Chicago               | 3,857.57(#)            | 1.00                   | -                   | 3,858.57            | 2,511.14                                  | 3,858.57           | 1,347.43(*)                               |
| St. Louis             | 195.00                 | 1.00                   | -                   | 196.00              | 1,843.76                                  | 196.00             | 1,647.76                                  |
| Minneapolis           | 200.00                 | -                      | -                   | 200.00              | 874.36                                    | 200.00             | 674.36                                    |
| Kansas City           | 287.50                 | -                      | -                   | 287.50              | 2,065.52                                  | 287.50             | 1,778.02                                  |
| Dallas                | 251.00                 | -                      | -                   | 251.00              | 1,759.28                                  | 251.00             | 1,508.28                                  |
| San Francisco         | 380.00                 | -                      | -                   | 380.00              | 2,289.39                                  | 380.00             | 1,909.39                                  |
| Federal Reserve Board | -                      | -                      | 15,736.19           | 15,736.19           | -   | -                  | -   |
| <b>Total</b>          | <b>\$ 7,572.87</b>     | <b>\$ 2.00</b>         | <b>\$ 15,966.19</b> | <b>\$ 23,541.06</b> | <b>\$21,119.81</b>                        | <b>\$ 7,804.87</b> | <b>\$ 14,662.37</b>                       |
|                       |                        |                        |                     | <u>2,421.25(a)</u>  |   |                    | <u>1,347.43(b)</u>                        |
|                       |                        |                        |                     | <b>\$ 21,119.81</b> |   |                    | <b>\$ 13,314.94</b>                       |

(&) Main Line rental, Richmond-Washington.

(#) Includes salaries of Washington operators.

(\*) Credit.

(a) Received \$2,421.25 from Treasury Department covering business for the month of September 1930.

(b) Amount reimbursable to Chicago.

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## FEDERAL RESERVE BOARD

WASHINGTON

X-6736

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

October 17, 1930.

SUBJECT: Surrender of Trust Powers by National Banks.

Dear Sir:

Section 11(k) of the Federal Reserve Act with reference to trust powers of national banks was amended by Act of Congress approved June 26, 1930, so as to provide that such banks might voluntarily surrender the right to act in trust capacities. The Federal Reserve Board on October 17, 1930 amended its Regulation F so as to provide a procedure for the surrender of trust powers by a national bank pursuant to the recent amendment to the statute. The only important change made in the regulation was the adoption of a new Section XIV which is set forth below. The adoption of this section made it necessary to renumber subsequent sections of the regulation accordingly; and Section I of the regulation, which sets forth the provisions of Section 11(k) of the Federal Reserve Act, was amended so as to set forth these provisions of the statute in the form as amended by the Act of June 26, 1930. The regulation in its amended form is designated Regulation F, Series of 1930. The new section numbered XIV is as follows:

"SECTION XIV. SURRENDER OF TRUST POWERS.

"(a) Procedure.- Any national bank which has been granted the right by the Federal Reserve Board, pursuant to Section 11(k) of the Federal Reserve Act, to act in any fiduciary capacity or capacities and which desires to surrender such right, shall signify such desire through a resolution adopted by its board of directors. A properly certified copy of such resolution of its board of directors should be filed with the Federal Reserve Agent of the district in which such national bank is located and should be accompanied by (1) a letter stating the reason why, or the purpose for which, such national bank wishes to surrender its right to exercise trust powers, unless such reason or purpose shall have been amply stated in the resolution itself; and (2) the permit or permits previously granted by the Federal Reserve Board to such national bank granting it the right to act in any fiduciary capacity, except that in case any such permit shall have been lost or destroyed an affidavit by any officer of such national bank as to such loss or destruction may be filed in lieu of such lost or destroyed permit. All such documents filed with the

Federal Reserve Agent shall be promptly forwarded by him to the Federal Reserve Board with a recommendation as to the action to be taken by the Federal Reserve Board.

"(b) Examination. Upon receipt of such documents, the Federal Reserve Board will request the Comptroller of the Currency, upon the occasion of the next regular examination of such national bank, to have the examiner make a special investigation of the trust department of the bank in order to determine whether the bank has actually accepted or undertaken the exercise of any trust, whether under court, private or other appointment, pursuant to authority granted under Section 11(k) of the Federal Reserve Act; and if so, whether it appears from the records of the trust department in the case of each trust so accepted or undertaken:

"(1) That the duties of the bank as fiduciary have been completely performed or that a substitute fiduciary has been appointed in accordance with the State law;

"(2) That a final account has been filed by the bank, and that such account has been approved by the court or other proper authority where this is required by State law;

"(3) That all assets and papers belonging to the trust estate have been delivered by the bank to the person or persons entitled to receive them; and

"(4) That the bank has been discharged or otherwise properly relieved of its duties as fiduciary.

In exceptional cases, the Federal Reserve Board may make a special examination or may request the Comptroller of the Currency to make a special examination of such national bank in order to obtain the information above set forth.

"(c) Certificate of Federal Reserve Board. If upon receiving a copy of the report of such examination of such national bank the Federal Reserve Board shall be satisfied that such bank has been relieved in accordance with State law of all its 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 by such bank under a permit granted by the Federal Reserve Board pursuant to the provisions of Section 11(k) of the Federal Reserve Act, the Board may in its discretion issue to such national bank a certificate certifying that such bank is no longer authorized to exercise the powers conferred upon it by such permit of the Federal Reserve Board. Such bank thereupon (1) shall no longer be subject to the provisions of Section 11(k) of the Federal Reserve Act 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 or with the Federal Reserve Agent for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by Section 11(k) of the Federal Reserve Act without first applying for and obtaining a new permit from the Federal Reserve Board to exercise such powers."

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO ALL F. R. AGENTS AND GOVERNORS OF ALL F. R. BANKS.

THE DISCOUNT RATE CONTROVERSY  
BETWEEN  
THE FEDERAL RESERVE BOARD  
and  
THE FEDERAL RESERVE BANK OF NEW YORK

-1-

November, 1930.

The Federal Reserve Bank of New York, in its Annual Report for the year 1929, stated: -

"For a number of weeks from February to May, 1929, the Directors of the Federal Reserve Bank of New York voted an increase in the discount rate from 5% to 6%. This increase was not approved by the Board."

Annual Report, Page 6.

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The above statement makes clear the error of the prevailing view that the discount rate controversy lasted from February 14, 1929, - the date of the first application for increase in discount rates, - to August 9, 1929, the date of the Board's approval of the increase from 5% to 6%.

The controversy began on February 14, 1929, but practically ended on May 31, 1929.

On May 22, 1929, Governor Harrison and Chairman McGarrah told the Board that while they still desired an increase to 6%, they found that the member banks, under direct pressure, feared to increase their borrowings, and that they wanted to encourage them to borrow to meet the growing demand for commercial loans.

16 Diary 76 (69).

Furthermore, on May 31, 1929, Chairman McGarrah wrote to the Federal Reserve Board that the control of credit without increasing discount rates

(direct pressure) had created uncertainty; that agreement upon a program to remove uncertainty was far more important than the discount rate; that in view of recent changes in the business and credit situation, his directors believed that a rate change now without a mutually satisfactory program, might only aggravate existing tendencies; that it may soon be necessary to establish a less restricted discount policy in order that the member banks may more freely borrow for the proper conduct of their business; that the Federal reserve bank should be prepared to increase its portfolio if and when any real need of doing so becomes apparent.

195 - 65.

On June 5, 1929, Mr. Mitchell came before the Board and urged a more liberal discount policy and an easing of conditions by purchase of bills and Government securities, leaving the discount rate at 5%, to be increased only if speculation should revive.

16 Diary 99, 100 (198).

The Federal Reserve Board, as hereinafter pointed out, on June 12, 1929, expressed a willingness to suspend direct action in view of the need of more Federal reserve credit, the 5% rate, however, to be continued for the present, at least.

16 Diary 108, 109 (76).

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It is the purpose of this article to examine into the facts connected with this controversy, and the divergence of opinion between the Board and the Federal Reserve Bank of New York as to the proper Federal reserve policy.

The annexed table shows the discount and acceptance buying rates of the Federal Reserve Bank of New York prior to and since the controversy:

| <u>Discount Rates</u> |                  | <u>Acceptance Buying Rates</u><br><u>60 to 90 days</u> |                  |
|-----------------------|------------------|--|------------------|
| 1927                  |                  | 1927   |                  |
| August 5              | $3\frac{1}{2}\%$ | August 5   | $3\frac{1}{4}\%$ |
| 1928                  |                  | 1928   |                  |
| February 3            | 4%               | January 27   | $3\text{-}3/8\%$ |
| May 18                | $4\frac{1}{2}\%$ | February 3   | $3\frac{1}{2}\%$ |
| July 13               | 5%               | March 30   | $3\text{-}5/8\%$ |
|                       |                  | April 13   | $3\text{-}3/4\%$ |
|                       |                  | May 18   | 4%               |
|                       |                  | July 13  | $4\frac{1}{4}\%$ |
|                       |                  | July 20  | $4\frac{1}{2}\%$ |
| 1929                  |                  | 1929   |                  |
|                       |                  | January 4  | $4\frac{3}{4}\%$ |
|                       |                  | January 21   | 5%               |
|                       |                  | February 15  | $5\text{-}1/8\%$ |
|                       |                  | March 21   | $5\text{-}3/8\%$ |
|                       |                  | March 25   | $5\frac{1}{2}\%$ |
|                       |                  | July 12  | $5\frac{1}{4}\%$ |
| August 9              | 6%               | August 9   | $5\text{-}1/8\%$ |
| November 1            | 5%               | October 25   | 5%               |
| November 15           | $4\frac{1}{2}\%$ | November 1   | $4\frac{3}{4}\%$ |
|                       |                  | November 15  | $4\frac{1}{4}\%$ |
|                       |                  | November 22  | 4%               |
| 1930                  |                  | 1930   |                  |
| February 7            | 4%               | February 11  | $3\text{-}7/8\%$ |
|                       |                  | February 24  | $3\frac{3}{4}\%$ |
|                       |                  | March 5  | $3\text{-}5/8\%$ |
|                       |                  | March 6  | $3\frac{1}{2}\%$ |
|                       |                  | March 11   | $3\text{-}3/8\%$ |
| March 14              | $3\frac{1}{2}\%$ | March 14   | $3\frac{1}{4}\%$ |
|                       |                  | March 19   | $3\text{-}1/8\%$ |
|                       |                  | March 20   | 3%               |
|                       |                  | May 1  | $2\text{-}7/8\%$ |
| May 2                 | 3%               | May 2  | $2\frac{3}{4}\%$ |
|                       |                  | May 8  | $2\text{-}5/8\%$ |
|                       |                  | May 19   | $2\frac{1}{2}\%$ |
|                       |                  | June 5   | $2\frac{1}{4}\%$ |
| June 20               | $2\frac{1}{2}\%$ | June 20  | 2%               |
|                       |                  | July 21  | 1-7/8 to 2%      |



The following shows the important dates in connection with the controversy:

1928.

September 28:

The Federal Advisory Council opposed any increase in rates.

November 22:

The Federal Advisory Council opposed any increase in rates because of injury to business.

1929.

January 19:

Dr. Miller told Board the Federal Reserve System was drifting and that rate increase was necessary to effect a curbing of speculation; that the really courageous way would be a public announcement that credit in the future would be available at reasonable rates for agriculture and business, but that the Board would watch the rise in discounts and prevent seepage into Wall Street.

15 Diary 129, 130 (152).

January 21:

Dr. Miller introduced a draft of a letter to all Federal reserve banks suggesting direct pressure on the member banks.

15 Diary 130 (152).

January 25:

Chairman McGarran informed the Board that his directors were considering issuing a public warning to corporations which were loaning in Wall Street that they were injuring the Federal Reserve System, and in this warning to include an intimation that the collateral behind these loans might prove not to be liquid.

15 Diary 134 (152).

January 25:

Chairman McGarran objected to the proposed letter to the Federal reserve banks on ground that it would be construed as a blow at the stock market.

15 Diary 134 (153).

February 2:

Dr. Miller's motion was passed, some changes having been made in the letter.

15 Diary 143, 144 (154).

1929 (Cont'd.).

February 2:

The executive officers of the Federal Reserve Bank of New York favored an increase in discount rates but there was objection in the Board of Directors.

15 Diary 143 (44).

February 5:

The Board sent letters to all Federal reserve banks pointing out the seepage of Federal reserve credit into speculative channels and asked how they kept informed of the use made of the proceeds of rediscounts, the methods employed to regulate the abuse and how effective the methods had been.

187 - 107.

February 5:

Governor Harrison informs the Board that an increase in discount rates is necessary; that direct action as to banks "out of line" had proved a failure.

15 Diary 149, 150, 151, 154 (46).

February 7:

Public warning of Federal Reserve Board released to press. This will be referred to in some detail later.

187 - 113.

Governor Harrison informs Board that his directors are considering an increase in discount rates.

15 Diary 160 (47).

February 11:

The New York directors met but took no action as to increasing discount rates.

15 Diary 166 (48).

February 14:

The Federal Reserve Bank of New York applied for approval of an increase to 6% on condition that the Board immediately act on the same.

This was the first application for an increase.

It was disapproved by the Board, as also were similar applications made March 3, March 21, March 28, April 4, April 18, April 25, May 9, May 16, and May 23.

1929. (Cont'd.)

February 15:

The Federal Advisory Council met and approved the Board's warning published February 7, but advised the Board to go further and obtain the cooperation of member banks to prevent the diversion of Federal reserve credit to "loans on securities" generally, - meaning customers security loans.

15 Diary 173, 174 (51).

The Federal Advisory Council further advised the Board not to approve any increase of discount rates until the Board's efforts along the lines of direct pressure had been exhausted. The Council, when making its recommendations, did not know of the action of the Federal Reserve Bank of New York in recommending an increase in discount rates the day before.

15 Diary 175, 176 (52).

March 21:

Governor Young suggests a conference as to discount rates with the New York directors. Governor Harrison replied Yes but discount rates must first be increased.

April 4:

The Governors Conference, accepting the desire of Boston, New York, and Chicago for an increase to 6%, favored a rate not less than 5% for the other Federal reserve banks.

16 Diary 15 (58).

April 19:

The Federal Advisory Council reverses its recommendation of February 15 and advises an increase at New York to 6%.

May 1:

Report of Committee on recent economic changes. Rather "bullish" in its optimism. Nothing much to worry about. The degree of progress in recent years inspires us with high hope.

May 17:

The Federal Reserve Bank of Cleveland passes a resolution favoring an increase in the New York discount rate to 6% to curb speculation.

16 Diary 64 (97).

1929. (Cont'd.)

May 21:

The Federal Advisory Council recommends an increase to 6%.

16 Diary 15 (58).

16 Diary 25 (91).

May 22:

Governor Young points out that Federal Reserve Bank of New York has not mentioned an increase in buying rates for acceptances in connection with an increase of discount rates; that with a 6% discount rate, acceptance rates remaining at 5½%, acceptances would flow into the Federal Reserve Bank.

May 29:

New York suggests a conference of all Federal reserve banks as national questions are involved.

16 Diary 91 (92).

May 31:

Chairman McGarrah writes Board asking it to take up a program for encouraging member banks to increase their borrowings.

195 - 81.

June 3:

Director Mitchell of New York told the Board that the market should be eased by buying bills or Government securities; that the discount rate should remain at 5% and that a more liberal discount policy should be adopted.

16 Diary 100 (74).

June 12:

The Federal Reserve Board, after a conference between its Committee and the directors of the Federal Reserve Bank of New York, sent a letter to Chairman McGarrah indicating a willingness to suspend direct pressure, except as to a few flagrant cases of continuous borrowing,

1929. (Cont'd.)

June 12: (Cont'd).

the 5% rate, however, to continue for the present.  
16 Diary 108, 109 (54).

July 16:

Director Mitchell told Dr. Miller that an easing policy was absolutely necessary, although he said that Governor Harrison still favored an increase in the discount rate.

16 Diary 132 (199).

August 2:

Governor Harrison came before the Board and favored an easing policy through purchases of bills, Government securities, or both if necessary.

While he also asked for an increase in discount rates to 6%, he stated that this would merely act as a barrage which would make the acceptance buying rate (then  $5\frac{1}{4}\%$ ) lower than the discount rate, thus increasing the flow of acceptances into the Federal reserve bank and would, at the same time, induce the member banks to use part, at least, of the money received from the sale of acceptances for reduction of their rediscounts.

16 Diary 149 (80).

August 7:

The Governors, in conference, favored an easing policy as recommended by Governor Harrison, but through purchase of acceptances rather than Government securities, and approved his suggestion of an increase to 6% at New York but on the understanding and their assurance that the 5% rate would be maintained at the other Federal reserve banks.

16 Diary 152, 153 (81).

August 8:

The Board approved the policy as outlined by the Governors.

16 Diary 153 (81).

August 8:

The Board approved a reduction of the buying rate on acceptances from  $5\frac{1}{4}$  to  $5-1/8\%$ .

Having outlined the important dates involved, we can now consider the difference as to discount policy which arose between the Federal Reserve Board and the Federal Reserve Bank of New York.

The Board had anxiously observed the wave of security speculation sweeping over the country, and during the year 1928 three increases of discount rates and three increases of acceptance buying rates had been approved, viz: - in discount rates, to 4% on February 3, to  $4\frac{1}{2}$ % on May 18, and 5% on July 13, while acceptance buying rates had been several times increased, being  $4\frac{1}{2}$ % on July 26, 1928.

In 1929 acceptance buying rates were increased from  $4\frac{3}{4}$ % on January 4, to  $5\frac{1}{2}$ % on March 25.

Between February 15, 1928 and February 13, 1929, the System had sold 231 millions, net, of Government securities, and money in circulation had been reduced 16 millions.

Between July 13, 1928, - the date of the establishment of the 5% rate at New York, - and February 14, 1929, - the date of the first application of New York for an increase to 6%, a period of seven months, no change in the discount rate was suggested by the Federal Reserve Bank of New York.

It will be interesting to consider the course of Federal reserve credit during this period of seven months.

As above pointed out, between January 1 and July 13, 1929, there had been three increases in discount rates, and the System had sold about 400 millions of Government securities, under a Federal reserve policy of firming conditions, approved by the Federal Advisory Council, the Open Market Committee, and by the Board.

On August 16, 1929, the Federal Reserve Bank of New York represented to the Board that seasonal requirements might produce some credit strain which might react on business and commerce, and the Board stated that in such event it would permit easing of the market by bill purchases, and that it would further, if absolutely necessary, permit the purchase of Government securities up to the limit of 100 millions.

The Federal Reserve Bank of New York met the seasonal credit demand, as authorized by the Federal Reserve Board, by the purchase of acceptances, substantially no Government securities being bought. It was clearly understood, however, that Federal reserve policy permitted these acceptance purchases merely for the purpose of meeting credit strain, should such strain arise.

As a fact, however, the Federal Reserve Bank of New York acting for the other banks as well, between July and November, 1928, increased their holdings of acceptances by 286 million dollars. That this amount was far beyond any possible need of increased credit, is shown by the fact that largely out of the proceeds of these sales the member banks not only met all seasonal credit demands, but actually paid off about 193 millions of their rediscounts. As a result of these purchases, helped in small

degree by gold imports rates on bills and on commercial paper, as well as customers rates, actually declined, contrary to the usual seasonal trend. Member bank reserve balances increased 28 millions, and loans on securities of reporting member banks increased 127 millions.

There would seem to be no possible doubt but that this liberal purchase of bills in excess of credit needs was a factor in the revival of speculation and in the growth of brokers loans. As a fact, the purchase of acceptances had been on such a liberal scale that the Federal reserve banks held for their own account, and for account of their foreign correspondents, about two-thirds of the total volume of outstanding acceptances. The above facts are brought out clearly in the Annual Report of the Board for 1928.

Further, during this period from June to November, 1928, stock prices increased from an average based on 1926 figures, of 150.5 to 192.1; stock sales increased from 11.6 millions to 23.3 millions; brokers loans of the New York banks increased: (a) for own account 176 millions, (b) for other banks 206 millions; (c) "for others" increased 488 millions, the total increase of all these loans being 870 millions.

There is annexed hereto a table showing the course of Federal reserve credit from July to November, 1928, giving both its composition and the relative factors for increase and decrease;



Federal Reserve Credit.July to November, 1928.

| <u>Composition</u> |              | <u>Total Increase</u> |
|--------------------|--------------|-----------------------|
| Discounts          | - 193        |                       |
| Acceptances        | + 283        |                       |
| U. S. Securities   | + 25         |                       |
| Other F.R. credit  | + 4          |                       |
|                    | <u>+ 315</u> | <u>+ 122</u>          |
|                    | - 193        | =                     |

Factors

| <u>For increase</u>      |              | <u>For decrease</u> |                   |
|--------------------------|--------------|---------------------|-------------------|
| Money in circulation     | + 114        | Treasury funds      | + 5               |
| Unemployed capital funds | + 21         | Monetary gold       | + 38              |
| Non-member bank deposits | + 2          |                     |                   |
| Member bank reserves     | + 28         |                     |                   |
|                          | <u>+ 165</u> |                     | <u>+ 43 = 122</u> |

Increases

|                       |            |
|-----------------------|------------|
| F. R. credit increase | 122        |
| Monetary gold "       | 38         |
| Treasury currency     | 5          |
|                       | <u>165</u> |

Deductions

|                              |            |
|------------------------------|------------|
| Member bank reserve balances | 28         |
|                              | <u>137</u> |
| Money in circulation         | 114        |
|                              | <u>23</u>  |
| Unemployed capital funds     | 21         |
|                              | <u>2</u>   |
| Non-member bank deposits     | 2          |
|                              | <u>0</u>   |

The effect of these acceptance purchases was to nullify the effect of the increase of the discount rate to 5% made on July 13, 1928, and to change Federal reserve policy from one of firming to one of easing the market.

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The above is confirmed by Deputy Governor Burgess of the Federal Reserve Bank of New York, who stated in an address before the American Acceptance Council, December 11, 1928:

"The Taking by the Federal Reserve banks of bills offered involved putting into the money market something like 100 millions of dollars more than seasonal credit needs required, which was used by the member banks to liquidate part of their indebtedness, and this tended, in conjunction with gold imports, to ease slightly the money situation."

It is interesting to note that on December 15, 1928, Dr. Miller introduced a resolution favoring higher acceptance buying rates. This resolution, however, failed, but was voted for by Dr. Miller, Platt, and C.S.H.

15 Diary 115 (149).

Such was the situation confronting the Federal Reserve Board at the beginning of January, 1929. It found that its firming policy, agreed upon by the Federal Advisory Council and the Open Market Committee, had in fact been changed by the Federal Reserve Bank of New York into an easing policy.

Federal reserve credit outstanding in January, 1929, was some 226 millions greater than in January, 1928. There was danger that the customary liquidation after the first of the year might not take place and that Federal reserve credit outstanding would

increase in 1929 rather than decrease, just as it increased between January and May, 1928.

In this connection it should be pointed out that for the year ending June 30, 1929, 1,114 banks were borrowing for 80% or more of the time.

195 - 143.

The problem confronting the Board was how to bring about a reasonable liquidation of Federal reserve credit without, at the same time, injuring agriculture and business.

After most careful consideration, the Federal Reserve Board determined to keep the present 5% rate unchanged but to try to reduce outstanding Federal reserve credit by bringing direct pressure, through the Federal reserve banks, upon the member banks to bring about a reasonable liquidation of their speculative loans, or at least not to increase them, and to this end reduce, or at least not increase, their borrowings from the Federal reserve bank to support their required reserves against deposits arising out of these speculative loans.

On February 2, 1929, the Board sent a letter to all Federal reserve banks calling attention to the seepage of Federal reserve credit into the security markets and also released for February 7, 1929, a public statement known as the Board's "warning", which will be considered in detail later.

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Before considering the results obtained from the exercise of direct

pressure, with a stable 5% discount rate, it will be advisable to consider the grounds upon which the Federal Reserve Bank of New York based its repeated requests for an increase of the discount rate, and the reasons prompting the Board to disapprove the increase.

The Federal Reserve Bank of New York, as above shown, first asked for an increase to 6% on February 14, 1929, and the Board disapproved the increase as also nine other applications for a similar increase, the last refusal being on May 23, 1929.

In considering the first application, the Board was hampered by the fact that the Federal Reserve Bank had given the Board no official explanation of the reasons prompting it to ask the increase.

It should be remembered that, on October 5, 1928, the Board asked the Federal reserve banks when forwarding applications for changes in rates, to give the reasons for such changes, but that on October 26, 1928, Chairman McGarrah replied that the Bank would be glad to furnish the Board with the main facts presented to the directors at the time of a change in the rediscount rate, but beyond this it would be impracticable to go, owing to the difficulties of attempting to express the reasons which have actuated the different directors in voting to change the rate.

The application of February 14, 1929, was made over the telephone by Governor Harrison, and the Board voted to table it pending an answer of the Bank to the Board's warning letter released February 7.

Finally the Board reconsidered its vote and advised Governor Harrison that it would take the application under review and take no action on that day.

Governor Harrison then told Governor Young that he had not given him the actual vote; that it was in fact conditional on action by the Board on that day; and that his directors could not leave until the Board rendered its decision.

Finally the Board unanimously voted to disapprove the application.  
15 Diary 168 to 170 (50).

The disapproval was based as well on the condition imposed by the Federal Reserve Bank of immediate decision by the Board as upon the merits of the application.

The Board felt that it would not be possible to exercise its duty of review and determination upon a telephonic request, giving no official reasons for the change and conditioned on immediate decision of the Board.

Governor Young, however, explained to Governor Harrison that the application involved national as well as local considerations; that if the New York rate was increased to 6%, every Federal reserve bank east of the Mississippi River and very possibly the other Federal reserve banks also would have to make a similar increase, and that a majority of the Board felt that such action might seriously affect agriculture and commerce, and further, that the Board could not decide this important question off hand, on the day of the application, in the absence of any official statement of reasons.

15 Diary 168 (248).

On February 27, 1929, Governor Young in response to a request of the Board on February 14th filed with the Board a memorandum stating the reasons given by the Board to the Federal Reserve Bank of New York, for disapproval of the application, which memorandum was given by him to Director Mitchell of the Federal Reserve Bank of New York.

These reasons in substance were:

1. Sufficient time has not elapsed to determine the effect of the Board's warning published Feb. 7, 1929.
2. The replies received from nearby Federal reserve banks indicate that rate increases should not be begun now.
3. The danger of increased rates encouraging gold imports.
4. The Federal Reserve Bank of New York has furnished the Board with statistics, but has given it no reasons for wishing the increase, and the Board desires reasons.
5. Before consenting to an increase, the Board desires to know to what limits the Federal reserve banks are prepared to go in the event of the increase to 6% not being effective.
6. The Board desires the advice of the Federal Advisory Council now in session, before proceeding on a rate increase program.

This memorandum was placed in the Minutes of February 14th, which were not approved until February 27th.

The second application for increase was an informal one, Governor Young advising the writer on Sunday, March 3rd, that Governor Harrison had told him that his directors earnestly hoped for authority to increase to 6% the next day, as they feared a runaway market.

This application also failed but the "runaway market" did not appear!

15 Diary 184, 185 (54).

The third application was filed on March 21, 1929. It imposed the same condition of immediate action by the Board.

It was pointed out in the Board that the figures revealed a general decline of Federal reserve credit, which, apart from the prevailing speculation would point to the desirability of lower rather than higher discount rates.

The Board disapproved the application with only one dissenting vote.  
15 Diary 196, 197 (56).

The fourth application for increase was made on March 28, 1929. The Board disapproved by a vote of 7 to 1.

16 Diary 4 (57).

The fifth application was made on April 4, 1929, and was disapproved by the Board.

On April 9, 1929, Governor Harrison in a letter to the Board, gave for the first time an official statement of the reasons of his Bank for desiring an increase.

The reasons given in substance were that speculative activity had increased interest rates generally in the United States to the injury of business and especially of building construction; that these high rates had prevented the flotation of foreign securities in this country; that they were reducing the purchasing power of Europe and threatening our export trade, and that the high call loan rates were drawing gold from Europe to be invested in the call loan market.

The sixth application was made on April 18, 1929.

It was pointed out in the Board that some of the reasons given for the increase, - necessity for the easing of interest rates, difficulty of placing foreign loans in the United States, the consequent falling off in our export trade, etc., were the very reasons advanced in 1917 for lowering discount rates.

It was also pointed out that the New York Bank apparently felt that higher discount rates would bring about lower call loan rates, but the opinion was expressed that higher discount rates would constitute a firm

foundation for higher rather than lower call loan rates.

The Board disapproved the application.

16 Diary 22, 23 (60).

The seventh application was made on April 25, 1929, and the Board disapproved.

16 Diary 38 (65).

The eighth application was made on May 9, 1929, the chief reason given by the New York Bank being a desire to bring the Federal reserve rates into proper relation with market rates.

It was pointed out that a 6% rate was not needed to restore the former relation of rates, - that a rate of  $5\frac{1}{2}$ % would accomplish this.

The Board disapproved.

16 Diary 51 (63).

The ninth application was made on May 16, 1929.

It was pointed out in the Board that Federal reserve credit outstanding was rapidly falling; that a rate of  $5\frac{1}{2}$ % would be sufficient to restore the old relation of rates.

The Board disapproved.

16 Diary 56 (64).

The tenth and last application for increased rates was made on May 23, 1929.

Federal reserve credit outstanding had been reduced so materially that there was some evidence that an additional amount, perhaps a hundred million dollars, was needed for the purposes of agriculture and business.

While the Board disapproved the application, there was some discussion of a possible compromise, - a lowering of acceptance rates coupled with a 6% discount rate to act as a kind of "Lombard" rate.

16 Diary 78 (69).



From this time on, the necessity of an increased rate was practically dropped from consideration, and on May 31, 1929, Chairman McGarrah, as above pointed out, advised the Board that his directors desired to take up a program of encouraging the banks to borrow.

195 - 85.

The advance in the discount rate to 6% on August 9, was, as already pointed out, a part of a program for easing the money market through lower acceptance rates.

16 Diary 149 (80).

During the discussions above outlined, in which Governor Harrison gave reasons for increasing discount rates, the conditions were rapidly changing. Federal reserve credit outstanding, as shown by total bills and securities of the New York Bank were steadily decreasing, while its reserve ratio was as steadily increasing, as shown in the following table:

Federal Reserve Bank of New York.

| Total Bills and Securities |       | Reserve Ratio |       |
|----------------------------|-------|---------------|-------|
| 1929.                      |       | 1929.         |       |
| January 2.                 | 709.8 | January       | 70.4% |
| February 6                 | 325   | February      | 78.6  |
| March 6                    | 349.9 | March         | 79.   |
| April 3                    | 288   | April         | 79.2  |
| May 1                      | 328.3 | May           | 81.1  |
| June 5                     | 253.6 | June          | 79.1  |

The Board was thus asked to increase discount rates under conditions of falling Federal reserve credit and increasing reserve ratios which, according to the canons of banking practice called for lower rather than higher rates!

It has been generally supposed by the public that the issue between the Federal Reserve Board and the Federal Reserve Bank of New York was simply whether the discount rate should or should not be increased from 5% to 6%.

This supposition is absolutely erroneous.

No one was bold enough to predict with any confidence that a mere increase to 6% would suffice.

The real issue was whether the 5% rate should be maintained coupled with direct pressure on the member banks to liquidate reasonably, or at least not to increase their speculative loans, or, on the other hand, as claimed by the New York Bank, whether the Board should approve a policy of repeated increase of rates, beginning only at 6% and continuing to increase until the "situation should be corrected", that is, until the New York Stock market should be radically deflated.

An appreciation of this fact is necessary to a complete understanding of the real issue between the Board and the Federal Reserve Bank of New York.

That such was the real issue will be apparent from reading the letter sent by Governor Harrison to the Federal Reserve Board dated April 9, 1929, in which he used the following language in justifying the desire of his directors for increased rates:

"The rate increase would have the further result of giving definite public notice to the country that the Reserve System is ready to supplement and support all its other efforts by an affirmative rate policy.

"Public realization that the discount rate would be employed incisively and repeatedly, if necessary, would

greatly strengthen the effectiveness of the System's policy, and in itself hasten the time when the System might lend its influence towards easier money conditions." (*Italics mine*).

195 - 45.

Governor Harrison several times told the Board that if the 6% rate did not "correct the situation" recourse must be had to further increases.

February 5, 1929. 15 Diary 149 to 151 (45). May 22, 1929. 16 Diary 74, 75 (68).

Chairman McGarrah also told the Board that if 6% did not "correct the situation" he would favor an increase to 7%, 8% or even higher.

April 24, 1929, 16 Diary 37 (62).  
May 23, 1929, 16 Diary 74, 75 (68).

Mr. Warburg, in his book, "The Federal Reserve System," entertained the same views.

1 - 513.  
16 Diary 66 to 70 (257).

It is interesting in this connection to note the editorial in the Manchester Guardian Commercial on March 4, 1929: -

"There appeared to be some slender hope that the Federal Reserve authorities were meditating action drastic enough to precipitate the crisis in Wall Street, which, in the opinion of most monetary students, must come sooner or later."

189 - 155 (5).

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Such was the issue between the Federal Reserve Board and the Federal Reserve Bank of New York.

The New York Bank wanted quick, radical deflation of the stock market, through rapid increases in discount rates.

Chairman McGarrah admitted that if the policy of incisive, repeated increases did not quickly "correct the situation" the result would be

fraught with serious danger to agriculture and commerce.

The Federal Reserve Board felt that the way to solve the problem was to keep the discount rate stable at 5% as a protection to business, but to cut off Federal reserve credit from seeping into Wall Street by direct pressure upon the member banks to reduce, or at least not increase, speculative loans.

If the Board had yielded to the desire of the New York directors and had entered upon a policy of repeated increases of discount rates, the crash in the New York stock market which took place in October, 1929, might have taken place in May or June, 1929, but the resultant injury to business would have been, in all probability, disastrous in the extreme.

The majority of the Board felt, however, as above stated, that the present fever of speculation could not be curbed through the discount rate by any increase short of such extremes as would produce a cataclysm in the market, which, as above stated, would injure business as much as or even more than it would injure the stock market.

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That the discount rate is ineffective in curbing a speculative mania when once underway, is the opinion of many bankers and economists.

For example:

Mr. James Alexander, at a meeting of the Federal Advisory Council on September 28, 1928, stated that speculation could not effectively be controlled by discount rates, and favored a reduction of rates to  $4\frac{1}{2}\%$ .

15 Diary 33, 34, 35 (5).

Professor Hawtry, of London, told the writer the same, adding that in his opinion our discount rates were too high, and were merely injuring business.

January 22, 1929, 15 Diary 131 (43).

Mr. Harry A. Wheeler, a prominent Chicago banker, telegraphed the Board on April 2, 1929, opposing further increase in discount rates, and stating that any increase would add to the heavy burden imposed on the commercial loan group whose rates have been increased in full proportion to rediscount increases, without exercising any permanent restraining influence upon market operations.

190 - 31.

On March 23, 1929, the London Statist criticised Governor Young's address before the Commercial Club, Cincinnati, on March 16, 1929, stating that it revealed a complete bankruptcy of ideas on the subject of credit control; that the obvious remedy for the unhealthy credit situation in the United States would be to lower money rates so as to cause a reflex in the international movement of short-term funds and to encourage lending abroad on the largest scale compatible with safety and profit.

On May 3, 1929, the United States Chamber of Commerce opposed an increase of discount rates solely for the purpose of curbing speculation.

191 - 32.

On May 11, 1929, the London Economist stated:

"The final lesson is perhaps the most important. It is that when stock prices are rapidly rising, high money rates are only an ineffective deterrent which penalizes the innocent without troubling the guilty.

"The only remedy against rampant speculation is to cut off funds altogether."

193 - 79 (3) (221).

On May 14, 1929, the New York Journal of Commerce stated that the Federal Reserve System has no right to try to curb speculation through drastic increases of discount rates; that all that has been required of it at any time has been that it should keep its own funds, the reserves of the deposit banks, out of the speculative market.

191 - 113.

On May 23, 1929, the Manchester Guardian Commercial expressed the belief that increased discount rates would not curb speculation.

192 - 147 (2).

On May 25, 1929, the London Statist stated that the banking authorities in the United States apparently want a business depression to curb speculation.

192 - 147.

The writer believes that the speculators would have heaved a sigh of relief at an increase in the discount rate to 6%, in the hope that then the direct pressure, so embarrass-

ing to their movements, would be removed, and that they would be enabled to obtain all the money they desired under the 6% Federal reserve rate. To these speculators a 6% rate, the writer believes, would have been "easy money" as compared with the 5% rate and its stringent direct pressure.

The Board acted on the above theory with the object of cutting off, by direct pressure, the seepage of Federal reserve funds into the securities market, as will be shown later. That the speculative mania, in spite of the Board's efforts, was fed from "loans for others" was a fact over which the Federal Reserve Board had no effective control.

It must not be forgotten that the Federal Reserve System in trying to curb speculation through discount rates, can act only by increasing discount rates on commercial paper; it can not discount paper secured by stock collateral.

Suppose the authorities of a town were to announce that they had determined to put an end to the loss of life by reckless automobile driving by incisive and rapid increases in the price of gasoline!

Or suppose a Father were to chastise his only son because an intoxicated man was carousing in the street!

The reply would certainly be made that nothing short of direct action against the automobiles or against the intoxicated man in the street would suffice to correct the evil!

The majority of the Board took the position that agriculture and business were entitled to lower rather than higher rates; that the rates paid by them had been materially increased already by diversion of funds into speculative channels, and that to impose upon agricultural and commercial paper further crushing blows in the shape of rapid increases of discount rates would be a serious injury to them and a fruitless method of attempting to curb speculative loans, and especially the bank loans "for others", - which had become the chief cause of the trouble.

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The Board having reached the conclusion that the 5% rate should be kept stable for the protection of business, and that seepage of Federal reserve credit into speculative channels should be prevented by other means, on February 7, 1929 issued a public statement which came to be known as the Board's "warning" and action taken under it as "direct action".

This warning and the use of direct pressure was by no means a new idea. It was discussed in the Board in October 1922 when Chairman Perrin of the Federal Reserve Bank of San Francisco explained how the



Federal Reserve Banks of Cleveland and San Francisco during the war period had successfully employed it, keeping the discount rate stable at 6% while the Federal Reserve Bank of New York had a 7% rate.  
194 - 97.

It was used also by the Federal Reserve Bank of New York in October, 1925 but in a different manner, as will later be shown, from that now advocated by the Federal Reserve Board.

194 - 97 (2).

The Federal Reserve Bank of Philadelphia used it also in 1925.  
194 - 97 (2).

Dr. Miller pointed out the danger from the seepage of Federal reserve credit into speculative channels in an address at Boston in November, 1925.

194 - 103.

On July 27, 1927, the Governors Conference recommended direct action to prevent speculative excess following the rate reduction to  $3\frac{1}{2}\%$ .

14 Diary 16, 17 (59).

The danger was frequently pointed out by the Board in its Annual Reports from 1925 to 1928, and in the Federal Reserve Bulletins.

194 - 103.

The necessity for its present use was emphasized by the fact that, early in 1928, certain New York member banks had borrowed from the Federal Reserve Bank, on their collateral notes, many millions of dollars which they loaned on the stock exchange with great profit to themselves.  
194 - 97 (3).

On November 22, 1928, the Federal Advisory Council recommended it to prevent seepage of Federal reserve credit into the call loan market.

186 - 21

On February 14, 1929, the Federal Advisory Council advised its extension to loans of member banks to their customers.

188 - 60, 67, 70, 78.

It is true that on April 5, 1929, and again on May 21, 1929, the Federal Advisory Council reversed its recommendation of February 14, 1929, and advised an increase of discount rates to 6% as asked for by New York, on the ground that direct pressure had not succeeded in curbing speculative loans.

16 Diary 15 (58).

16 Diary 25 (91).

As a fact, however, on May 31, 1929, just ten days after this last recommendation of the Federal Advisory Council, Chairman McGarrah advised the Federal Reserve Board that the New York directors wished to consider a program for easing money conditions and encouraging banks to borrow!

195 - 85.

If the Federal Advisory Council had delayed its recommendation for a 6% rate for ten days, it in all human probability would never have made it!

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The Board, in its public warning of February 7, 1929, pointed out that during the year 1928 the System had encountered interference because of the absorption of Federal reserve credit in speculative security loans; that the volume of speculative credit was still growing and that this effect, coupled with gold exports, had brought about an advance of from 1% to 1½% in the cost of commercial credit; that it became the duty of the Board to inquire into these conditions and to take suitable

measures to correct them, which in the immediate situation meant to restrain the use, either directly or indirectly, of Federal reserve credit facilities in aid of the growth of speculative credit.

The reference in this warning to the Board's letter of February 2, 1929, to the Federal reserve banks, led many to believe, including the Federal Reserve Bank of New York (16 Diary 93 (72)), - that the Board's warning meant that as a matter of law, under the Federal Reserve Act, no member bank at any time could lawfully rediscount eligible paper in order to replenish its reserves to sustain deposits arising out of speculative loans.

The writer believes no such ruling of law was intended but merely a rule of sound banking practice under the rabid speculation then rampant. This would seem to be clear from the following quotation from the warning:

"....which, in the immediate situation, means to restrain the use, directly or indirectly, of Federal reserve credit facilities in aid of the growth of speculative credit." (Italics mine)

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We can now consider the effect of direct pressure, which lasted, as above pointed out, from February 7, 1929, to about June 9, 1929.

To understand its effect it will be advisable to consider the periods just before it went into effect, and the later periods ending with the stock market collapse of October, 1929.

These periods may be divided as follows:

1. January, 1928 to January, 1929.
2. February, 1928 to February, 1929.

3. February 9, 1929, to June 8, 1929. (This is the period of direct pressure.)
4. June 8, 1929 to August 9, 1929.
5. August, 1929 to October, 1929.  
This includes the increase in discount rates to 6%, approved August 9, 1929.

## FEDERAL RESERVE SYSTEM

The Federal Reserve figures are weekly averages.  
The Member bank figures are for weekly statement dates.

## 1. January, 1928 - January, 1929.

| F.R. credit | Dis- counts | Accep- tances | U.S. se- curities | Mem. bk. reserves | Sec. loans | Comm. loans | Invest- ments | Im- ports | Ex- ports | Gold | Curr, in circulation |
|-------------|-------------|---------------|-------------------|-------------------|------------|-------------|---------------|-----------|-----------|------|----------------------|
|             |             |               |                   |                   |            |             |               |           |           |      |                      |
| +239        | +503        | +104          | -364              | -37               | +796       | +333        | -24           |           | 251       |      | -19                  |

## 2. February, 1928 - February, 1929.

|      |      |     |      |     |      |     |     |  |     |  |     |
|------|------|-----|------|-----|------|-----|-----|--|-----|--|-----|
| +245 | +391 | +42 | -208 | -12 | +924 | +82 | -45 |  | 246 |  | -33 |
|------|------|-----|------|-----|------|-----|-----|--|-----|--|-----|

## 3. Direct Action. February 9, 1929 - June 8, 1929.

|      |      |      |     |     |      |      |      |     |  |  |     |
|------|------|------|-----|-----|------|------|------|-----|--|--|-----|
| -193 | +140 | -300 | -44 | -68 | -361 | +444 | -262 | 173 |  |  | +29 |
|------|------|------|-----|-----|------|------|------|-----|--|--|-----|

## 4. June 8, 1929. - August 10, 1929.

|     |     |     |    |     |      |      |      |    |  |  |     |
|-----|-----|-----|----|-----|------|------|------|----|--|--|-----|
| +62 | +81 | -24 | +5 | +31 | +518 | +189 | -242 | 42 |  |  | +65 |
|-----|-----|-----|----|-----|------|------|------|----|--|--|-----|

## 5. August, 1929. - October, 1929.

|     |      |      |     |     |     |      |      |    |  |  |     |
|-----|------|------|-----|-----|-----|------|------|----|--|--|-----|
| +41 | -186 | +234 | -20 | +10 | -28 | +253 | -134 | 31 |  |  | +53 |
|-----|------|------|-----|-----|-----|------|------|----|--|--|-----|

(From figures furnished by Dr. Goldenweiser)

Let us now comment on these periods and examine the course of Federal reserve credit for the Federal Reserve System.

Period 1. January 1928 to January 1929.

Federal reserve credit outstanding increased 239 millions caused largely by gold exports of 250 millions net. During this period security loans increased 796 millions of dollars, in spite of the gold exports and the decline of 19 millions in money in circulation.

Period 2. February, 1928 to February, 1929.

Federal reserve credit increased 245 millions largely through gold exports, while security loans increased 924 millions.

Period 3. February 9, 1929 to June 8, 1929.

This was the period of direct action, also of a series of increases in buying rates on acceptances at the Federal Reserve Bank of New York, and of increases in discount rates by four Western Federal reserve banks to bring them into line with the 5% rate at the other banks. During this period there was a falling-off of \$300,000,000 in the acceptance holdings of Federal reserve banks and of \$44,000,000 in holdings of United States securities, while discounts of member banks increased \$144,000,000, so that total reserve bank credit outstanding declined by \$193,000,000. This decrease in reserve bank credit, despite an increase of \$29,000,000 in the amount of money in circulation, accompanied an importation of \$173,000,000 of gold and a decline of \$68,000,000 in member bank reserve balances. During this period there was a reduction of \$361,000,000 in security loans and of \$262,000,000 in investments of reporting member banks accompanied by an increase of \$444,000,000 in all other, largely commercial, loans.

During this period, however, loans "for others" increased 313 millions.

It may be contended that these decreases in reserve bank credit were brought about more largely by the decrease in acceptance holdings of 300 millions which more than offset the increase in gold imports of 173 millions.

It should be remembered, however, that the shutting off of the flow of acceptances by increased purchasing rates had been in effect before direct pressure was put in effect by the Federal Reserve Board.

On January 4, 1929, the Federal Reserve Bank of New York increased its buying rates on acceptances from  $4\frac{1}{2}\%$  to  $4\frac{3}{4}\%$  without even asking authority from the Federal Reserve Board, and on January 21st it increased these rates to 5%.

This action in shutting off the flow of acceptances threw a greatly increased strain for rediscounts on the Federal reserve banks.

The Federal Reserve Board, by direct pressure, headed off this increased demand for rediscounts and kept it down to 140 millions, notwithstanding a 344 million decline in the System's holdings of acceptances and Government securities.

Had it not been for the direct pressure, it is fair to assume that under the rampant speculative mania, the member banks would have rediscounted very much more than this increase of 140 millions, and that the gold imports of 173 millions would have also served in material degree to support further expansion.

It should be remembered also that while member bank reserves decreased 68 millions, commercial loans increased 444 millions against an increase of only 82 millions in the preceding period.

Period 4. June 8, 1929 to August 9, 1929.

Early in June the application of direct action was suspended, largely because it was felt that the heavy credit and currency requirements around the end of the fiscal year should be met by the banks without hesitation and without a feeling that they were going contrary to Federal reserve

policy. That the System had decided upon a policy of relative ease became generally known, and this led to a revival of speculative activity. Between June 5 and August 7 there was a growth of \$518,000,000 in security loans of reporting member banks, and of \$736,000,000 in brokers' loans. Security prices advanced about 14 per cent. The growth in Federal reserve bank credit, however, during the period was limited to \$62,000,000, owing in part to the fact that there was an inflow of \$42,000,000 of gold from abroad. A part of this increase in reserve funds was incident to the issuance of the new-size currency, money in circulation increasing by \$65,000,000 during the period. Member bank reserve balances also showed a growth of \$31,000,000.

Period 5. August 10, 1929, to October 12, 1929.

On August 9 the discount rate at the Federal Reserve Bank of New York was increased from 5 to 6 per cent and at the same time the buying rate on acceptances was reduced from 5-1/4 to 5-1/8 per cent. This resulted in a reversal of earlier conditions by making it cheaper for the banks to obtain reserve bank credit by the sale of acceptances rather than by the discount of eligible paper. By the second week in October borrowings of the Federal reserve banks had declined \$186,000,000, while acceptance holdings of the Federal reserve banks had increased \$234,000,000, the net change in Federal reserve bank credit outstanding being an increase of \$41,000,000. The decline in member bank indebtedness resulted in a distinct easing of conditions in the money market. Security loans of member banks declined somewhat during this period, but there was a very rapid increase in speculative activity and in brokers' loans, supplied mostly by non-banking lenders.

A similar comparison for the Federal Reserve Bank of New York follows:

(In millions of dollars)

Federal reserve figures are weekly averages. Member bank figures are for weekly statement dates.

| F. R.<br>bank<br>credit | Bills<br>dis-<br>counted | Accep-<br>tances | U. S.<br>securi-<br>ties | Member<br>bank re-<br>serve bal-<br>ances | Reporting member banks in New<br>York City |                     |                  |
|-------------------------|--------------------------|------------------|--------------------------|---|--|---------------------|------------------|
|                         |                          |                  |                          |   | Security<br>loans                          | Commercial<br>loans | Invest-<br>ments |

Period 1. January 7, 1928 to January 5, 1929.

+ 226    + 243    + 64    - 80    - 23    + 344    + 90    + 37

Period 2. February 11, 1928 to February 9, 1929.

+ 39    + 78    + 10    - 51    + 2    + 320    + 16    + 21

Period 3. Direct Action, February 9, 1929 to June 8, 1929.

- 78    + 1    - 89    + 2    - 7    - 179    + 267    - 78

Period 4. June 8, 1929 to August 10, 1929.

+ 198    + 168    + 19    + 12    - 9    + 283    + 82    - 90

Period 5. August 10, 1929 to October 12, 1929.

- 161    - 216    + 60    - 19    + 15    - 125    + 108    - 29

An inspection of the above tables satisfies the writer that the direct pressure imposed during the 3rd period was successful in preventing the seepage of Federal reserve credit into speculative channels.

This is borne out by the fact that on May 22, 1929, Chairman McGarrah and Governor Harrison told the Board that direct pressure had made the banks afraid to borrow at all and that they wanted to encourage



the banks to borrow to meet the necessary demand soon to come for commercial needs.

16 Diary 75, 76, 77 (179).

The Manchester Guardian, on May 25, 1929, stated that direct action had reduced Federal reserve credit used for speculation, but not the amount of credit absorbed in speculative loans, the latter evidently referring to loans "for others".

192 - 147 (2).

It would appear also that even in the two succeeding periods ending in the collapse of October, 1929, the cause of the rampant speculative activity was largely attributable to the flow of funds into the call loan market from corporations using the banks to place their loans.

The following table will bring this out graphically:

Brokers' Loans

Reporting Member Banks, New York City.

|            | <u>Own Account and Out of Town Banks</u> | <u>"For Others"</u> | <u>Total</u> |
|------------|--|---------------------|--------------|
| 1929       |  |                     |              |
| February 5 | 3048                                     | 2621                | 5669         |
| June 5     | 2350                                     | 2934                | 5284         |
| August 14  | 2775                                     | 3178                | 5952         |
| October 9  | 2772                                     | 3941                | 6713         |

Comparing February 5 with October 9, we find that the loans by New York banks for their own account and that of out of town banks declined 270 millions, while the New York banks loans "for others" increased 1320 millions.

While during the period of direct pressure there was a very satisfactory decrease in total speculative (including brokers) loans, yet

the security loans to customers as distinct from brokers did not decrease, but on the contrary increased, as the following table will show:

All Weekly Reporting Member Banks.

Loans on Securities.

|            | <u>To Brokers and Dealers</u> |                                 | <u>To Customers</u> |
|------------|-------------------------------|---------------------------------|---------------------|
|            | <u>In New York City</u>       | <u>Outside of New York City</u> |                     |
| 1929       |                               |                                 |                     |
| February 6 | 1771                          | 816                             | 4971                |
| June 5     | <u>1122</u>                   | <u>808</u>                      | <u>5267</u>         |
|            | -649                          | - 8                             | +296                |

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Out of this increase in customers loans, there arose another difference between the Federal Reserve Board and the Federal Reserve Bank of New York, -- wholly apart from the difference as to discount rates.  
16 Diary p. 1.

On May 1, 1929, the Federal Reserve Board wrote Chairman McGarrah enclosing a list of certain banks in New York City which had been frequent or continuous borrowers and which were still carrying a considerable volume of security loans, and asked him to inquire of these banks why they had not adjusted their position.

195 - 67 (5).

On May 10, Mr. McGarrah replied stating that the Board was laying down a new test of abuse of Federal reserve credit by this letter; that the Federal reserve bank can not determine whether member banks security loans to customers are speculative or not; that the Federal reserve bank has no lawful right to refuse to discount eligible paper on the ground that the proceeds are to be used to sustain such security loans; that

such refusal would be a rationing of credit and bring about a condition the Federal reserve bank could not afford to risk, and in conclusion he reiterated his belief that such loans could be treated only through the use of the discount rate.

195 - 63.

Governor Harrison had previously, on February 6, 1929, taken the same position.

15 Diary 158 (115).

This position of the Federal Reserve Bank of New York was not in accord with the recommendation of the Federal Advisory Council on February 15, 1929, as shown above.

Nor does it accord with the position taken by Mr. George M. Reynolds, a prominent banker of Chicago, who, in a letter to Governor McDougal dated March 2, 1929, said:

"I shall insist upon our people doing more than trying to sit on the lid to prevent further expansion, because I am now of the opinion that nothing short of a vigorous effort forcing liquidation of many large lines of credit will accomplish our purpose.....

"The people seem to have lost their heads over stock gambling, and the time has come when those who are in responsible positions will have to take the bull by the horns and force them to do something which they will not like. With sales of over six million shares of stock yesterday, it is clearly shown that the public has not profited by the advice of the Federal Reserve Board, and I think we have now reached the point where it is a matter for each individual bank to get into the game vigorously and do whatever is necessary to at least force a reduction in the amount of money that is borrowed against stock exchange collateral."

As opposed to the above views of the Federal Advisory Council and Mr. Reynolds, the Federal Reserve Bank of New York from the first took the position not only that direct pressure should be strictly confined

to banks which were borrowing more than the mass of banks of their general class, but also that customers loans could not be considered by Federal reserve banks in passing upon applications for rediscounts.

On February 5, 1929, Governor Harrison squarely made such a statement.

15 Diary 154 (114).

On February 21, 1929, Chairman McGarrah repeated the statement.  
195 - 67.

On May 29, 1929, both Governor Harrison and Chairman McGarrah took the position that direct pressure should not be used to curb customers speculative loans.

16 Diary 76 (55).

On June 5, 1929, Governor Harrison repeated the statement, correcting Mr. Mitchell, one of his directors, who went further in his view of the power of the Federal reserve bank.

16 Diary 101, 102 (155).

It is unnecessary to state that the Board never advised the direct refusal of rediscounts to any bank, although it clearly is within the power of the Federal reserve bank to do so, as our General Counsel, Mr. Wyatt, and Hon. Newton Baker, our Special Counsel, have advised the Board. What the Board intended was to have the Federal reserve bank examine into the security loans being made by a member bank which is a frequent or continuous borrower from the Federal reserve bank, and if it considered such loans out of line with its commercial loans or excessive generally under present conditions, to warn the bank that it must protect the interests of its depositors and of the public by exercising a more

reasonable use of Federal reserve credit obtained by rediscounting.

The majority of the Board believed that a mere suggestion along these lines would, in the vast majority of cases, be sufficient without the necessity of the Federal reserve bank using its reserved power of refusing rediscounts altogether.

The position of the Federal Reserve Bank of New York in the matter is in accord with the feeling of many bankers that a good customer, keeping a good balance, is entitled to all the money he may desire if he is willing to pay the discount rate fixed by the bank, and that the use of the discount rate is the only method of curbing the good customers desire for money.

In ordinary times the above rule of practice might pass without criticism, but in extraordinary times of speculative mania it must be pointed out that the rule is not consistent with sound Federal reserve banking principles.

The reply is constantly made that if a bank refused a loan under such circumstances the customer will withdraw his account and get the money he desires from some competing bank not so solicitous for the interest of its depositors or of the public.

This may be true in individual cases but could be guarded against by agreement among the principal banks of the city, or of the country, to join in curbing wild speculation, and then the customer would find that all the competing banks are following the same rule and that he can gain nothing by withdrawing his account.

Such a conference was repeatedly urged upon the officers of the Federal Reserve Bank of New York by the writer.

The suggestion was later approved by Mr. Potter, of the Guaranty Trust Company of New York, but so far as the writer knows, was never carried out.

Feb. 14, 1929. 15 Diary 172 (97).

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An interesting light was thrown on the responsibility of bankers in times of speculative manias, by Governor Young, in an address delivered at Old Point Comfort, Va., on May 7, 1930, in which the Governor said:

"We bankers have a responsibility beyond our own balance sheets for the general course of events."

"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."

"When we see an unhealthy development getting under way we must not only protect our own immediate institution, but must take a broader view with reference to the interests of the entire community."

"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 can not easily exceed that line no matter how much collateral he may be able to offer."

"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 traditions, which alone will give assurance to the country of a lasting stability of its financial organization."

"To such cooperation I pledge my wholehearted support."

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The writer believes that the action of the Federal Reserve Board in requesting the Federal reserve banks during this period of mad speculation to take up with member banks applying for rediscounts the matter of their customers speculative security loans, is not only in accordance with law, but also is in accord with the principles of sound banking, and that if this inquiry had been more generally made, conditions might not have been as bad in the Fall of 1929 as they in fact were.

Although Chairman McGarrah and Governor Harrison characterized such a procedure as "credit rationing" likely to result in appalling consequences, the writer believes that sufficient evidence has already been disclosed of the appalling consequences of lack of such inquiry as would warrant the conclusion that such inquiry, whether characterized as credit rationing or by some other name, would have been for the greatest good of the greatest number of our people.

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Before closing this article it may be well to consider the attitude of bankers, economists, and the press, towards the Board's warning and the operations conducted under it from time to time as it progressed.

The following are among those who expressed approval:

American Bankers Association

April 29, 1929. 193 - 67 (3).

Anderson, B. M.

Feb. 13, 1929. 188 - 48.

Mar. 22, 1929. 190 - 69.

The following are among those who expressed approval (Cont'd.)

|                   |                |               |
|-------------------|----------------|---------------|
| Ayres, Leonard    | Feb. 16, 1929. | 188 - 68.     |
| Becker and Co.    | Feb. 13, 1929. | 188 - 51 (2). |
| Bendell, E. C.    | Feb. 13, 1929. | 188 - 51 (2). |
| Boston Transcript |                |               |
| Financial column  | Feb. 7, 1929.  | 187 - 125.    |
|                   | April 5, 1929. | 190 - 50.     |
|                   | May 16,        | 191 - 144.    |
|                   | May 23,        | 192 - 34.     |
|                   | June 28,       | 193 - 65, 70. |

On May 23, it stated that direct pressure had proved as effective as discount rate increases.

|   |                 |            |
|---|-----------------|------------|
| Brookmeyer Economic Service   | July 9, 1929.   | 193 - 120. |
| Dulles, John Foster   | April 30, 1929, | 191 - 20.  |
| Equitable Trust Co. Mr. Austin  | Dec. 13, 1929.  | 199 - 25.  |
| Lawrence, David   |                 |            |
| Direct pressure has succeeded and Federal Reserve Board will now suspend it.  | June 3, 1929.   | 192 - 92.  |
| Explains warning.   | June 5, 1929.   | 192 - 102. |
| Lisman Digest   |                 |            |
| Points out that low discount rates do not necessarily mean easily available money.  | July, 1930.     | 205 - 65.  |
| London Economist  |                 |            |
| The events of the past year have seen the beginnings of a new technique, which, if maintained and developed, may succeed in rationing the speculator without injuring the trader. | May 11, 1929.   | 193 - 77.  |
| New Republic  | Feb. 20, 1929.  | 188 - 112. |
|   | April 9, 1929.  | 190 - 63.  |



The following are among those who expressed approval (Cont'd.)

New York Post Feb. 8, 1929. 188 - 5.

New York Herald-Tribune Feb. 8, 1929. 187 - 134.  
188 - 5 (2).

New York Telegram Nov. 25, 1929. 198 - 88.

New York Times Feb. 8, 1929. 187 - 152.  
Feb. 11, 1929. 188 - 10 Financial column.  
Mar. 20, 1929. 189 - 88.  
Mar. 28, 1929. 189 - 142.  
Apr. 6, 1929. 190 - 48.  
May 20, 1929. 192 - 12 Financial column.  
Sept. 13, 1929.  
The 6% rate has failed to direct funds  
from the stock market. The Board may  
have to resume direct pressure.  
195 - 118.

See also infra - Criticisms

New York World Feb. 7, 1929. 187 - 118, 129, 130.  
Feb. 8, 1929. 188 - 5 (5).  
Feb. 9, 1929. 188 - 1.  
Apr. 13, 1929:  
Publishes interviews mostly approving.  
190 - 80.

May 23, 1929:  
The Board hesitates to penalize business  
but seeks to check diversion of credit  
into speculative channels.  
192 - 36.

May 26, 1929:  
People who once attacked the Board for  
its tight money policy, now attack it  
for its disapproval of increased dis-  
count rates.  
192 - 70.

July 31, 1929. 194 - 14.  
Aug. 12, 1929. 194 - 98.  
Nov. 19, 1929. 198 - 56.

See also - Criticisms

Newark News Nov. 24, 1929. 198 - 46.

Philadelphia Evening Bulletin  
A great victory for the Federal Reserve Board.  
June 7, 1929. 192 - 122.

The following are among those who expressed approval (Cont'd.)

Rogers, Will

Suggests that the people may discover that the Federal Reserve Board may be working in the interest of the millions.

May 24, 1929. 192 - 34.

Rukeyser (New York American)

Feb. 11, 1929. 188 - 37 (2).

Oct. 7, 1929:

Board has mitigated violence of trade cycle.

196 - 100.

July 31, 1930:

Praises Gov. Young's address at Old Point Comfort, Va., pointing out to member banks their duty and responsibility for controlling speculative loans.

206 - 30.

Sprague, F. K.

Approves but dilatory.

Feb. 13, 1929. 188 - 51 (2).

Stern

Feb. 18, 1929. 183 - 87.

Temple, A. H.

Mar. 27, 1929. 190 - 69.

Apr. 24, 1929. 190 - 27.

Trust Companies

Feb. 1929. 189 - 89.

United States Chamber of Commerce

May 4, 1929. 191 - 39, 91.

Vanderpoel

May 16, 1929. 191 - 150.

Walmsley

April 7, 1929. 190 - 52.

Washington Post

Feb. 9, 1929. 188 - 4.

April 6, 1929. 190 - 47.

Washington Star

Feb. 16, 1929. 188 - 76.

Whaley-Eaton Service

Mar. 26, 1929. 189 - 130.

Successful in most districts but not in all.

June 29, 1929. 193 - 10 (3).

Wheeler, H. A.

April 2, 1929. 190 - 31.

There follow some critical comments or articles which appeared from  
time to time:-

- Ayres, Leonard  
Board defeated in its struggle to control the credit  
situation.  
July 16, 1929. 193 - 145.
- Boston Herald  
Board failed.  
Aug. 10, 1929. 194 - 65.
- Boston News Bureau  
Adverse comment.  
April 6, 1929. 190 - 56.
- Commons, Prof.  
Federal Reserve Board may have gone after the stock  
market too hard.  
Feb. 14, 1929. 188 - 57.
- Durant, W. C.  
Attacks Federal Reserve Board.  
Feb. 28, 1929. 189 - 4.  
Apr. 2, 1929. 190 - 30.  
Aug. 10, 1929. 194 - 68.
- Harvard Economic Service  
Predicts the warning will fail unless coupled with  
higher discount rates, which, however, it admits will  
injure business.  
Feb. 19, 1929. 188 - 105.
- Lawrence, David  
Uncertainty of Board's policy criticised by many.  
June 11, 1929. 192 - 141.
- London Times  
Adverse comment. May 25, 1929. 192 - 147.  
Savors of politics.
- Manchester Guardian Commercial  
Adverse comment. Mar. 28, 1929. 193 - 67.
- New York Herald-Tribune  
The 6% rate substituted for vacillation, threats, and  
cajollery.  
Aug. 9, 1929. 194 - 90.

## Critical articles which appeared from time to time (Cont'd.)

## New York Herald-Tribune (Cont'd.)

Defense by Federal Reserve Board in its Annual Report for 1929 agreed to by few.

April 24, 1930. 202 - 130.

Gov. Young not responsible for direct pressure.

Aug. 28, 1930. 206 - 88.

## New York Journal of Commerce

Adverse criticism Feb. 8, 1929. 187 - 140.

Feb. 9, 1929. 188 - 3, 5.

Apr. 6, 1929. 190 - 44.

See - Willis, H. P.

Board guided by political fears.

May 24, 1929. 192 - 45.

May 25, 1929. 192 - 147.

By approving 6% rate the Board has changed its policy.

Aug. 5, 1929. 194 - 30.

The Board's defense of direct action puts it in a ridiculous position.

April 28, 1929. 202 - 140.

The Board's credit control in 1929 was a mockery.

Aug. 29, 1930. 206 - 90.

## New York Post

The pre-panic action of the Board was ineffective because of the Board's personnel.

Sept. 5, 1930. 206 - 114.

## New York Sun

Charges politics. Feb. 14, 1929. 188 - 87.

Criticises. Aug. 29, 1929. 195 - 19.

Board tried to shut off credit altogether. The Federal Reserve Bank of New York saved the country from panic.

April 24, 1930. 202 - 130.

The Board has learned from experience the importance of following sound banking principle and the need of respecting the decisions of the regional banks.

Sept. 2, 1930. 206 - 104.

Critical articles which appeared from time to time (Cont'd.)

See - Schneider, F.

New York Times

Criticises Board for not following advice of Federal Advisory Council to approve increase to 6%.

May 23, 1929. 192 - 31.

Criticises Board's reluctance to penalize business, which, it says, has already been penalized.

June 6, 1929. 192 - 110.

Financial column says that Board's approval of the 6% rate represents a change of policy.

Aug. 12, 1929. 192 - 110.

A matter of dispute how far Board fell short of the needs of the occasion. Purpose and action to safeguard the credit structure was correct.

Board did not act with sufficient promptness or decisiveness.

Allowed internal division to betray itself.

Relied on persuasion or reasoning when past experience indicated that the time had passed for anything but peremptory action or, at least, definite warning which could not be misunderstood.

Lack of effective leadership.

Sept. 6, 1930. 206 - 110.

New York World.

Right but tardy. Feb. 8, 1929. 198 - 5.

Delayed firming policy too long.

Board has lost control of money market.

April 3, 1929. 190 - 32.

Right, but not determined enough.

April 15, 1929. 190 - 72.

Prestige of Board injured by its vacillating course.

Aug. 12, 1929. 194 - 98.

Richmond Press

Criticizes.

187 - 151.

## Critical articles which appeared from time to time (Cont'd.)

Rukeyser (New York American)

Has proved fruitless.

Feb. 11, 1929. 188 - 37 (2).

Schneider, F. Jr. (New York Sun)

In July, 1929, Mr. Schneider, after praising the easy money policy of the System in 1927, criticized severely the firming policy of 1928 and 1929, stating that the extent of the security speculation had been exaggerated, and that the System should not be unduly distracted by emotional reactions raised by the stock market and brokers loans controversies.

194 - 73.

On December 31, 1929, Mr. Schneider took the position that the Federal Reserve Bank of New York was right, and the Federal Reserve Board wrong in the discount controversy. He evidently assumed that the issue was between a 5 or a 6% discount rate, for in the article above mentioned he specifically condemned any attempt to break the stock market by rapid increases in discount rates, not knowing evidently that that was the then policy of the Federal Reserve Bank of New York.

199 - 70.

Seligman, Prof.

Holds Board partly responsible for the crash of October, 1929, because of refusal to approve increase of discount rates.

Nov. 26, 1929. 198 - 96.

Shiveley, E. A.

Criticizes.

Feb. 8, 1929. 188 - 51 (2).

Simmons, E. W. W.

Criticizes

Address. Chicago Stock Exchange.

May 14, 1929. 191 - 112.

Sprague, F. K.

Dilatory.

Feb. 13, 1929. 188 - 51 (2).

Rates should have been increased long ago.

Mar. 12, 1929. 189 - 79.

## Critical articles which appeared from time to time (Cont'd.)

Sprague, Prof. O. M. W.

Warning had but little effect.

May, 1929. 193 - 31.

Stern

Board has failed.

Feb. 28, 1929. 189 - 6.

Mar. 1, 1929. 189 - 19.

Stokes, E. C.

Attacks.

Mar. 23, 1929. 189 - 104.

June 18, 1929. 193 - 32.

Sullivan, Mark

Washington believes Board has not succeeded.

Aug. 16, 1929. 194 - 102.

Truth

Criticises.

April 17, 1929. 193 - 41.

Wall Street Journal

Criticises.

May 8, 1929. 191 - 58.

Aug. 29, 1930. 206 - 90.

Williams, Langbourne

Attacks

April, 1929. 190 - 28.

May 10, 1929. 191 - 118

Willis, H. P.

Criticises

North American Review

April, 1929. 190 - 107

192 - 49.

Withers, Hartley

Mr. Withers believes that discount rates should have been increased and quotes from Mr. Burgess's book to the effect that the Federal Reserve System deals with credit quantitatively and not qualitatively; that its influence is upon the total amount of credit in use, not in its employment, and that it can not restrict loans on the Stock Exchange.

Let us examine the above quotation from Mr. Burgess's book. Is it true that the Federal Reserve System's power over discounts is quantitative only and not qualitative? Is it further true that the

quantitative power can be exercised only through changes in discount rates?

In one sense, certainly, the Federal Reserve System is the most qualitative system in the world, for the reason that until at least the amendment of 1917, the Federal reserve banks could discount only a certain quality of paper, - that is, self-liquidating agricultural and commercial paper.

So also the amendment of 1917 was a qualitative amendment for it permitted advances to member banks on their notes collateralized by Government bonds.

Mr. Burgess, in his book, however, must mean that once the paper offered has passed the qualitative test, the Federal Reserve System can only control the amount, and that only through changes in the discount rate, no matter to what uses the bank may apply the proceeds of the re-discount.

If this position is correct, it must follow that in a time of rampant speculation, whether in commodities, real estate, or securities, the Federal reserve bank can exercise no control in the public interest except through changes in the discount rate, and that a bank offering eligible paper has an absolute right to discount it, regardless of the amount or of the use which it expects to make of the proceeds, providing it is willing to pay the official discount rate.

To take such a position, however, is to ignore the Federal Reserve Act, which states that a Federal reserve bank may discount, and not



that it shall discount.

It is clear that a Federal reserve bank in its discretion may decline to discount altogether.

Such a position, moreover, would be at variance with the practice of the Federal Reserve Bank of New York which has always claimed and exercised the right of inquiry into the loan practices of banks borrowing more than other banks of their class, and of warning them that a continuation of such practice may result in a refusal to rediscount their paper. (See letter of Chairman McGarrah to the Board dated February 21, 1929. 195 - 67.)

While the Federal reserve bank, to be sure, exercises here a quantitative power, it is certainly based on qualitative considerations. The bank is directed to reduce the amount of its borrowings, and in order to do this, it may determine the particular means by which this reduction is brought about, whether by reduction of investments, or security or other loans.

Can it be, however, that when all banks of a given class are engaged in feeding the speculative movement to the injury of agriculture and business, the Federal reserve bank has no power to examine into their loan practices and direct a reduction of their borrowings?

If the answer is in the negative, it will place the Federal reserve banks in a position of impotence never intended by the framers of the Federal Reserve Act.

Let us suppose that a town were to erect a reservoir to hold water for irrigation purposes, with a right granted by the legislature to

sell the water at its discretion and to fix the price. Let us further suppose that the owners of farms taking this water were diverting it for wasteful purposes other than irrigation.

Let us further suppose that the town has notified these owners that this practice must be stopped, and that the reply was made that in the case of one owner diverting more water for such wasteful purposes than the general class of owners, the town would have power as regards that one owner, but in a case where all the owners are improperly diverting the water, the town would be powerless. Certainly scant attention would be given to such a claim, and similarly scant consideration should be given to a similar claim of impotence in the Federal reserve banks.

It would not be necessary for the Federal reserve banks to pick out any particular speculative loan and order it to be liquidated. The Federal reserve bank could simply warn the bank that the amount of its borrowing was excessive because of its loan practices, leaving to the bank the task of adjusting its position.

Although this power of the Federal reserve bank primarily is a quantitative power, yet the decision may be based largely on qualitative considerations, and this would seem to be clearly within the power of the Federal Reserve System.

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The gist of the above criticisms seems to be that the Board persisted in its policy of direct pressure not only from February 7, 1929,

to June, 1929, but farther until August 9, 1929, when it reversed itself and approved a 6% discount rate asked for by the Federal Reserve Bank of New York; that this reversal of policy was reached only after long delay and indecision; and finally that the failure to approve the increased rates asked for by the Federal Reserve Bank of New York earlier, places upon the Board some responsibility, at least, for the market crash of October, 1929.

The answer to these criticisms has already been pointed out but can be repeated:

1. The direct pressure policy was suspended early in June, 1929, when the Board and the Federal Reserve Bank of New York agreed that because of changes in the business and credit situation the problem had been changed into one providing for an increase of Federal reserve credit, and increased borrowings by the banks.

This change of policy was not publicly announced either by the Board or by the Federal Reserve Bank of New York for fear of its effect on the stock market. It did, however, leak out and was mentioned by Mr. David Lawrence in an article published on June 3, 1929. From what source Mr. Lawrence derived this information, the writer has no knowledge.

2. The increase in discount rates to 6% approved by the Board on August 9, 1929, had nothing to do with the Board's policy of direct pressure, which, as above stated, had been suspended early in June.

On the contrary, this increase, as explained by Governor Harrison, and pointed out earlier in this article, was merely a "barrage", to use

Governor Harrison's exact language, in connection with a program for easing money conditions.

3. So far from being timid and vacillating in its policy of direct action, the Board on February 7, 1929, acted decisively and boldly and kept direct action in force until the object sought by it, - prevention of diversion of Federal reserve credit into speculative channels, - had been accomplished, Federal reserve credit outstanding having been reduced under direct pressure, about 193 millions of dollars.

4. So successful was this policy that, as before pointed out, Governor Harrison and Chairman McGarrah informed the Board on May 22, 1929, that under the influence of direct pressure the member banks were afraid to increase their borrowings and that it had become necessary to encourage them to borrow from the Federal reserve banks to supply the growing demand for commercial credits!

16 Diary 76 (69).

5. The further charge of responsibility for the crash in the stock market in October, 1929, because of refusal to approve increases in discount rates asked for by the Federal Reserve Bank between February 14 and May 23, 1929, seems to me, as hereinafter stated, tantamount to a statement that the stock market crash which came in October could have been averted by an incisive discount rate policy in April or May, which, however, would have produced the crash at that earlier period.

Looking back to the period between February 4 and May 23, 1929, the Board had before it the demonstrated fact that its policy of direct action had kept Federal reserve credit away from the speculative market; that

commercial loans were increasing, while security loans were decreasing.

It also had before it the report of the Committee on recent economic changes which was generally interpreted as a "bullish" report. It stated generally that there was nothing much to worry about, and that in attacking the problems before the Committee the degree of progress in recent years inspired it with high hope.

Can it be contended that under such conditions a public Board would deliberately have attempted to smash the stock market by cataclysmic increases of rates on commercial paper?

I do not believe any public board in the United States, whether composed of bankers or economists would, under these circumstances, whatever its courage and wisdom, have made such an attempt.

Mr. Edie has pointed out in an address before the Academy of Political Science January, 1930, that the ordinary law of supply and demand does not apply in time of rampant speculation; that in such times higher prices do not check demand but act as an alcoholic stimulant to further extremes of demand.

The writer believes this is as true of money or credit as of commodities, and that increase in discount rates during such periods loses its force as a regulator of demand for money; that the only way to regulate demand in such cases would be such incisive and extreme advances in discount rates that money or credit would practically cease to be obtainable at any price.

Mr. Edie admits that a gradual slow process of increasing rates would have a stunting effect on business, but that a sharp and swift advance in rates would check false inflation in security markets without paralyzing business. This is tantamount to saying that if the Federal Reserve System, in May or June, had suddenly and incisively and repeatedly raised rates high enough to smash the stock market, business would not have been injured. We all know the effect on business of the crash in October. If the Federal Reserve System had deliberately brought about this crash in May or June, by startling increases in discount rates, there would seem to be little ground, in the writer's opinion, for belief that business would have taken it any differently in May or June than it did in fact in October.

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Mr. Warburg, in his book entitled "The Federal Reserve System" gives a review of the discount rate controversy.

Vol. 1, pages 500 to 517.

He says that the Board's warning was bravely expressed in the beginning, but that it had only a temporary effect, as the Board became inarticulate; that the Board agreed to advance rates to 6% only in August, at least half a year, if not a year, too late; that the Board's attempt at loan contraction without adequate increase of discount rates proved an impracticable and wasteful experiment.

Mr. Warburg states that loans "for other" are beyond the direct control of the Federal Reserve System, but states that he made a suggestion which would tend to bring down these loans, namely: The New York Clearing House Committee, acting under the auspices of the Federal Reserve System, could have sent for a stock exchange Committee, and have invited them to ask every stock exchange firm within a given time to reduce its borrowings, - whatever they might be, - by a given small percentage; that if this had been done, the top of the market would have been reached then and there, and liquidation gradually would have set in; that if the Federal Reserve System and the Clearing House banks had definitely agreed on such a plan, the stock exchanges would have been forced to fall into line, for no matter how large a volume of funds stock exchange firms were receiving from "others" they would have realized that, in the final analysis, they were depending upon the strength and good will of the New York banks.

Mr. Warburg says he definitely urged this in the first days of April, 1929, but that while everybody seemed to agree on its desirability and practicability, it proved impossible to carry it into effect; that the

Reserve System feared to expose itself to the charge of dealing, even indirectly, with the stock exchanges, and the clearing house banks were loath to undertake so unpopular a step, so long as Federal reserve discount rates were not increased to 6%. Mr. Warburg further states that with the Board unwilling at that time to permit the increase to which four months later it agreed, it is not surprising that the proposal fell through.

No such suggestion was ever made to the Federal Reserve Board, and it must have been made, if at all, to the Federal Reserve Bank of New York. Governor Harrison once referred to such a suggestion without revealing its source and he stated that he personally was opposed to it.

March 22, 1929. 15 Diary 199 (57).

Mr. Warburg criticizes the Board for its disinclination to injure business by increasing discount rates, and adds that with quick and determined increases, incisive enough to bring about liquidation, the period of high money rates would probably have been so brief that business might hardly have been affected by it.

Mr. Warburg concludes by this interesting statement:

"This does not mean, however, that a Federal Reserve bank should not be free to act according to its own discretion if a member bank were to use Federal reserve credit excessively or too continuously, or in a manner harmful to the country's interest."

Mr. Warburg falls into the prevailing error by assuming that this controversy lasted from February 7th, the date of the issue of the warning, to August 9th, the date of the approval of the 6% discount rate. As above



shown, from the early days of June to August 9, the problem before the Board and the New York Bank was how to induce the member banks to increase their borrowings, and not by means of discount rates to reduce these borrowings.

He further approves the position of the New York Bank that incisive, repeated increases of discount rates should be used to "correct the situation", that is, to liquidate radically the New York stock exchange loans. This, as before stated, is tantamount to saying that the stock market crash which came in October could have been averted by an incisive discount rate policy in April or May which would have produced the crash at that earlier period, - as pointed out above by the Manchester Guardian.

The Federal Reserve Board, however, felt that under direct pressure a gradual liquidation could have been secured without the necessity of the Board's going out of its way to smash the stock market. Such gradual liquidation took place during the period of direct pressure, but was interfered with by an increasing demand for commercial credit.

The writer believes that if the Federal Reserve Board had smashed the stock market by incisive discount rate increases, it would certainly have put an end to any increased demand for commercial credit, and that such action would have been an impetus to the slow decline even then apparent in commerce and business, terminating in the present business depression.

Mr. Warburg's statement that direct action was a wasteful experiment, would seem to be answered by the course of Federal reserve credit during the period when direct pressure was being applied. His suggestion of co-

operation between the New York Stock Exchange and the Federal Reserve System was, as above stated, never presented to the Federal Reserve Board. Assuming, however, that he presented it to the Federal Reserve Bank of New York, and the reference, above quoted, to Governor Harrison's statement would seem to indicate that he may have, it is easy to see how the officials would have regarded it as credit rationing, to which, as above shown, they were absolutely opposed.

It should be remembered that Mr. Potter of the Guaranty Trust Company, and also the writer, suggested cooperation between the Federal reserve bank and the leading banks, with a view to exercising control over the speculative customers' loans of these banks. It is believed that such cooperation might have brought about the results Mr. Warburg hoped for from a conference between the System and the New York Stock Exchange. His final statement of approval of action by the Federal reserve bank in the case of banks using Federal reserve credit excessively or too continuously, or in a manner harmful to the country's interest, can only be accepted as an approval of the Board's position taken in its warning against frequent or continuous borrowing.

Hon. Russell Leffingwell, formerly Assistant Secretary of the Treasury, in a recent review of Mr. Warburg's book, criticises the Federal Reserve Board for attempting by direct action to make money dear for the speculator, and, at the same time, cheap for the business man. He repeats the statement in Mr. Burgess's book that the Federal Reserve System can control the amount but not the distribution of

Federal reserve credit. This statement I have already answered in this article.

Mr. Leffingwell further holds the Board responsible for the frenzied "bull" market in the first eight or nine months of 1929, and also for the stock market crash in October, 1929.

Here he falls into the prevailing error that the Board's controversy with the New York Bank lasted from February to August, while, as a matter of fact, as above shown, the Federal Reserve Board policy after June 1st was a common policy subscribed to both by the Federal Reserve Board and the Federal Reserve Bank of New York.

He states that direct action was a failure, but I feel that he has not critically examined the facts, and has not discovered that during the short period of from February 14 to June 1, in which direct action was in force, commercial loans greatly increased, while security loans greatly diminished, and Federal reserve credit was reduced about 193 millions of dollars.

He holds the Board responsible for the frenzied "bull" market during this period.

Direct action unquestionably did have a profound effect on the call loan market, but what would have been the effect on this market if the Board in February had entered upon a cataclysmic increase in discount rates which would have practically made it impossible to obtain money or credit at any rate, and which would have smashed the stock market? Mr. Leffingwell presumably would have favored smashing the stock market

in February, 1924, as he is on record in this article as favoring the New York Bank's policy, but the effect on the call loan market of such an operation, as I have said, he fails to point out.

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In conclusion, it may be asked whether the majority of the Board, in supporting a stable 5% rate with direct pressure, intended to lay down this as a permanent policy to the exclusion of increased discount rates hereafter to curb speculative activity.

To such an inquiry, an unqualifiedly negative answer must be given. The Board always has and always will feel free to use the discount rate to protect agriculture and commerce from injury from any speculative excess, either in the stock market or in the commodity or real estate market. For example, discount rates were increased to curb speculative activity in the early months of 1923, in the fall of 1924, in the beginning of 1925, in the autumn of 1925, in the summer and fall of 1926, in the fall of 1927, and in 1928.

189 - 127

191 - 63.

When, however, it appears, as in the concrete case, that a speculative orgy has set in, it may be necessary to revive direct action and pressure upon all speculative loans, with or without increases of discount rates, whether to brokers or customers, or both.

Direct action or pressure, in short, is a means and not an end in itself, to be used in connection with or independently of increased discount rates, as the best judgment of the Federal Reserve System shall determine.

C O P Y

X-6740

October 22, 1930.

To Federal Reserve Board

Subject: Federal Reserve Bank of

From Mr. Wyatt-General Counsel.

Richmond v. Attmore.

Because of the grave charges made against the Federal Reserve Bank of Richmond by the defendant, because of the political flavor injected into the litigation by the defendant, and because of the fact that it may develop into a case involving legal questions of importance to the entire Federal Reserve System, I respectfully submit herewith for the Board's information copies of certain letters addressed to me by Counsel to the Federal Reserve Bank of Richmond with reference to the above case, copies of the complaint and answer filed in the case, and copies of certain correspondence with the Receiver of the First National Bank of New Bern, North Carolina, pertaining to a demand of the Counsel for the defendant in the above case that the Receiver bring suit against the Federal Reserve Bank to recover certain assets of the First National Bank of New Bern pledged to the Federal Reserve Bank as marginal collateral to its indebtedness, and certain other assets alleged to be held unlawfully by the Federal Reserve Bank.

Pending further developments, I beg leave to withhold any recommendation as to what steps, if any, the Board should take with reference to the handling of this litigation. If the case develops in such a manner as to involve legal questions of importance to the entire Federal Reserve System, it may become advisable to employ special counsel to represent the interests of all Federal reserve banks, as has been customary in cases involving questions of importance to the entire Federal Reserve System. This, however, depends upon future developments and especially upon the court's ruling upon a motion now pending, which probably will be handed down sometime during the month of November.

#### SUMMARY OF THE CASE

It appears from the complaint filed in this case that the Federal Reserve Bank of Richmond rediscounted for the First National Bank of New Bern, North Carolina, two notes made by G. S. Attmore. The First National Bank of New Bern having failed and a receiver having been appointed for it, the Federal Reserve Bank brought this suit against G. S. Attmore, as maker, to collect the two notes above referred to. In answer to the complaint the defendant denies that the First National Bank was a holder of one of these notes in due course for value and that the Federal Reserve Bank holds either of such notes in due course and for value, and demands that the Federal Reserve Bank "produce the secret written agreements and contracts which it compelled the insolvent First National Bank of New Bern to execute to it relevant to marginal collateral.

The defendant further avers that the receiver of the First National Bank of New Bern is a necessary party to this action and moves that he

be made a party to the action in order that he may plead to the affirmative defense and cross-plea set up by the defendant.

As an affirmative defense, the defendant makes a number of allegations with reference to knowledge by the Federal Reserve Bank of the insolvency of the First National Bank of New Bern; with reference to the part taken by the Federal Reserve Bank in the formation of the First National Bank of New Bern by the absorption of a State bank by the National Bank of New Bern and the assumption of the liabilities of the National Bank of New Bern by the First National Bank; with reference to the knowledge of the Federal Reserve Bank of the improper use in the organization of the First National Bank of New Bern of certain funds of Craven County, North Carolina; and with reference to the taking by the Federal Reserve Bank of marginal collateral from the First National Bank of New Bern to secure rediscounts with the Federal Reserve Bank. The defendant alleges that he is entitled to a set off against a deposit balance in the First National Bank of New Bern and that he is entitled to have the Federal Reserve Bank return to the receiver of the First National Bank of New Bern marginal collateral taken from this bank by the Federal Reserve Bank. The defendant asks the court to require the Federal Reserve Bank to surrender one of his notes to him and surrender the other to the receiver of the First National Bank of New Bern in order that it may be set off against his deposit in this bank. He further asks that the Federal Reserve Bank be required to produce in court reports of examinations of the First National Bank and its predecessors, the National Bank of New Bern and the Peoples Bank of New Bern.

It appears that the allegations contained in the defendant's affirmative defense above referred to are not material to the issue involved in this case and I am advised by the Counsel for the Federal Reserve Bank of Richmond that he has made a motion to strike out the defendant's affirmative defense on the ground that the matter set up is irrelevant and immaterial to the issue. The court has taken this motion under advisement and probably will rule upon it sometime in November. If the court sustains this motion and if the defendant does not appeal on the ruling, the case will involve no question of importance or interest to the entire Federal Reserve System. If, however, the court should overrule the motion to strike out the defendant's affirmative defense, or if the court should sustain such motion and the defendant should appeal from such ruling, the case may involve questions of importance to the entire Federal Reserve System, depending upon whether the appeal turns upon questions of procedure or upon questions of substantive law.

Counsel for the defendant in this case, acting as counsel for certain stockholders and depositors in the First National Bank of New Bern and its predecessor, the National Bank of New Bern, has demanded that the receiver institute proceedings against the Federal Reserve Bank for the return of assets of such banks pledged to the Federal Reserve Bank as security for the indebtedness of such banks to the Federal Reserve Bank (other than paper rediscounted with the Federal Reserve Bank without collateral security) and also for the return of assets of such banks "not held in accordance

with the Federal Reserve Act," in order that the receiver may obtain for collection and distribution among the creditors of the First National Bank of New Bern "items unlawfully obtained and held by the Federal Reserve Bank of Richmond". The threat is made that, if the receiver does not institute such proceedings the stockholders and depositors will do so. I am informed that the Comptroller of the Currency has instructed the receiver not to institute such proceedings; but depositors and stockholders probably will do so. If they do, that case almost certainly will involve questions of System-wide importance.

#### QUESTIONS WHICH MAY BE INVOLVED

This litigation probably will produce publicity unfavorable to the Federal Reserve System and may result in rulings by the Appellate Courts establishing important precedents on the following questions, and possibly others, which are of importance to all Federal reserve banks and some of which are of importance to the Federal Reserve Board and the Comptroller of the Currency:

1. Whether a Federal reserve bank may be required to produce in court copies of reports of examinations of national banks entrusted by the Comptroller of the Currency to the Federal Reserve Agent for his confidential information in his official capacity.
2. Whether it is lawful for Federal reserve banks to require or accept pledges of marginal collateral when making rediscounts for, or loans to, member banks.
3. Whether the makers of notes rediscounted by member banks with Federal reserve banks may offset against their indebtedness on such notes the amounts of their deposits in such member banks after the insolvency of the latter.
4. To what extent are Federal reserve banks chargeable with notice of the insolvency of member banks?
5. To what extent are the rights of Federal reserve banks in granting credit accommodations to member banks affected by knowledge on the part of the Federal reserve banks of the insolvency of such member banks or of fraudulent and unlawful transactions of such member banks?

Somewhat similar questions were involved in the cases of Federal Reserve Bank of San Francisco v. Grimm Alfalfa Seed Growers' Association, 8 Fed. (2nd) 922, certiorari denied 46 Sup. Ct. 347, and Neoga National Bank v. Federal Reserve Bank of Chicago (unreported); and in both of those cases Honorable Newton D. Baker was employed as Special Counsel to represent the interests of all Federal reserve banks in the litigation. He was also retained by the Governors' Conference to make a special study of all such questions with a view of advising the Federal reserve banks how

their credit practices might be modified to minimize risk of loss to the Federal reserve banks, but has not yet rendered a report. In view of his past experience and his special knowledge of this subject, he would be especially well qualified to represent the interests of all Federal reserve banks if it should become necessary to employ Special Counsel for this purpose.

I am keeping in close touch with all developments in this litigation through correspondence and telephone conversations with Counsel for the Federal Reserve Bank of Richmond; and I am keeping all Federal reserve banks advised of developments through letters to their Counsel. I shall, of course, advise the Board of all important developments and shall recommend the employment of Special Counsel should future developments appear to make that advisable.

EXTRAORDINARY CHARGES AGAINST FEDERAL  
RESERVE BANK.

For the Board's further information, there is respectfully submitted herewith an analysis of the extraordinary charges made against the Federal Reserve Bank by the defendant in this case. I believe that these charges are irrelevant and immaterial in this case and that they should be stricken out. They may, however, be material if repeated in a suit brought against the Federal Reserve Bank on behalf of the depositors and other creditors of the First National Bank of New Bern for the purpose of requiring the return to the receiver of certain assets of the bank for the benefit of its depositors and creditors on the ground that in obtaining such assets the Federal Reserve Bank knowingly participated in a fraud on the depositors and other creditors. In the exercise of its power of general supervision over the Federal reserve banks, the Board also may desire to enquire into the truth of these charges. I doubt that they are true; but, to have such charges aired in court and possibly passed upon by a prejudiced jury, might result in much unfavorable publicity for the Federal Reserve System.

CONCLUSION

This memorandum is merely for the Board's information and requires no action at this time. Because the attached documents are quite voluminous, I am furnishing copies to each individual member of the Board, in order that he may consider them at his leisure.

Respectfully,

Walter Wyatt,  
General Counsel.

Correspondence,  
etc; attached.

WW-sad.



X-6741

(COPY)

## THE FIRST NATIONAL BANK

New Bern, N. C.      Oct. 9, 1930.

Comptroller of the Currency,  
Treasury Department,  
Division of Insolvent National Banks,  
Washington, D. C.

Subject: Request of Creditors for Receiver to Bring Suit against  
Federal Reserve Bank of Richmond.

Dear Sir:

Your Receiver is enclosing a copy of a document which was served upon him today, asking for a reply in ten days time. This is demand made by W. J. Lucas, Jr., and J. W. Lucas, administrators of the Estate of W. J. Lucas, deceased, and Mrs. Kate S. Lucas, wife of W. J. Lucas, deceased, brought by Attorneys Whitehurst and Barden and W. B. R. Guion.

The document speaks for itself and your Receiver asks for instructions if he should reply within ten days.

Respectfully,

(Signed) Raymond E. Schumacher

Raymond E. Schumacher,  
Receiver.

RES: JEW

Enclosure - 1.

(COPY)

File No. 1362

NORTH CAROLINA

CRAVEN COUNTY

TO R. E. Schumacher, Esquire, Receiver of the First National Bank of New Bern,  
North Carolina.

Dear Sir:

In behalf of the estate of W. J. Lucas, who was a stockholder in the National Bank of New Berne, predecessor of the First National Bank of New Bern, and who was likewise a depositor in the First National Bank of New Bern, and in behalf of said estate jointly with Mrs. Kate S. Lucas, wife of said W. J. Lucas, deceased; and of all other stockholders of the National Bank of New Berne and depositors and creditors of the First National Bank of New Berne, and any other persons, firms or corporations similarly situated, request and demand is hereby made upon you that you forthwith institute proceedings in a Court of competent jurisdiction against the Federal Reserve Bank of Richmond for the return to you to be handled for the benefit of those persons making the demand and all other persons similarly situated, of all notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts or other items of security which have been or may have been deposited with the said Federal Reserve Bank of Richmond as security for any indebtedness due from the National Bank of New Berne to the said Federal Reserve Bank of Richmond and/ or from the First National Bank of New Bern other than notes denominated eligible notes, drafts, etc. within the meaning and term of the Federal Reserve Act which were discounted or purchased by the Federal Reserve Bank without collateral security.

And in addition thereto, that in said proceeding you will demand the return of the items of the character received from the First National Bank of New Bern and/ or the National Bank of New Berne by the Federal Reserve Bank of Richmond not held in accordance with said Federal Reserve Act and when said items are shown to have been collected or if the return of same cannot be had, that you demand for the benefit of the creditors of said First National Bank of New Bern and the National Bank of New Berne, the cash proceeds received by the Federal Reserve Bank of Richmond from said items so collected or which they failed to return.

This demand is made upon you in order that you shall obtain for collection and distribution among the creditors of the institution for which you are Receiver said items unlawfully obtained and held by the Federal Reserve Bank of Richmond for the benefit of the creditors of the said First National Bank of New Bern and/ or the creditors of the National Bank of New Berne.

You are further notified that should you fail to comply with this demand and immediately institute said proceedings within a reasonable time of this notice, that the persons making the demand will, in their own right, institute said proceedings.

You will kindly advise within ten days whether it is your purpose to institute said action for the recovery of the assets improperly and unlawfully held by the Federal Reserve Bank of Richmond otherwise your failure so to advise will be deemed a refusal by you to comply with this notice.

This 9th day of October, 1930.

W. J. Lucas, Jr. and J. W. Lucas,  
Administrators of the Estate of W. J. Lucas.

Kate S. Lucas

By Whitehurst & Barden

W. B. R. Guion

Attorneys.

Served 10/9/30  
Jas. S. Bryan, Constable.

ANALYSIS OF EXTRAORDINARY CHARGES MADE AGAINST  
FEDERAL RESERVE BANK OF RICHMOND IN DEFENDANT'S ANSWER  
IN CASE OF FEDERAL RESERVE BANK OF RICHMOND V. ATTMORE.

(NOTE: Numbers with the letter "A" prefixed refer to numbered sections of the first portion of the Answer (pages 1-3); numbers with the letters "A.D." prefixed refer to numbered sections of that portion of the Answer (pages 3-15) containing the affirmative defenses; numbers with the letter "p" prefixed refer to pages of mimeograph No. X-6727-a.

In addition to the usual allegations appropriate to an answer filed in a suit of this kind, the Defendant makes the following extraordinary allegations:

1. That the Federal Reserve Bank is not a banking corporation but has made an effort "to pervert this Federal Reserve Bank, creation of the Democratic Administration, and to abrogate, destroy and disregard the beneficent and wise purposes and limitations of the creation", as set forth in the title of the Federal Reserve Act. (A-1,p.1.)
2. That, prior to 1920, the Peoples Bank, a State member bank, was largely indebted to Federal Reserve Bank, and, "because of the requirements applied by the plaintiff, unable properly to function;" and that the Federal Reserve Bank, "in its exercise of power arrogantly assumed, caused the National Bank of New Berne to absorb the said Peoples Bank and to assume its obligations." (A.D. 3, p.4)
3. That National Bank of New Berne became insolvent; that Federal Reserve Bank knew it to be insolvent; that, with full knowledge of Federal Reserve Bank, the National Bank of New Berne on March 19, 1929 entered into an agreement with the First National Bank of New Berne whereby

the latter assumed all liabilities of the former (except to stockholders) in consideration of the transfer of certain selected assets of the former and the execution of deficiency note for \$250,000 secured by the pledge of the remaining assets of the former; and that these facts were concealed from the public until about April 1930. (A.D. 3, pp. 4 5 and "Exhibit A")

4. That the First National Bank of New Berne was organized March 20, 1920, and took over certain assets and assumed the liabilities (except to shareholders) of the National Bank of New Berne; and that the capital and surplus of the First National Bank was provided fraudulently from the public funds of the County of Craven, with full knowledge of the Federal Reserve Bank. (A. D. 4, p. 5.)

5. That the First National Bank was insolvent at the time of its creation and continued insolvent until October 26, 1929, "when it ceased to function". (A. D. 5, p. 6.)

6. That the assets taken over by the First National Bank were the same as those shown in the last statement of the National Bank of New Berne except for those rejected by the examiners and grouped as collateral to its deficiency note of \$250,000 (A.D. 5, p. 6.); that said deficiency note was never worth more than \$20,000, has never been collected, and never can be collected; and that Federal Reserve Bank had full knowledge of all these facts. (A. D. 5, p. 6.)

7. That the Peoples Bank was a member of the Federal Reserve Bank and as such was regularly examined by Federal Reserve Bank, and that Federal Reserve Bank "required and brought about the amalgamation" of the Peoples Bank with the National Bank of New Berne. (A.D. 6, p. 6.)

8. That in 1927 or 1928 the National Bank of New Berne was required to make good \$225,000 worth of losses and that this was done by the use of the money of Craven County. (A. D. 6, p. 7.)

9. That about the same time the Federal Reserve Bank "dominating said bank" notified it that it desired it to employ Hugh R. Beal, one of the Federal Reserve Bank's examiners, and to take charge of the National Bank. (A.D. 6, p.7.)

10. That Beal accepted a position with a member bank in Elizabeth City and remained with it about five months, or until it closed; but, thereupon at the instance of the Federal Reserve Bank made an examination of the National Bank of New Berne. (A. D. 6, p. 7.)

11. That, at the time of such examination, there were among the assets of said bank a large part of the assets acquired from the Peoples Bank, which Beal had already investigated for the Federal Reserve Bank while examining the Peoples Bank and bringing about its amalgamation with the National Bank of New Berne. (A. D. 6, p. 7.)

12. That Beal became vice president of the National Bank of New Berne, "under the mandate of" the Federal Reserve Bank, and remained in this position about 6 months. (A. D. 6, p. 7.)

13. That on March 7, 1929, there was deposited in the Seventh National City Bank, under the control of Beal, to the account of the National Bank of New Berne, \$200,000 proceeds from the sale of Craven County notes, which were issued unlawfully by the Commissioners of Craven County. (A.D. 6, pp. 7, 8.)

14. That \$180,000 of such \$200,000 was placed by Beal in the Planters Bank of Richmond and on March 19 transferred by him to the Federal

Reserve Bank of Richmond. (A.D. 6, p. 8.)

15. That, on or about March 19, the Comptroller of the Currency "licensed" a new national bank ( apparently the First National Bank ) "to be operated by the City of New Bern"; that Beal had organized this bank, under the advice and counsel of the Federal Reserve Bank; and that Beal was its vice president and executive officer. (A.D. 6, p. 8.)

16. That on or about March 19, 1929, the said sum was placed to the credit of the First National Bank of New Berne as its paid-in capital stock and surplus. (A.D. 6, p. 8.)

17. That an additional sum of \$50,000 or \$80,000 was in some similar manner made available for the use of the First National Bank through the same agency. (A.D. 6, p. 8.)

18. That throughout all these transactions the National Bank of New Berne was insolvent, that **its** condition was fully reported to and fully known by the Federal Reserve Bank and that its assets were, from time to time appraised and the value thereof reported to the Federal Reserve Bank. (A.D. 6, p. 9.)

19. That before March 20, 1929, the Federal Reserve Bank had maintained an agent at New Berne to present items for collection in cash across the counter of the National Bank of New Berne. (A.D. 6, p. 9.)

20. That, on March 20, 1929, the assets of the National Bank of New Berne became the assets of the First National Bank of New Berne. (A.D. 7, p. 9.)

21. That the county money "obtained unlawfully and through fraud" never became the property of the First National Bank but remained the property



of the County. (A.D. 7, p. 9.)

22. That, with all these matters fully known to the Federal Reserve Bank, the First National Bank was insolvent when it opened and remained insolvent throughout its short career, i.e., from March 20, 1929, to October 26, 1929. (A.D. 7, p. 9.)

23. That "unlawfully, contrary to the power granted to the plaintiff, wholly ultra vires, and in fraud upon the depositors and creditors of the National Bank of New Berne and the First National Bank of New Berne" the Federal Reserve Bank held in its possession \$600,000 or \$700,000 face value of the assets of such national banks. (A.D. 7, p. 9.)

24. That, from its very beginning, 12 of its creditors, including the Federal Reserve Bank, held 64% of all of its assets to cover 34% of the total general liability of the First National Bank, leaving 36% of the assets, composed of the "left overs" of practically no value. (A.D. 7, p. 10.)

25. That Defendant believes that the Receiver, under advice and guidance of the Comptroller of the Currency, and with knowledge and consent of the Federal Reserve Bank, had brought actions to reduce to possession all of said 64% of the assets, except \$600,000 or \$700,000 carefully selected by the Federal Reserve Bank, which the Receiver has "conveniently selected and designated x x x for use for the purposes: first, of embarrassment to the community and, second, the destruction of the business life of the community." (A.D. 7, p. 10.)

26. That, under the Federal Reserve Act, the Federal Reserve Bank can neither hold nor own such assets but should be required to account to the Receiver of the First National Bank and the Liquidating Agent of the National

Bank of New Berne for all assets of the respective banks and to Craven County for the \$425,000 of its money "unlawfully, fraudulently had and obtained".

(A.D. 7, p. 10.)

27. That the debt, if any, of the First National Bank to the Federal Reserve Bank was \$208,000 against which the Federal Reserve Bank held \$400,000 or \$500,000 of the bills receivable as assigned collateral. (A.D. 7, p. 11.)

28. That the defendant's \$5,000 note was an accommodation note given without any consideration. (A.D. 8, p. 11.)

29. That, in view of its power of examination and supervision over member banks under the provisions of the Federal Reserve Act, the Federal Reserve Bank was chargeable with notice of these facts. (A. D. 8, p. 11.)

30. That the Federal Reserve Bank examined the National Bank of New Berne from time to time and that a proper examination was bound to disclose the fact that the \$5,000 note was given without consideration. (A.D. 8, p. 11.)

31. That the Federal Reserve Bank constituted the National Bank of New Bern its agent to collect this note. (A.D. 8, p. 12.)

32. That the National Bank of New Berne, the First National Bank and the Federal Reserve Bank, in collusion, converted this note and the Federal Reserve Bank holds it as trustee for defendant. (A.D. 9, p. 13.)

COPY

X-6743

FEDERAL RESERVE BANK  
OF RICHMOND

October 25, 1930.

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

My dear Mr. Wyatt:

I received your letter of October 22nd upon the subject of the employment of Honorable Newton D. Baker to assist in the case of the Federal Reserve Bank of Richmond v. Attmore and related litigations.

I have discussed this matter with the officers of this bank and all of us agree that these cases may well present questions which will make them matters of interest to the entire Federal Reserve System, so that it will be highly desirable to bring Mr. Baker into consultation. Mr. Seay has, therefore, asked me to request the Federal Reserve Board to make with Mr. Baker such an arrangement as is usually made in such cases. As you know I have never had any experience in such arrangements; consequently if the request should come from Mr. Seay to the Federal Reserve Board, let me know, but otherwise you may treat this letter as a request to the Federal Reserve Board to retain Mr. Baker for consultation.

I am enclosing you herewith a memorandum filed in the trial court. The docket in the court of Craven County, N. C., is so congested that the trial judge has little time for thorough study. The memorandum which I enclose, was intended merely as an outline of my views for the benefit of my associate, but he tells me that he delivered it to the trial judge supplemented only by a few citations of North Carolina cases relating to the general subject of striking out irrelevant or immaterial allegations.

I have written to my associate to ask what will be the time allowed us to perfect an appeal.

I took depositions in five other cases pending in New Bern, brought to recover upon notes held as marginal collateral. The examination of the witnesses made by the attorneys for the defendants in those cases, show that they expect to press on the court the question of our right to receive and hold marginal collateral, and also I think showed their determination to hinder and delay the progress of case as much as possible. They made no secret of the fact that the docket in their county was so congested that a trial could not be obtained for at least a year on any question requiring jury trial. They also made demands during the progress of the taking of the depositions for the production and exhibition of

Mr. Walter Wyatt, General Counsel,  
Federal Reserve Board

X-6743

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October 25, 1930.

numerous records and accounts. Some were produced and exhibited. The witnesses under my advice refused many others upon the ground that it would take several days or several weeks to find the documents and that they were entirely immaterial to the issue of the case. I am certain that my opponents' object is to raise as many questions as possible, hoping that the court may exclude the depositions at the trial or else permit them to have a continuance upon the ground that the documents should have been produced. I have mentioned the general conditions because I think that we are in reality calling Mr. Baker in to consult about matters when our opponents are much more anxious to avoid a decision than they are to obtain one. In other words they are raising the questions as a means of creating delays and with some hope, of course, that by some accident a decision will be rendered in their favor.

I think, however, as I stated in the beginning, that the situation is such as to suggest retaining Mr. Baker. I also agree with you that it is advisable to appeal from any adverse ruling to the motion to strike out the answer in the Attmore case, but of course, if Mr. Baker is retained he should have the deciding voice on that question.

As I have never been involved in a System case since we adopted the plan for joint action, I do not know just how I should proceed in placing these matters before Mr. Baker. My suggestion would be that when he has been retained, I should send him copies of all papers in the Attmore case and copies of the depositions to which I have referred, and that after he has had an opportunity to read the papers we should have a conference. It would be very helpful, I think, to have you at that conference, and if it suits Mr. Baker's convenience, we could have it at your office. When you have made arrangements with Mr. Baker, you can communicate with me. Of course, I could go to Cleveland to consult him there, if more convenient to him.

Very truly yours,

(S) M. G. Wallace,  
Counsel.

MGW/mm  
enc.

P. S. I should like very much to have a memorandum by you concerning the duties of the Federal Reserve Agent and his relations to the Bank and to the Board; and Mr. Hoxton advises that he would like to have such a memorandum in his files for his own guidance.

M. G. W.

MEMORANDUM OF MOTION TO STRIKE OUT ANSWER OF DEFENDANT IN ACTION  
OF FEDERAL RESERVE BANK OF RICHMOND v G. S. ATTMORE

PARAGRAPH 1 OF THE ANSWER:

Paragraph one of the answer is not a specific or general denial of the corresponding allegation of the complaint as required by Section 519 of the Code of North Carolina. In this paragraph the defendant apparently concedes that the plaintiff has organized under the acts of Congress relative to Federal reserve banks but denies that Federal reserve banks are "banking corporations". The powers of the plaintiff are prescribed by law (see Section 4 of the Federal Reserve Act; U. S. Code, Title 12, Section 341, et seq.) This paragraph, therefore, presents a question of law and not an issue of fact. (see 108 N. C. 147. 12 S. E. 896) The last sentence is plainly neither "a specific or general denial of the allegation of the complaint" nor "a statement of new matter in ordinary concise language" as required by Section 896 of the Code of North Carolina, and can have been inserted for no purpose except to attempt to arouse passion and prejudice on the part of the jury.

PARAGRAPHS 5 and 8 OF THE ANSWER:

These paragraphs are plainly not proper pleading. That portion which demands the production of documents is neither an admission or denial of matters alleged in the complaint, nor a statement of new matter, for the defendant is apparently unwilling to commit himself to the allegation that any such documents exist, but leaves this to inference. Section 899, et seq. of the Code of North Carolina provides means for compelling the production of documents and further provides that the method therein prescribed is an exclusive method. Doubtless one of the objects of such a provision was to permit the court to determine the propriety of requiring the production of the documents and the admissibility of

their contents; to determine on matters relative to the production of documents without permitting the jury to be misled or confused by the irregular presentation of matters which are within the province of the judge. The defendant has not seen fit to avail himself of the remedy provided by statute and the inclusion of a reference to such a remedy in the answer is obviously an effort to employ the answer as a substitute for a bill of discovery, which latter remedy has been expressly abolished, and the reading to the jury of this section of the answer can serve no purpose except to convey by suggestion the idea that the plaintiff has in its possession secret documents which it has wrongfully failed to produce, when the fact is that if the production of the documents is proper the court may in the manner prescribed by statute require the production.

PARAGRAPH ONE OF THE FURTHER DEFENSE:

This is a restatement of the position taken by the defendant in paragraph one of the answer and as such is open to the objections stated above.

PARAGRAPH TWO OF THE FURTHER DEFENSE:

The matters herein alleged are absolutely irrelevant to the issues of the case, which are simply - 1. Is the defendant liable upon the notes sued on? 2. Were these notes transferred to the plaintiff so that it became the holder of them? 3. Is the alleged balance due by the First National Bank of New Bern to the defendant available as defense in action by the plaintiff?

PARAGRAPH THREE OF THE FURTHER DEFENSE:

These allegations relate to matters occurring eight years before the execution of the notes in the suit and are therefore wholly immaterial to any controversy between the parties to this action.

In addition, the allegation that "The Peoples Bank became unable to function because of the requirements of the plaintiff" is a mere conclusion of the

pleader. He should specifically allege the requirements to which he refers in order that the court may be able to determine whether or not such requirements were lawful or unlawful.

The allegation that the plaintiff caused the National Bank of New Berne to absorb the said Peoples Bank is also a conclusion, and furthermore a conclusion impossible as a matter of law since the proceedings in the consolidation of National banks are subject to the control of the Comptroller of the Currency (see U. S. Code, Title 12, Sections 33 and 35) so that the plaintiff could have no power to require or compel a National bank to consolidate with a state bank.

PARAGRAPH FOUR OF THE FURTHER DEFENSE:

This allegation is irrelevant to the controversy between the parties, and in addition it appears to be held in North Carolina, as elsewhere, that an allegation that an act was done fraudulently is a mere conclusion. The pleader should allege the action which constituted the fraud in order that the court may draw its own inference from the allegation.

PARAGRAPH FIVE OF THE FURTHER DEFENSE:

The allegations of this paragraph are irrelevant, as the insolvency of the National Bank of New Berne would not debar it from transferring its assets for value.

PARAGRAPH SIX OF THE FURTHER DEFENSE:

The allegations of this paragraph are irrelevant, and in addition the allegation as to the amalgamation of the two banks is as a matter of law impossible for the reasons set out above. The allegation as to the use of the funds of Craven County is wholly irrelevant, and in addition is a mere conclusion, as there is no allegation as to why or by what means the funds of Craven County came into the hands of the National Bank of New Berne, and in any event the use or misuse of

the funds of Craven County by the National Bank of New Berne must be irrelevant to any controversy between the Federal Reserve Bank of Richmond and G. S. Attmore. The inclusion of this allegation can have been intended only to arouse passion or prejudice on the part of the jury by insinuating that in matters wholly unconnected with the present case the plaintiff has connived at irregularities on the part of National banks.

PARAGRAPH SEVEN OF THE FURTHER DEFENSE:

This paragraph appears to be irrelevant, as the defendant does not allege that his notes are held as collateral by the Federal Reserve Bank of Richmond, and the title of the Federal Reserve Bank of Richmond to notes of other persons transferred to it by the First National Bank of New Bern cannot be material in a controversy concerning its title to the notes of the defendant. The allegation that other notes were taken in pursuance of an ultra vires contract is a mere conclusion of the pleader or an allegation of a matter of law. The plaintiff has general power to lend money and rediscount notes for member banks and to make advances to them secured by the pledging of notes or bills made by customers of member banks (U. S. Code, Title 12, Sections 343-7) and plaintiff is likewise authorized to exercise such incidental powers as may be necessary to carry on the business of banking within the limitations of the act creating the plaintiff (U. S. Code, Title 12, Sections 34-7). There is no definite limitation upon the amount of the notes which plaintiff may discount for a member bank nor the amount of advances which may be made to a member bank. The taking of security is obviously incidental to the lending of money. If the defendant contends that any particular act of the plaintiff is ultra vires, he should allege that act with such particularity that the court may determine whether or not it was authorized or



prohibited by the Federal Reserve Act. In addition it has been decided that title to assets acquired for value by banks organized under the law of the United States in ultra vires transactions is voidable only, and the question of ultra vires may be raised only in a direct proceeding by the United States. (See *Union National v Matthews*, 98 U. S. 621; *National Bank v Whitney* 103 U. S. 99; *Swope v Leffingwell* 105 U. S. 3; *Reynolds v First National Bank*, 112 U. S. 405; *Kerfoot v Farmers & Merchants Bank*, 218 U. S. 281; also *Crowell v Federal Reserve Bank*, 12 Fed. 2nd 259) This paragraph also contains a prayer that plaintiff be required to account to Craven County and W. W. Griffin and to R. E. Schumacher, Receiver. None of these persons are parties to this action and consequently any allegation as to their rights is immaterial.

PARAGRAPH EIGHT OF THE FURTHER DEFENSE:

This paragraph alleges that the note for \$5,000.00 was without consideration and was wholly an accommodation obligation.

The Supreme Court of North Carolina, in *Merchants National Bank v Andrews*, 102 S. E. 500, 179 N. C. 341, held that allegation that a note was without consideration was a mere conclusion of the pleader. It seems that a good pleading should allege the conditions and circumstances under which the note was executed in order that the court may determine whether or not it was supported by good consideration.

In addition it is provided by Section 3009 of the Code of North Carolina that knowledge by the transferee that a negotiable note was given for accommodation has no defense to action upon it, hence the matters and things alleged in this paragraph are immaterial to the action.

PARAGRAPH NINE OF THE FURTHER DEFENSE:

This paragraph appears to be a mere conclusion.

PARAGRAPH TEN OF THE FURTHER DEFENSE:

This paragraph appears open to the same objections as those made to paragraph eight.

PARAGRAPH ELEVEN OF THE FURTHER DEFENSE:

There appears to be no ground for objection to the allegation of this paragraph except that the statement "that this defendant is entitled to apply the said deposit as an offset" is a mere conclusion of law and, furthermore, an erroneous conclusion (see *Sowell v Federal Reserve Bank* 286, U. S. 449). The statement that the note is in the hands of R. E. Schumacher is immaterial.

PARAGRAPH TWELVE OF THE FURTHER DEFENSE:

There appears to be no good objection to this paragraph. It is a mere repetition of a portion of the denial of paragraph eight of the answer.

PARAGRAPH THIRTEEN OF THE FURTHER DEFENSE:

That portion of this paragraph that demands the production of written instruments is open to the objections mentioned under discussion of paragraphs five and eight of the answer. Furthermore, the court may take judicial notice of the fact that reports of examinations of National banks are made by the Examiners to the Comptroller of the Currency, who is an officer of the United States acting under the direction of the Secretary of the Treasury (U. S. Code, Title 12, Sections 1, 9 and 481) so that such reports could not be exhibited by the plaintiff.

PARAGRAPH FOURTEEN OF THE FURTHER DEFENSE:

This paragraph is not an allegation of any fact but an irregular prayer for relief and should be stricken, as the relief obviously cannot be granted. The relief asked in the first paragraph is for the benefit of persons not

parties to the suit for whose benefit he has no right to prosecute an action, and in addition the appointment of a receiver to take charge of the assets and administer them for the benefit of creditors of National banks would be in contravention of the laws of the United States which provide that the receivers of National banks shall act under the direction of the Comptroller of the Currency.

X-6745

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 in morning papers  
Thursday, October 30.

October 29, 1930.

The Federal Reserve Board today announced that Mr. William A. Heath, in accordance with the decision he expressed to the Board over a year ago, would retire from the position of Class C Director, Chairman of the Board of Directors and Federal Reserve Agent at the Federal Reserve Bank of Chicago, at the expiration of his present term of office, December 31, 1930. In connection with the retirement of Mr. Heath, the Board said:

"Mr. Heath has had one of the longest terms of service of any of the Chairmen of the Federal Reserve Banks, having held his present position since January 1, 1917. His long tenure of office is testimony of the fidelity, integrity and ability with which he has handled the responsibilities of the position from which he has asked to be relieved at the end of the current year."

The Federal Reserve Board announced, in connection with the vacancy created on the Board of the Federal Reserve Bank of Chicago by the retirement of Mr. Heath, the appointment of Mr. Eugene M. Stevens, of Chicago, as Class C Director with designation as Chairman of the Board of Directors and Federal Reserve Agent, in succession to Mr. Heath, his appointment to take effect January 1, 1931. In connection with the selection of Mr. Stevens for this important position, the Board stated:

"Mr. Stevens comes to the Federal Reserve System with the high credentials of a long, varied and successful banking, financial and business experience in Chicago and the Upper Mississippi Valley, in the course of which he became President of one of the largest and most important banking institutions in the United States. Mr. Stevens will retire from this position at the end of the year, when he assumes the Chairmanship of the Federal Reserve Bank of Chicago.

"Mr. Stevens became President of the Continental Illinois Bank and Trust Company and its affiliated organization, the Continental Illinois Company, at the time of its organization on March 18, 1929, by the consolidation of the Continental National Bank and Trust Company and the Illinois Merchants Trust Company. At the time of the consolidation of these two institutions Mr. Stevens was President of the Illinois Merchants Trust Company."

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6746

October 29, 1930.

SUBJECT: Bank Failures.

Dear Sir:

Referring to Governor Meyer's telegram of October 18, 1930, there is attached hereto for your information, copy of a letter which the Federal Reserve Board has today addressed to Mr. Clement H. Congdon of the Philadelphia Sunday Transcript, on the subject of bank failures.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

(TO GOVERNORS OF ALL FEDERAL RESERVE BANKS)

October 29, 1930.

Mr. Clement H. Congdon  
Sunday Transcript  
329 Real Estate Trust Building  
Philadelphia, Pennsylvania

Dear Mr. Congdon:

A number of the Federal reserve banks have referred to the Board your letter of October thirteenth relating to bank failures.

In the first paragraph of your letter, you state that "during all the period of time throughout which the Federal Reserve Bank System was being formed and developed it was most specifically and most persistently insisted that the System would make member banks failure proof." It has never before been brought to my attention that any one familiar with the purposes of the Federal reserve system, as laid down in the Federal Reserve Act, has claimed that the system was designed to or could prevent all bank failures. The statement, however, was frequently made at the time of the passage of the Federal Reserve Act, that under the system no member bank with an adequate supply of eligible paper would be compelled to close its doors because of inability to obtain the necessary cash to meet over-the-counter withdrawals of its customers. Experience has shown that this has proven to be the case, as every member bank with an adequate supply of eligible paper or of United States securities in its portfolio is able to borrow promptly from the Federal reserve bank and obtain all the currency it may require to meet deposit withdrawals. This was not true before the establishment of the Federal reserve system, when the currency was not elastic and not susceptible of expansion to take care of emergencies. At that time unusually large demands for currency not infrequently resulted in currency panics, but no such panics have occurred or could occur under the Federal reserve system.

The Federal Reserve Board has given a good deal of thought and study to the question of the reasons for the recent bank failures, and has discussed this subject from time to time in its annual reports. May I particularly refer you to the section on bank suspensions, beginning on page ten of the annual report for 1926, of which a copy is enclosed?

Very truly yours,

Eugene Meyer  
Governor

X-6749

September 12, 1930.

Mr. W. S. McLucas,  
Member Federal Advisory Council,  
Tenth Federal Reserve District,  
c/o Mayflower Hotel,  
Washington, D.C.

Dear Mr. McLucas:

At the meeting of our Executive Committee this morning, Mr. Mullaney brought to our attention a resolution which was adopted by our Board of Directors at its meeting of April 24, 1930, in regard to this Federal reserve bank receiving directly from country non-member banks checks to be collected and credited to the accounts of their city correspondents, as follows:

"At the suggestion of Governor Bailey, Deputy Governor Worthington explained a proposal that non-member banks be permitted to forward items direct to the Federal reserve bank for collection and credit of their member bank correspondents, stating that a number of our member banks have requested this service. After general discussion, in which it was brought out that Governor Young of the Federal Reserve Board considers the plan worthy of consideration and that the System Committee on Collections has taken the position that the plan should not be adopted, it was moved by Director Parks, seconded by Director Mullaney and unanimously carried, that the views of the Board of Directors be recorded as favoring the adoption of such a plan because of the general benefits to be accomplished through saving in the physical handling of items, saving in the time of collection of items, and in affording an opportunity for member banks located in other than Federal reserve bank and branch cities to better serve their correspondent banks."

Our Executive Committee requested me to write you, sending you this resolution, the same being in accord with the unanimous opinion of the Board, and asking you, if possible, to get the endorsement of this plan from the Federal Advisory Council.

Very truly yours,

(Signed) M. L. McClure,  
Chairman.

October 1, 1930

Mr. James

Proposed amendments to  
the Federal Reserve Act and Related  
Statutes.

Mr. Wyatt-General Counsel.

Dear Mr. James:

In accordance with your request, I respectfully submit the following information with respect to proposed amendments to the Federal Reserve Act and other statutes affecting the Federal Reserve System which have been recommended to Congress within recent years or which have been considered by the Federal Reserve Board without making any recommendation to Congress:

AMENDMENTS RECOMMENDED TO CONGRESS BY THE  
FEDERAL RESERVE BOARD.

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. - This amendment was recommended to Congress by the Board in its Annual Reports for the years 1927, 1928 and 1929, and in letters addressed to the Chairmen of the Banking and Currency Committees of the Senate and House under date of February 18, 1930. Accordingly, in the 2nd Session of the 71st Congress, Senator Brookhart on April 2, 1930, introduced a bill (S. 4079) containing this amendment. This bill was passed by the Senate on April 14, 1930, and although it was reported out by the House Banking and Currency Committee on May 26, 1930, it was not passed by the House.

An amendment to Section 9 of the Federal Reserve Act authorizing the Federal Reserve Board to require a State member bank to surrender its Federal reserve bank stock and to forfeit its membership whenever such bank has failed to comply with the applicable provisions of the banking laws of the State in which it is located. - This amendment was recommended to Congress by the Board in its Annual Report for the year 1929, but no bill conforming to the Board's recommendation was introduced in either the Senate or the House.

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, 1928 and 1929, and in letters addressed to the Chairmen of the Senate and House Banking and Currency Committees during 1929. In the 1st Session of the 71st Congress, Senator Norbeck introduced a bill (S. 1070) along the line of the amendment proposed by the Board; but this bill was never reported out by the Senate Banking and Currency Committee, and no similar bill was introduced in the House during this session. In the second session of this Congress, Senator Norbeck introduced on December 11, 1929, another bill (S. 2605) conforming to the Board's recommendations;



and this bill was passed by the Senate on April 14, 1930. On April 16, 1930, it was presented to the House and referred by that body to its Banking and Currency Committee. S. 2605 was not reported out by the Banking and Currency Committee of the House, and no similar bill was introduced in the House.

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 or for purchase 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, 1928 and 1929, and in letters addressed to Congress under dates of January 16, 1926, April 24, 1928, and March 6, 1930. On January 18, 1926, Mr. McFadden, in the 1st Session of the 69th Congress, introduced a bill (H.R. 7894) conforming to the Board's views but no similar bill was introduced in the Senate during this Congress. In the 70th Congress, 1st Session, Mr. Sumners of Texas introduced on March 23, 1928, a similar bill (H.R. 12349) in the House; and in the 2nd Session of this Congress, Mr. Baird on April 8, 1930, and Mr. McFadden on May 1, 1930, also introduced bills of this kind in the Senate and House respectively (S. 4139 and H.R. 12068). None of the bills above referred to was ever reported out.

An amendment to Section 22 of the Federal Reserve Act making the robbery or burglary of any Federal reserve bank or member bank a Federal offense punishable through the Federal courts. - An amendment of this kind was incorporated in the earlier drafts of the McFadden Bill which later became known as the Act of February 25, 1927; and drafts of that bill containing such provisions were favorably reported by the Banking and Currency Committees of both the Senate and House of Representatives. These drafts of the bill, however, failed of enactment; and, when the bill was reintroduced at the next Congress, this amendment was omitted.

The amendment, however, was recommended to Congress by the Board in its Annual Report for the year 1929, and in letters addressed to the Chairmen of the Banking and Currency Committees of the Senate and House under date of February 12, 1930. Following the Board's recommendations, bills were introduced under dates of February 19 and April 4, 1930, by Congressman Hooper and Senator Walcott during the 2nd Session of the 71st Congress in the House and Senate respectively. These bills, however, were never reported out by either the House or Senate Banking and Currency Committees.

An amendment to Section 22 of the Federal Reserve Act to make it a crime to circulate false statements about or to blacklist a member bank. - There were contained in certain early drafts of the McFadden Bill, which later became known as the Act of February 25, 1927, amendments to the law to make punishable conspiracies to boycott or black list or to cause a general withdrawal of deposits from a member bank. These provisions, however, did not become law although the Federal Reserve Board approved a

draft of the bill containing such provisions. During the early part of 1930, a number of bills were introduced in the House the general purpose of which was to amend the law along the lines stated above, and, in response to a request for an expression of the views of the Board with reference to H. R. 10560, a bill on this subject introduced by Mr. McFadden in the 2nd Session of the 71st Congress, the Board under date of March 27, 1930, addressed a letter to Congress stating the enactment of the bill would be beneficial to member banks and to their depositors and stockholders. This bill was reported out by the House Banking and Currency Committee on April 24, 1930, but it did not pass the House; and no similar bill was introduced in the Senate.

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. - This amendment was recommended to Congress by the Board in its Annual Report for the year 1929, and in letters addressed to the Chairmen of the Banking and Currency Committees of the Senate and House under date of February 10, 1930. In the 2nd Session of the 71st Congress, Senator Norbeck on February 12, 1930, and Mr. Seiberling on February 19, 1930, introduced bills conforming to the Board's recommendations in the Senate and House, respectively (S. 3541 and H.R. 10070). S. 3541 was passed by the Senate on April 14th, and was presented to the House and referred by this body to its Banking and Currency Committee; but neither this bill nor H.R. 10070 were reported out by the House Banking and Currency Committee.

An amendment exempting Federal reserve banks from attachment or garnishment proceedings before final judgment in any case or proceeding. - The enactment of an amendment of this character was recommended to Congress by the Board in its Annual Reports for the years 1927, 1928 and 1929, and in letters addressed to the Chairmen of the Banking and Currency Committees of the Senate and House under date of February 14, 1930. Accordingly, in the 2nd Session of the 71st Congress, Mr. Fenn on February 18, 1930, and Mr. Norbeck on February 19, 1930, introduced bills conforming to the Board's recommendations in the House and Senate, respectively; but these bills were never reported out.

An amendment to the Judicial Code restoring to the United States District Court jurisdiction of suits by and against Federal reserve banks. - The Board has recommended the enactment of an amendment of this kind in its Annual Reports for the years 1927, 1928 and 1929, but no bills covering this subject have ever been introduced in Congress.

AMENDMENTS CONSIDERED BY FEDERAL RESERVE BOARD  
BUT NOT RECOMMENDED TO CONGRESS.

Amendments providing for a more equitable distribution to member banks of earnings of Federal reserve banks. - During the years 1929 and 1930, a number of bills were introduced in Congress providing for a larger distribution of the earnings of Federal reserve banks among member banks, and

the Board has gone on record in its Annual Report for the year 1929 as saying that such proposals are subjects "which in the judgment of the Federal Reserve Board might well have the consideration of Congress in connection with any legislation affecting the status of member banks of the Federal Reserve System; but the problem involves certain practical difficulties, and the Board desires to study the subject further before recommending any specific amendment for this purpose."

On March 13, 1930, in response to a request for a report of the Treasury Department on S. 3564, a bill introduced in the 2nd Session of the 71st Congress to amend Section 7 of the Federal Reserve Act, the Secretary of the Treasury addressed a letter to Senator Norbeck stating that he had conferred with the Federal Reserve Board regarding this bill and that the Board disapproved of its adoption. It was stated that "the Federal Reserve Board favors a change in the existing law which would accord to member banks a somewhat larger percentage of the earnings of Federal reserve banks than they are now receiving, but the Board believes that the plan of distribution proposed in this bill should not be adopted". The Board's objection to this particular bill was lodged against the provision that after the payment of the 6% dividend to member banks and the creation of the 100% surplus fund, 10% of the net earnings shall then be paid into surplus, and the remainder, or 90% of such net earnings, which under the present law are paid to the United States as a franchise tax, would be distributed to the member banks on a pro rata basis.

As stated above, the Board has expressed the opinion that member banks should have a greater share in the excess earnings of Federal reserve banks, and the Federal Advisory Council and the December, 1929, Conferences of Federal Reserve Agents and Governors have also taken the position.

An amendment to Section 9 of the Federal Reserve Act and Section 5240 of the Revised Statutes regarding examinations of member banks. - This amendment provided, among other things, that all examinations of member banks should be under the jurisdiction of the Comptroller of the Currency, and that the expenses of such examinations should 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 December, 1929, Conferences of Federal Reserve Agents and Governors, which recommended that the Board decline to give its approval to this proposed measure. On February 6, 1930, the Board voted not to recommend the enactment of such an amendment.

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.

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".

An amendment completing revising Section 19 of the Federal Reserve Act so as to adjust, clarify and simplify the reserve requirements.

The Agents' and Governors' Conferences of December, 1929, recommended that the above three proposals be submitted to a special committee for study and recommendation, and the Board on February 6, 1930, voted to take no action on these proposals in view of the fact that this special committee had been appointed.

Amendment to the Bankruptcy Act providing that funds in the custody of the Federal courts shall be deposited with member banks. - The December, 1929, Conference of Federal Reserve Bank Governors approved of an amendment of this kind and on January 6, 1930, in the 2nd Session of the 71st Congress, Senator Walsh introduced a bill (S. 2950) providing that member banks may be designated depositories of bankruptcy funds. The Board has not specifically recommended that an amendment of this kind be enacted, but at its meeting of February 6, 1930, the Law Committee was authorized to conduct such negotiations as might be necessary to have Senator Walsh's bill, S. 2950, so amended as to provide that bankruptcy funds "shall" be deposited in member banks instead of "may" be so deposited; and on February 17, 1930, Mr. Harlin, acting for the Law Committee, addressed a letter to Senator Walsh suggesting that the wording of his bill be changed so as to accomplish this result. The bill was never reported out by the Senate Banking and Currency Committee and no similar bill was introduced in the House.

Amendment to the National Bank Act limiting the amount of investment by a national bank in bank building and fixtures. - The December, 1929, Conference of Federal Reserve Agents recommended this amendment, and on February 6, 1930, the Board voted to refer this proposal to the Comptroller of the Currency.

Amendment requiring the approval of the Federal Reserve Board before charters are granted to new national banks. - An amendment of this kind was recommended by recent Conferences of Federal Reserve Agents, but the Board voted on February 6, 1930, not to recommend the enactment of such an amendment.

Respectfully,

(S) Walter Wyatt,  
General Counsel

SES sad

## EXCERPT FROM THE REPORT OF THE STANDING COMMITTEE ON COLLECTIONS

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TO THE

CONFERENCE OF GOVERNORS, SPRING, 1930.

Acceptance by Federal Reserve Banks of Cash Letters from Non-Member Banks for the Credit of Member Banks

The Committee has been advised by one of the Federal reserve banks that several of its large member banks located outside of the Federal reserve city have submitted on a number of occasions a plan under which their country non-member bank correspondents would prepare daily cash letters on the letter-heads of the member banks, which letters would be dispatched direct by the non-member banks to the Federal reserve bank for the credit of its member banks. The checks would be endorsed by each non-member bank with a double endorsement stamp bearing the name of both the member bank and the non-member bank. Under the plan the member bank would receive credit at the Federal reserve bank without having to handle the checks. Since a matter of policy, which should be uniform in all Federal reserve districts, is involved in the question as to whether or not such practice should be permitted, the subject was referred to the Standing Committee on Collections for consideration and report to the next Conference of Governors.

In reporting to the Governors' Conference of April 1, 1929, on the subject of transfers requested by non-member banks, the Committee expressed the opinion that under a strict interpretation of Section 13 of the Federal Reserve Act, Federal reserve banks cannot receive deposits of any description from non-member banks even if such deposits are for the credit of member banks. It was felt, however, that the acceptance from non-member banks of certain remittances for the credit of member banks was desirable

and might be defended on the ground that the non-member banks in making the deposits were acting as agents of the member banks receiving credit for the deposits. In its report the Committee recommended that Federal reserve banks should accept from non-member banks for the credit of member banks only one form of remittance, namely, a non-member bank's own draft on a clearing house bank in the city of the Federal reserve bank or one of its branches, and then only in case the member bank receiving credit has authorized the Federal reserve bank to accept the deposit subject to the same terms and conditions that would prevail if the deposit had been made by the member bank itself. The Governors approved this recommendation and the Federal Reserve Board in its letter of November 4, 1929 (X-6407) made the action mandatory upon all Federal reserve banks.

In the opinion of the Committee this action precludes the sending by non-member banks to Federal reserve banks for the credit of member banks of any items except their own drafts drawn on specific points. Even if this were not the case, in the opinion of the Committee Federal reserve banks should under no conditions accept miscellaneous checks from non-member banks. Such a procedure would as a practical matter throw open the collection facilities of the Federal Reserve System to non-member banks without requiring them to become members or to contribute in any way to its maintenance. Such banks would receive credit on the member banks' accounts just as soon as they would if they themselves maintained accounts. Questions involving liability, endorsements, etc., as well as the mechanics of procedure would be presented, and it is the belief of the Committee that the operation would result in greatly increased expense to the Federal Reserve System. The Committee is strongly of the opinion that such procedure should not be permitted under any circumstances.

# FEDERAL RESERVE BOARD

374

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6752

November 3, 1930.

SUBJECT: New Size Package F. R. Notes of Large Denomination.

Dear Sir:

The Board's attention has been called to the inconvenience experienced by some of the parent Federal reserve banks in supplying their branches with Federal reserve notes in denominations above \$100 caused by the large amounts of money involved in the present size packages. The matter was taken up with the Bureau of Engraving & Printing and they approved the suggestion that the size of these packages be reduced from 400 notes to 200 notes each. The Board accordingly requested that the Bureau of Engraving & Printing re-wrap the stocks of these denominations now held in its vaults into packages of the smaller size and for your information there is enclosed herewith a schedule showing the number of packages of the new size now on hand here in Washington.

In this connection it will be noted that there are several packages of odd size in the stock and the Bureau was requested to place the notes having the lowest serial numbers in these odd packages. The Board suggests, therefore, that when requisitioning these denominations the Federal reserve agents arrange to withdraw these odd lot packages first and that, in order to avoid their recurrence in the future, all orders for printing of new notes in these denominations be filed in multiples of 50 sheets each. This will permit the stock to be wrapped in even packages of the new size.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO AGENTS OF ALL F. R. BANKS.

TOTAL NUMBER OF PACKAGES OF FEDERAL RESERVE NOTES OF HIGHER DENOMINATIONS  
HELD BY BUREAU OF ENGRAVING & PRINTING AFTER REWRAPPING 200 NOTES TO  
EACH PACKAGE.

X-6752-a

|               | 500's      | 1000's     | 5000's    | 10000's   |
|---------------|------------|------------|-----------|-----------|
| Boston        | -          | 12         | -         | -         |
| New York      | 140        | 180        | 6         | 4         |
| Philadelphia  | 26         | 22         | -         | -         |
| Cleveland     | 6          | 8          | 4         | 1         |
| Richmond      | 10         | 10         | 1 - 96*   | 1 - 96*   |
| Atlanta       | 66         | 126        | 2 - 132*  | 2         |
| Chicago       | 92         | 24 - 196*  | 5 - 40*   | -         |
| St. Louis     | 6          | 10         | -         | -         |
| Minneapolis   | 6          | 8          | -         | -         |
| Kansas City   | 18         | 20         | -         | -         |
| Dallas        | 14         | 18         | 2 - 40*   | 2 - 40*   |
| San Francisco | 14         | 12         | 4 - 144*  | 5 - 184*  |
| <b>Total</b>  | <u>398</u> | <u>450</u> | <u>24</u> | <u>15</u> |

\* Indicates the number of notes in odd package to be requisitioned first.

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**FEDERAL RESERVE BOARD****WASHINGTON****ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD**

X-6753

November 4, 1930.

**SUBJECT:** Complimentary Copies of Federal Reserve Bulletin for State Bank Examiners.

Dear Sir:

As heretofore, the Federal Reserve Board will furnish a complimentary copy of the Federal Reserve Bulletin to each State bank examiner during the year 1931. Please furnish this office, not later than December 15th, with the names and addresses of the State bank examiners in your district to whom a complimentary copy should be sent.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

**TO ALL FEDERAL RESERVE AGENTS.**

## STATEMENT OF BUREAU OF ENGRAVING AND PRINTING.

Federal Reserve Notes, Series 1928.

October 1 to 31, 1930.

|               | <u>\$5</u>     | <u>\$10</u>    | <u>\$20</u>    | <u>Total<br/>sheets</u> | <u>Amount</u>     |
|---------------|----------------|----------------|----------------|-------------------------|-------------------|
| Boston        | 70,000         | 64,000         | 12,000         | 146,000                 | \$13,497.70       |
| New York      | 200,000        | 120,000        | 50,000         | 370,000                 | 34,206.50         |
| Philadelphia  | 80,000         | 45,000         | 18,000         | 143,000                 | 13,220.35         |
| Cleveland     | 72,000         | 36,000         | 36,000         | 144,000                 | 13,312.80         |
| Richmond      | 48,000         | 20,000         | 15,000         | 83,000                  | 7,673.35          |
| Atlanta       | 36,000         | 16,000         | 12,000         | 64,000                  | 5,916.80          |
| St. Louis     | 24,000         | 10,000         | 8,000          | 42,000                  | 3,882.90          |
| Minneapolis   | 24,000         | 15,000         | 12,000         | 51,000                  | 4,714.95          |
| Kansas City   | 36,000         | 8,000          | 8,000          | 52,000                  | 4,807.40          |
| Dallas        | 30,000         | 14,000         | 8,000          | 52,000                  | 4,807.40          |
| San Francisco | 48,000         | 24,000         | 20,000         | 92,000                  | 8,505.40          |
|               | <u>668,000</u> | <u>372,000</u> | <u>199,000</u> | <u>1,239,000</u>        | <u>114,545.55</u> |

1,239,000 sheets, . . . . . \$92.45 M, . . . . : \$114,545.55

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6756

November 10, 1930.

Dear Sir:

Consideration has been given by the Federal Reserve Board to the several matters which were discussed at the recent Conferences of Governors and Federal Reserve Agents and reported at the joint Conference on September 26th, and action has been taken by the Board as set out below:

Revision of membership condition re purchase of bank stocks.

The Board voted to hold in abeyance the proposed revision of membership condition No. 3 and has referred to the System Committee on Branch, Chain and Group Banking the reports of the Governors' and Federal Reserve Agents' Conferences on the matter.

Publication in Federal Reserve Bulletin of notices of intention to withdraw from membership in the Federal Reserve System.

In accordance with the opinions expressed by both the Agents' and Governors' Conferences it was voted to continue the present practice of not making public notices of intention to withdraw from the System filed by State member banks.

Computation of reserves of member banks on basis of deposits held at the opening of business rather than at the close of business on the current day.

As you were advised in the Board's letter of October 2, 1930, (X-6725) the Board has amended Regulation D so as to permit the computation of deficiencies in reserves on the basis of member banks deposits at the opening of business instead of at the close of business.

Method of stimulating a wider distribution of Treasury Bills.

At the request of the Secretary of the Governors' Conference, this matter has been referred to the Undersecretary of the Treasury for consideration.

Change in size of printed regulations of the Federal Reserve Board.

At the time of placing the order for the next printing of its regulations the Board will give consideration to printing the separate regulations in pamphlets which conform more nearly in size to the circular letters of the Treasury Department and the majority of the Federal reserve banks, as suggested by the Governors' Conference.

Proper classification of deposits, with particular reference to the question as to the steps which should be taken by examiners to determine whether reserves on deposits are properly maintained.

The statement adopted by the Federal Reserve Agents' Conference has been referred by the Board to the System Committee on Reserves for report.

Desirability of providing, if possible, for examination of affiliated or subsidiary corporations of member banks.

In considering this topic and the statement adopted by the Federal Reserve Agents' Conference regarding it, the Board felt that in view of the fact that the Comptroller of the Currency in his annual report, recommended to Congress the enactment of legislation along the lines referred to in the statement, the matter should be referred to him for comment. A reply from the Comptroller has not yet been received.

The Committee reports submitted at the Conferences and the other topics discussed by the Governors and Federal Reserve Agents have been noted, no action on the part of the Federal Reserve Board being required.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6757

November 11, 1930.

SUBJECT: Code word to cover "National  
Trust and Savings Association".

Dear Sir:

Upon request of one of the Federal reserve banks, and in order to facilitate leased wire and other operations, the Federal Reserve Board has designated the code word "HUMORIST" to indicate "National Trust and Savings Association".

This word should be inserted in the Federal Reserve Telegraphic Code, following the word "HUMORING", on page 123.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6759

November 13, 1930.

SUBJECT: Reply to Letter from Prof. Westerfield  
re Collateral Loans.

Dear Sir:

Referring to the Board's telegram of October 23, there is attached hereto copy of a letter which Governor Meyer is today forwarding to Mr. Ray B. Westerfield of Yale University in reply to his questionnaire of October 15, regarding collateral loans. It would seem that a further reply to Professor Westerfield's letter by the individual Federal reserve banks, will not be necessary.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

COPY

November 13, 1930 .

Mr. Ray B. Westerfield  
Professor of Political Economy  
Yale University  
New Haven, Connecticut

Dear Mr. Westerfield:

Your questionnaire to certain of the Federal reserve agents relative to collateral loans has been referred to the Board for reply.

Our reply to your inquiry has reference to the trend of member bank loans secured by stocks and bonds, as there is no adequate information regarding loans on other collateral, nor on loans by nonmember banks.

The principal factors underlying the growth during recent years in the proportion of member bank loans that is represented by loans on securities are believed to be the financial policy of corporations and the growth in public participation in the stock market.

In the relatively easy money market conditions prevailing in recent years and with the high level of corporate earnings, corporations found it both desirable and possible to provide themselves with a large part of their working capital from profits and from the issue of securities rather than through borrowing at banks. This policy has been facilitated by the increasing willingness of the public to buy common stocks during a period of rising security prices. This development has operated both to reduce bank borrowing by corporations on line-of-credit loans and to provide the public with securities eligible as collateral for security loans.

An important factor in the increase of security loans during the period from 1922 to 1929 has been the growth of speculation in listed stocks, which

resulted in a growth in the demand for loans by brokers. The ease with which loans to brokers could be negotiated was in itself a factor in the growth of security loans.

Judging by the member bank reports for the system as a whole the change appears to have affected all classes of banks. You will find some data on this subject in the Board's Annual Report for 1928 (Table 52) and 1929 (Table 44), also in recent issues of the Member Bank Call Report, of which copies for June, 1929 and June, 1930 are enclosed. Corresponding data are not available prior to 1925, and they have not been assembled separately for the different classes of banks in each district. A special tabulation that may be of interest to you will appear in the forthcoming November issue of the Federal Reserve Bulletin.

The Federal reserve banks have done nothing whatever to encourage member banks to increase the proportion of their security loans. On the contrary, the desirability from the point of view of member banks of having a large part of their loans in the form of paper eligible for rediscount at the reserve banks has been an influence against the growth of security loans which are ineligible. The preference of member banks for eligible loans is reflected in the fact that customer loans on stocks usually bear a higher rate than other customer loans, as can be verified by reference to the table of rates charged customers that is published regularly in the Federal Reserve Bulletin.

According to our information, as furnished by the Federal reserve agents, it is not customary in any Federal reserve district for banks to "insist on chattel mortgage or other security for practically all of their loans."

Very truly yours,

Eugene Meyer  
Governor



**FEDERAL RESERVE BOARD**

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6760

November 18, 1930.

SUBJECT: Holidays during December, 1930.

Dear Sir:

On Christmas Day, the offices of the Federal Reserve Board and all Federal reserve banks and branches will be closed.

Please advise branches.

Very truly yours,

J. C. Hoell,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

**FEDERAL RESERVE BOARD****WASHINGTON****ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD**

X-6763

November 22, 1930.

Dear Sir:

In order to check the information in the Board's files, please furnish us with the present address and home telephone number of the Governor and Chairman of your Bank. It would also be appreciated if you would keep the Board advised of any changes. Please also advise of the telephone number of the Bank.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

To the Cashiers of all F. R. Banks.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6765

November 25, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6765-a and X-6765-b, covering in detail operations of the main line, Leased Wire System, during the month of October, 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 OCTOBER, 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   | 30,009                     | 2,722  | 32,731                            | 3.50                               |
| New York   | 148,371                    | -  | 148,371                           | 15.87                              |
| Philadelphia   | 34,859                     | 1,180  | 36,039                            | 3.85                               |
| Cleveland  | 91,042                     | 2,974  | 94,016                            | 10.05                              |
| Richmond   | 57,101                     | 2,602  | 59,703                            | 6.38                               |
| Atlanta  | 63,797                     | 8,118  | 71,915                            | 7.69                               |
| Chicago  | 102,589                    | 3,959  | 106,548                           | 11.39                              |
| St. Louis  | 78,283                     | 2,647  | 80,930                            | 8.65                               |
| Minneapolis  | 34,907                     | 4,079  | 38,986                            | 4.17                               |
| Kansas City  | 83,896                     | 2,752  | 86,648                            | 9.27                               |
| Dallas   | 70,054                     | 7,047  | 77,101                            | 8.24                               |
| San Francisco  | 98,563                     | 3,701  | 102,264                           | 10.94                              |
| Total  | 893,471                    | 41,781   | 935,252                           | 100.00                             |
| F. R. Board business . . . . .                               |                            |  | 296,348                           | 1,231,600                          |
| Treasury Department business Incoming and Outgoing . . . . . |                            |  |                                   | 78,179                             |
| Total words transmitted over main lines . . . . .            |                            |  |                                   | 1,309,779                          |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6765-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.

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

X-6765-b

| Name of Bank          | Operators'<br>Salaries | Operators'<br>Overtime | Wire<br>Rental      | Total<br>Expenses   | Pro Rata<br>Share of<br>Total<br>Expenses | Credits            | Payable to<br>Federal<br>Reserve<br>Board |
|-----------------------|------------------------|------------------------|---------------------|---------------------|---|--------------------|---|
| Boston                | \$ 260.00              | \$ -                   | \$ -                | \$ 260.00           | \$ 772.17                                 | \$ 260.00          | \$ 512.17                                 |
| New York              | 1,129.14               | 6.00                   | -                   | 1,135.14            | 3,501.23                                  | 1,135.14           | 2,366.09                                  |
| Philadelphia          | 225.00                 | -                      | -                   | 225.00              | 849.39                                    | 225.00             | 624.39                                    |
| Cleveland             | 306.66                 | -                      | -                   | 306.66              | 2,217.23                                  | 306.66             | 1,910.57                                  |
| Richmond              | 190.00                 | -                      | 230.00(&)           | 420.00              | 1,407.55                                  | 420.00             | 987.55                                    |
| Atlanta               | 270.00                 | -                      | -                   | 270.00              | 1,696.57                                  | 270.00             | 1,426.57                                  |
| Chicago               | 3,765.00(#)            | 3.00                   | -                   | 3,768.00            | 2,512.86                                  | 3,768.00           | 1,255.14(*)                               |
| St. Louis             | 195.00                 | -                      | -                   | 195.00              | 1,908.36                                  | 195.00             | 1,713.36                                  |
| Minneapolis           | 200.00                 | -                      | -                   | 200.00              | 919.98                                    | 200.00             | 719.98                                    |
| Kansas City           | 287.50                 | -                      | -                   | 287.50              | 2,045.14                                  | 287.50             | 1,757.64                                  |
| Dallas                | 251.00                 | -                      | -                   | 251.00              | 1,817.91                                  | 251.00             | 1,566.91                                  |
| San Francisco         | 380.00                 | -                      | -                   | 380.00              | 2,413.58                                  | 380.00             | 2,033.58                                  |
| Federal Reserve Board | -                      | -                      | 15,764.10           | 15,764.10           | -   | -                  | -   |
| <b>Total</b>          | <b>\$ 7,459.30</b>     | <b>\$ 9.00</b>         | <b>\$ 15,994.10</b> | <b>\$ 23,462.40</b> | <b>\$ 22,061.97</b>                       | <b>\$ 7,698.30</b> | <b>\$ 15,618.81</b>                       |
|                       |                        |                        |                     | <u>1,400.43(a)</u>  |   |                    | <u>1,255.14(b)</u>                        |
|                       |                        |                        |                     | <b>\$ 22,061.97</b> |   |                    | <b>\$ 14,363.67</b>                       |

(&) Main Line rental, Richmond-Washington.

(#) Includes salaries of Washington operators.

(\*) Credit.

(a) Received \$1,400.43 from Treasury Department covering business for the month of October 1930.

(b) Amount reimbursable to Chicago.

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## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6766

November 25, 1930.

SUBJECT: Unissued Federal Reserve Notes at Branches.

Dear Sir:

This letter is written for the purpose of calling the attention of those Federal reserve banks which operate branches to the fact that a stock of unissued Federal reserve notes for use in emergencies has been established under triple control of the Federal reserve bank, the Federal reserve agent and the Auditing Department at the Pittsburgh and Cincinnati Branches of the Federal Reserve Bank of Cleveland and at the Jacksonville and New Orleans Branches of the Federal Reserve Bank of Atlanta. The agreement under which Federal reserve notes have been placed at these branches is similar to that described in the Board's letter of October 7, 1926, (X-4682).

It may be that other Federal reserve banks will wish to establish a supply of unissued notes at one or more of their branches under similar conditions and you are advised that the Federal Reserve Board would not object to the establishment of such a plan at any branch.

In order that this plan may be put into operation, it first will be necessary for the Federal reserve bank and the Federal reserve agent to enter into an agreement substantially in the form enclosed herewith. The Governor of the Bank should execute the agreement on behalf of the Federal reserve bank pursuant to a proper resolution of authority from the Board of Directors of the Bank, a certified copy of which should be furnished the Federal Reserve Board, together with a certified copy of the agreement as adopted.

For the purpose of placing unissued Federal reserve notes at any branch, under the triple control agreement referred to, it will be necessary for the Federal reserve agent or an Assistant Federal reserve agent to visit the branch to receive the notes from the Post Office authorities and to see that they are properly deposited under the necessary control combinations. In the event that this plan is established, you should notify the Federal Reserve Board of the date on which the Federal

- 2 -

reserve agent or Assistant Federal reserve agent will be present at the branch for this purpose and the Board will ship to the agent or assistant agent such amount of Federal reserve notes as may be desired, to arrive at the branch on the date specified.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO ALL FEDERAL RESERVE AGENTS.

AGREEMENT REGARDING CUSTODY OF UNISSUED FEDERAL  
RESERVE NOTES AT THE            BRANCH OF THE FEDERAL  
RESERVE BANK OF

WHEREAS, a stock of unissued Federal reserve notes for use in emergency purposes has been placed in a number of chests within the vault of the            branch of the Federal Reserve Bank of           , each chest under triple control of an officer of the branch, a representative of the auditing department stationed at the branch, and the Federal Reserve Agent and Assistant Federal Reserve Agent at the Federal Reserve Bank of            ;

WHEREAS, it is proposed that when Federal reserve notes are needed for emergency purposes, the need will be communicated to the Federal Reserve Agent at           , who will telegraph or telephone his control combination or combinations for a specific chest or chests to the said            branch; and the said branch will prepare and mail to the Federal Reserve Agent the usual vault record sheet showing the serial numbers, denominations and amount of notes issued, attested by the officer of the branch and the representative of the auditing department designated as joint custodians, and carrying a receipt signed by an officer of the branch for the amount of notes received from the Federal Reserve Agent through the release of the particular chest or chests;

WHEREAS, it is further proposed that whenever it is deemed necessary to replenish the emergency supply of Federal reserve notes held in accordance with the conditions herein set forth at the            branch of the Federal Reserve Bank of           , either the Federal Reserve Agent or an Assistant Federal Reserve Agent will be present at the            branch in order to receive such Federal reserve notes from the post office authorities or from the            branch whenever an accumulation of notes is turned back to the Federal Reserve Agent, and in order to see that such notes are properly deposited in the chest or chests under the necessary control combinations;

WHEREAS, the Federal Reserve Board has advised that it will interpose no objection to the operation of the plan as set forth in this agreement, with the proviso, however, that if at any time it should appear for any reason that the plan is impracticable or in any way objectionable, the Federal Reserve Board will require it to be discontinued or modified in any way which may seem proper under the circumstances;

NOW, THEREFORE, in consideration of the premises, the Federal Reserve Agent of the Federal Reserve Bank of            and the Federal



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Reserve Bank of \_\_\_\_\_, through its Governor acting pursuant to a proper resolution of its board of directors, hereby expressly consent and agree that the dispatch by the Federal Reserve Agent or by the Assistant Federal Reserve Agent of the telegraph or telephone message giving the control combination or combinations to a particular chest or chests under the circumstances above set forth, will, in each and every case, be considered as a delivery to the Federal reserve bank of the amount of such Federal reserve notes shown by the records of the Federal Reserve Agent and of the other joint custodians to have been placed in the said chest or chests at the time the control was established, and that this amount will be accepted as conclusive for all purposes.

In witness whereof, the said Federal Reserve Agent has hereunto set his hand and seal, and the said Federal reserve bank has caused its corporate name to be hereunto signed by its Governor and its corporate seal to be hereunto affixed by its Secretary this \_\_\_\_\_ day of \_\_\_\_\_ 1930.

\_\_\_\_\_  
Federal Reserve Agent

(SEAL)

Federal Reserve Bank of

By \_\_\_\_\_  
Governor.

(Corporate  
Seal)

Attest:

\_\_\_\_\_  
Secretary.

I N T H E S T. L O U I S C O U R T O F A P P E A L S

O C T O B E R T E R M, 1930.

R. S. JACOBS BANKING COMPANY, )  
 a corporation )  
 )  
 Appellant, )  
 )  
 v. )  
 )  
 FEDERAL RESERVE BANK OF ST. )  
 LOUIS, a corporation, )  
 )  
 Respondent. )

No. 20895.  
 Appeal from Circuit Court,  
 City of St. Louis.  
 Hon. Erwin G. Ossing, Judge.  
 OPINION FILED  
December 2, 1930

This action was brought by the R. S. Jacobs Banking Company of Greenfield, Missouri, against the Federal Reserve Bank of St. Louis, to recover the sum of \$3,758.43, and interest, to cover losses suffered by the plaintiff bank on account of the failure of the Holland Banking Company of Springfield, Missouri.

A trial by a jury was waived, and the case was tried by the court sitting as a jury and resulted in a judgment for defendant and plaintiff has appealed. When originally filed, the case was removed to the Federal Court, and the evidence was there heard, after which the case was removed to the State Court. Upon trial below, in the Circuit Court, the case was submitted on a stipulation and a transcript of the testimony given in the Federal Court. Each side filed a written request asking the court to make special findings of fact in writing separately from its conclusions of law.

The petition is in seven counts, but inasmuch as the

pleadings do not become particularly material upon appeal, we will state in substance what the petition alleges.

It is alleged in the first count that on February 8, 1921, the defendant notified the plaintiff that all checks, drafts, notes and bills drawn upon the plaintiff, or upon the Dade County Bank of Greenfield, Missouri, and the Bank of Arcola, of Arcola, Missouri, received by the defendant for collection, would be sent by the defendant to the plaintiff for collection and returns, and designated the plaintiff as the defendant's agent for the collection of these checks, drafts notes and bills; that thereafter, and prior to January 14, 1924, the defendant instructed the plaintiff that the proceeds of the collection of such checks, drafts, notes and bills should be forwarded by mail by the plaintiff to the Holland Bank in the form of plaintiff's draft upon the said Holland Bank, payable to the order of the Holland Bank; that during said time, and on and prior to January 14, 1924, the plaintiff maintained a cash balance with the defendant's said correspondent and agent, Holland Bank, for the purpose of paying such items of collection as should be necessarily remitted by the plaintiff under said arrangement; that on January 12, 1924, the plaintiff received from the defendant for collection its cash letter of January 11, 1924, containing checks, drafts and bills aggregating \$1,803.45; that on said date the plaintiff drew its draft in said sum on the Holland Bank, payable to said Holland Bank, and mailed said draft to said Holland Bank in payment of said cash

letter in an addressed and stamped envelope furnished by the defendant for that purpose, as plaintiff had been directed by defendant to do; that the amount of said cash letter was thereby paid by the plaintiff to defendant's said agent and correspondent, Holland Bank; that the plaintiff thereupon notified the defendant of such payment by a self-addressed postal card furnished by the defendant for that purpose; that the plaintiff's obligation regarding the payment of such cash letter was fully and seasonably discharged by so mailing said draft and notifying the defendant of such payment, under said instructions by the defendant; that the plaintiff had on deposit with said Holland Bank a cash balance sufficient to pay said draft of \$1,803.45 to its principal, the defendant herein; that thereafter on January \_\_\_\_\_ 1924, the defendant made demand upon the plaintiff for the payment of said cash letter of \$1,803.45 paid by plaintiff, as aforesaid, and the plaintiff refused to pay the same for the reason that plaintiff had fully complied with the defendant's instructions as to the payment thereof, and had fully paid the same and discharged its duty to the defendant with regard thereto, by mailing its draft to said Holland Bank, as aforesaid; that thereafter, on February 4, 1924, the defendant notified the plaintiff that it was charging back all of the items included in said cash letter to the defendant's endorsers; that the defendant did so charge back said items to its endorsers, and the several items contained in said cash letter were, in the usual and ordinary course, charged back by the several endorsers and payees to the makers thereof;

that said items were wrongfully so charged back by the defendant; that by reason of the wrongful act of defendant in charging back said items to its endorsers, as aforesaid, the makers and drawers of said items, who were and are customers of the plaintiff, were compelled to pay said items a second time; that said makers and drawers could not understand why they were so compelled to pay, as aforesaid, and complained bitterly thereof, and that the wrongful act of the defendant in charging back said items was calculated to shake the confidence of the plaintiff's customers in the solvency of the plaintiff, and was wrongfully done by the defendant for such purpose, in order to wrongfully force and coerce the plaintiff to pay said cash letter of \$1,803.45 a second time; that the defendant also for said purpose reported plaintiff's alleged failure to pay said items to the Finance Commissioner of Missouri, and that by reason of said wrongful act of the defendant, the plaintiff was thereafter, on or about the 13th day of February, 1924, by duress and in order to save its reputation and credit, coerced into sending to the defendant said sum the second time in order to prevent the defendant from charging back said items, and did on the said date again pay the defendant said sum; that on January 14, 1924, the said Holland Bank was closed by order of the State Banking Department of Missouri, and taken over for liquidation by the Commissioner of Finance of said state; that although said remittance and draft made by the plaintiff to said Holland Bank was received by said Holland Bank before the same was closed by the State Banking Department of Missouri, said item was never

charged to the plaintiff's account in said Holland Bank; that the plaintiff never learned of the insolvency or the closing of said Holland Bank until after January 15, 1924; that in order to minimize its damages and recover what it could and protect both itself and the defendant in a situation which was likely to result in litigation concerning the liability of the defendant to the plaintiff for said wrongful acts, the plaintiff filed its claim with the Commissioner of Finance in charge of said Holland Bank with the amount of plaintiff's balance in said bank, and thereafter received a forty per cent dividend on said claim, and thereby received the sum of \$721.38 on the amount which was on hand to pay its draft of \$1,803.45, which is the total amount that can be realized from the estate of said Holland Bank, and that the balance of said item, to-wit, \$1,082.07, has not been paid by the defendant or any other person in its behalf, and is still due and unpaid, by reason whereof the plaintiff asked judgment for said sum of \$1,082.07, with interest, and costs.

The other counts in the petition are of similar nature.

The answer to the first count alleges that under the authority of the act creating the Federal Reserve Board, the Federal Reserve Board issued and promulgated an order requiring all Federal Reserve Banks, including defendant, to operate a clearing house for its member and non-member clearing banks, and promulgated certain regulations, which regulations were in full force and effect at all times, and various parts of these

regulations were set forth in the answer.

The answer also refers to a circular, known as Circular No. 6, Series of 1922, alleged to have been issued by the Federal Reserve Board to all Federal Reserve Banks and non-member clearing banks.

The answer denies the agency of the plaintiff for the defendant.

The answer also pleads an agreement on the part of the plaintiff, dated July 21, 1916, to collect items sent by the defendant to the plaintiff on the plaintiff, the Dade County Bank, and the Bank of Arcola.

It is then alleged that the plaintiff remitted direct to the defendant at St. Louis in St. Louis exchange, but that the plaintiff desiring to use Springfield exchange, entered into the arrangement with the Bank of Commerce of Springfield and then the Holland Bank of Springfield, by which the plaintiff remitted to said Springfield banks, and secured an arrangement with said Springfield banks for the transfer of the funds to the defendant at St. Louis, which arrangement is alleged to have been in force in January, 1924.

The answer admits the items were charged back, but denies that such act of charging the same back was wrongful, and denies that the payment of the amount of said cash letter by the plaintiff, on February 14, 1924, was made by duress and coercion, and alleges that said payment was voluntarily made.

The answer also pleads an estoppel against the

plaintiff because of the filing of the claim against the Holland Bank and the securing of a forty per cent dividend on such claim.

We think it is unnecessary to refer further to the pleadings at this time.

Plaintiff seeks to recover of defendant on the theory that the Holland Bank of Springfield, Missouri, was the agent of defendant, and therefore defendant is liable for the acts or negligence of its agent. A few preliminary facts are necessary to a proper discussion and determination of this case. Under an agreement in writing dated July 21, 1916, plaintiff and defendant had an arrangement whereby defendant sent for collection, checks drawn on the plaintiff and other banks in that territory, and the proceeds were to be immediately remitted in available St. Louis exchange. Prior to 1920, the defendant had begun to get in, by way of remittance for collection, items sent to country banks instead of exchange immediately available on St. Louis. From some time in February, 1918, to some date in 1920, plaintiff remitted to defendant to cover collection items, checks on itself, by a draft drawn on the Bank of Commerce in Springfield, Missouri. This method of exchange was undesirable to defendant because it took two days to collect after it was received. This interfered with the time schedules established by the defendant for the giving of credit to the banks which had forwarded these items to defendant for collection. Plaintiff maintained a deposit account with the Bank of Commerce in Springfield from 1917 up to



February 7, 1921, on which latter date the Bank of Commerce merged with the Holland Banking Company, also of Springfield. The Plaintiff also maintained a general deposit account with the Holland Banking Company for a number of years, and maintained such an account prior to the merger of the two banks. In June, 1920, on account of the numerous complaints of defendant about Springfield exchange being sent to it, plaintiff stopped sending Springfield exchange to defendant on account of collections, but instead sent in settlement of collection items exchange on St. Louis. Other banks in that territory had been remitting to defendant for collection, items in Springfield exchange which were unsatisfactory to defendant. The Springfield banks were also complaining that the defendant's insistence upon St. Louis exchange or its equivalent was losing accounts for them, because the customer banks felt that they had to carry larger accounts in St. Louis. In the year 1920, there was a large amount of correspondence, and a number of conferences were held between representatives of the Federal Reserve Bank and other country banks in that territory, including plaintiff, and plans were discussed for avoiding the difficulties and unsatisfactory methods that had theretofore existed. Defendant's representatives discussed with the Springfield bank various plans under which a country bank could use a Springfield correspondent through whom to furnish defendant with exchange on St. Louis, to the effect that checks intended to be collected by the country banks would be sent direct to the country banks' Springfield correspondents,

the latter remitting immediately to defendant for the aggregate of the checks received, and charging the account of the country bank with the amount remitted, and at the same time it would forward to the country banks the check so paid. The country bank would then charge the checks against the respective drawer's balances. There were other plans discussed, the defendant's contention being that it did not want to go directly to the correspondents of the Springfield banks, because such a course would injure the Springfield banks.

The record in this case is a lengthy one, and it is impossible to set out all the evidence introduced without unnecessarily burdening this opinion. But we deem it proper and necessary at this point to set out the following findings of facts as made by the trial court:

"The Court finds the facts, specially, to be as follows:

"1. In the year, 1916, a written agreement (set forth in the pleadings) was entered into between plaintiff and defendant, pursuant to which plaintiff received by mail from defendant collection letters enclosing checks drawn on the plaintiff and two neighboring banks to be collected by plaintiff and remitted to defendant in immediately available exchange. There was no subsequent agreement made directly between the plaintiff and defendant. In the first half of 1930, there was considerable tendency shown by plaintiff, (and by other country banks) to remit for collections in Springfield, Missouri, exchange, which exchange was not immediately available for the reason that it took two days to collect from St. Louis, and defendant insisted on St. Louis exchange or exchange immediately cashable.

"2. Springfield banks complained that defendant's insistence upon immediately available St. Louis exchange was losing them accounts. Defendant disclaimed any intention to injure Springfield banks, and various plans to meet the difficulty were discussed between defendant and Springfield Bank of Commerce. The latter

requested defendant not to approach country correspondents of Bank of Commerce, but to permit it to do so and it would make arrangements satisfactory both to country banks and to defendant.

"3. Plaintiff maintained a general deposit account with Bank of Commerce for some four years preceding February 7, 1921, on which date Bank of Commerce merged with Holland Banking Company, also of Springfield. Prior to merger, plaintiff maintained a general deposit account with Holland Banking Company; and after merger of the two banks, plaintiff continued uninterruptedly to maintain a general deposit account with the consolidated Holland Banking Company.

"4. Among other plans discussed between Springfield banks and defendant, in the endeavor to avoid exchange unavailable in St. Louis, without injury to Springfield banks, was one for telegraphic transfer.

"On May 15, 1920, defendant wrote Holland Banking Company that the following plan had been suggested: The Holland Banking Company to have its country correspondence remit direct to Holland Banking Company instead of direct to defendant: Holland Banking Company to transfer funds to defendant by wire upon receipt of remittances from country correspondents: the wire transfer to be followed by letter giving details of remittance and amount transferred to be held in suspense as a deduction from outstanding items, awaiting receipt of detailed advice.

"The Holland Banking Company did not approve the plan suggested, and never had to do with any plan for telegraphic transfer until after its merger with the Bank of Commerce.

"5. The Bank of Commerce did not enter into any plan for telegraphic transfer until on or about January 11, 1921. On this date defendant addressed letter to Bank of Commerce to effect that defendant was advised that Bank of Commerce was prepared to adopt a plan in connection with remittances from some of its country correspondents, under which remittances might be mailed to addressee for telegraphic transfer to defendant; that under the operation of this plan defendant would furnish addressee's correspondents with forms for their use in remitting to addressee by draft on addressee, and would supply addressee with forms to be mailed to defendant, showing the details of remittances received. It was requested that addressee transfer to defendant daily, by wire, the total amount of remittances received for defendant's use,

including in telegram statement that deposit was to be made with defendant. 'Account remittances received.' Details of remittances showing date and total of cash letters, bank making remittances and total remittances were to be mailed to defendant, following telegram, and should defendant presumed, in most cases, be received by defendant the day after receipt of deposit made by addressee's correspondents pursuant to addressee's telegraphic direction. Defendant was placing order for forms needed, and when completed they would be forwarded promptly with instructions to addressee's country correspondents. If details not clear to addressee, advices awaited.

"6. Thereupon the Bank of Commerce appears to have taken up the matter with its country correspondents. The Bank of Commerce sent out a circular letter to plaintiff, under date of January 13, 1921, stating that Bank of Commerce had effected arrangement with defendant whereby drafts by country banks on Bank of Commerce, in payment of collection letters, would be immediately available in St. Louis. The defendant would send all collection items direct to plaintiff for remittance to Bank of Commerce, and the Bank of Commerce would handle the rest of the transaction for plaintiff entirely. To this plaintiff agreed, and on January 17, 1921, Bank of Commerce wrote defendant, giving a list of country banks (plaintiff among them) to which in future collection items sent them should be sent direct, with addressed envelope in which they would return to Bank of Commerce in payment therefor, the Bank of Commerce wiring defendant each day to cover same.

"7. Beginning with January 28, 1921, the plan of telegraphic transfer was in operation between Bank of Commerce, plaintiff and defendant. The arrangement was taken over on the merger with the Bank of Commerce by the consolidated Holland Banking Company. Mr. Randall who had been the cashier of the Bank of Commerce became the cashier of the Holland Banking Company and the plan as begun with the Bank of Commerce was carried on without interruption.

"8. The operation of the plan was as follows:

"(a) Defendant had a printed cash letter form, which stated, after the blank for address, that defendant enclosed for collection and remittance in immediately available funds; that prompt report was requested, giving date and total of this letter; that all unpaid items should be immediately returned giving reasons

for non-payment; that non-payment of all items over \$500.00 should be telegraphed defendant, giving reasons for non-payment, and quoting name of preceding bank endorser.

"A blank space followed to be filled in with type-written list of items sent. Instructions as to protest were printed at the foot.

"(b) Defendant had also printed a postal card form, addressed to itself, stating that writer had received cash letter, and had remitted proceeds to Holland Banking Company for telegraphic transfer to defendant. The date of cash letter was then given, its amount, the items subtracted for non-payment with reasons for non-payment.

"Beneath the blank for signature it was stated that the postal card was absolute advice of payment of all items in the cash letter mentioned, except those herein listed as unpaid.

"(c) Defendant had also printed envelopes, stamped and addressed to Holland Banking Company.

"(d) Defendant also had printed a letter form, for use by the country correspondents of Holland Banking Company in making remittances. This form was addressed to Holland Banking Company and stated that writer enclosed draft on Holland Banking Company for \$\_\_\_\_\_ for telegraphic transfer to Federal Reserve Bank of St. Louis, in payment of their cash letter of \_\_\_\_\_. These letter forms were furnished in considerable number to Holland Banking Company.

"(e) Defendant had also printed and furnished to Holland Banking Company for use by the latter in explaining more fully to defendant the telegraphic transfer, a letter form, addressed to defendant, wherein writer advised defendant that he had instructed \_\_\_\_\_ (one of his St. Louis correspondence) to transfer to defendant on that day \$\_\_\_\_\_ covering remittances received as listed below. Then followed three vertical columns, headed respectively at the top, 'payment your letter,' and 'received from,' and the third (for amounts) with no heading.

"With each cash letter (a) mailed to plaintiff, defendant would enclose the checks to be collected; a postal card form (b); and a stamped envelope (c). When plaintiff collected the checks, plaintiff made out a remittance letter form (d), drew a draft on its

general deposit account, on the Holland Banking Company, to order of latter, for amount shown by remittance letter, and mailed draft and remittance letter, in the stamped and addressed envelope to Holland Banking Company. Plaintiff at the same time, made out and mailed to defendant the postal card form (b).

"Upon receipt and payment of the draft, Holland Banking Company wired its St. Louis correspondent to pay defendant and mailed to defendant the explanatory letter of advice (c).

"At the time of making out its draft on the Holland Banking Company, in favor of the Holland Banking Company, the plaintiff entered its draft in its draft register and charged the amount thereof against the account of the Holland Banking Company upon plaintiff's books.

"9. Until after this controversy had arisen, there was no communication between plaintiff and defendant respecting the foregoing system of telegraphic transfer apart from the sending and the use of the forms set forth above.

"10. During the time between the merger and the failure of the Holland Banking Company slightly more than one-half of the drafts, drawn by plaintiff on its general deposit account with the Holland Banking Company, were in favor of the latter, for telegraphic transfer to pay cash letters sent by defendant; and the remainder of said drafts were drawn for other purposes.

"11. On January 12, 1924, plaintiff received a cash letter from defendant totaling \$1,803.45. Plaintiff collected the same, drew a draft to order of Holland Banking Company, made out a remittance letter, and mailed draft and letter to Holland Banking Company and postal card advice to defendant, all in the usual way as above described. This draft reached Holland Banking Company (Sunday intervening) on Monday morning January 14, 1924.

"On January 14, 1924, plaintiff received two cash letters from defendant; one for \$496.78 and one for \$40.73. Plaintiff collected these, and made out the usual drafts and remittance letters, and mailed them to Holland Banking Company, all in the manner herein above described. These two drafts reached Holland Banking Company's office on the morning of January 15,

1924.

"On January 15, 1924, plaintiff received two cash letters from defendant; one for \$1,833.90 and the other for \$2,089.19. These plaintiff collected, made out the drafts therefor, mailed these drafts with remittance letters to Holland Banking Company, all in the manner described above. These two drafts reached the office of the Holland Banking Company on January 16, 1924.

"12. While these two last mentioned drafts, for \$1,833.90 and \$2,089.19 respectively, were written out, with the customary remittance letters, and entered on the books of plaintiff before plaintiff's officers in charge of its books learned of the closing of the Holland Banking Company, the evidence is persuasive that these two drafts were not deposited in the mail until after plaintiff's said officers had learned of such closing; and the Court so finds.

"13. The Holland Banking Company was open on Monday, January 14, 1924, closed on that day at the usual time, and never thereafter re-opened for business. It was taken in charge by the State Finance Department early on the morning of January 15, 1924, and was thereafter liquidated by said department.

"14. All of the five drafts specified above, and involved in this controversy were returned intact to plaintiff by the State Finance Department. None of the five drafts mentioned was ever in any way marked, or stamped, by the Holland Banking Company, or in any wise entered upon its books or paid.

"The balances in favor of plaintiff in its general deposit account with the Holland Banking Company, were at all times larger than the amount of said drafts. When the Holland Banking Company closed, said Banking Company had in cash and cash items approximately \$275,000.00 and had over \$50,000.00 in various banks to its credit. The assets of the Holland Banking Company have proved insufficient up to this time to pay more than forty per cent to its depositors.

"15. After the closing of the Holland Banking Company correspondence ensued between defendant and plaintiff respecting the five cash letters in controversy. In the course of this correspondence the plaintiff claimed that the Holland Banking Company was the agent of the defendant for the receipt and transmission of the funds sent to Holland Banking Company by plaintiff. The defendant urged that the situation was

analogous to that which would have arisen if the plaintiff had sent to defendant drafts on the Holland Banking Company, which the latter failed to honor or pay.

"On February 4, 1924, the defendant charged back the items covered by the drafts in controversy to its endorsers, notifying them of the fact. Both plaintiff and defendant appear to have taken the matter up with the State Finance Department. Both parties referred the matter to their respective attorneys. Finally on February 13, 1924, the plaintiff sent its draft on St. Louis to defendant in payment of the disputed items. In the letter sent at the same time, plaintiff directed defendant to reverse the charges theretofore made against, and to credit back the items to, defendant's endorsers. This was thereupon done by defendant and the credits were made and notified by defendant to its various endorsers. Plaintiff then cancelled the drafts in controversy returned to it by the State Finance Department.

"16. The Court finds that said payment of February 13, 1924, was not made under protest; and, in view of the burden of proof resting in that regard on plaintiff, the Court further finds that said payment can not be said to have been coerced or induced by duress applied by the defendant. The Court finds that under the circumstances surrounding the situation the plaintiff concluded that it was wiser and more advantageous to plaintiff to make the payment, and that it was voluntarily made.

"17. The Court further finds that in the communications between the plaintiff and defendant, after the closing of the Holland Banking Company and before the payment of February 13, 1924, there was no representation of fact made by defendant to plaintiff, to the effect that the Holland Banking Company was not an agent of the defendant; and that the plaintiff is not entitled to claim that it was misled by any such representation prior to the making of the payment of February 13, 1924.

"18. The Court further finds that plaintiff is estopped from reclaiming the payment of February 13, 1924, or any portion thereof, by its letter of February 13, 1924, sent with such payment, and the subsequent action of defendant thereunder.

"The Court is not persuaded that the plaintiff did not know, or by the exercise of reasonable diligence and inquiry, could not have learned, the substantial



and material facts respecting the relationship and circumstances involved in the so-called telegraphic transfer payment plan between the parties and the Holland Banking Company. The Court therefore finds that the plaintiff at or before the making of the payment of February 13, 1924, knew, or by the exercise of reasonable diligence and inquiry could have learned, the substantial and material facts with regard to the relationship and circumstances involved in the so-called telegraphic transfer payment plan between the parties and the Holland Banking Company; and the Court finds that the estoppel arising out of its payment and letter of February 13, 1924, is not defeated by plaintiff's ignorance of the facts involved at the time of making such payment.

"19. The Court further finds that the depositing in the post office of the drafts drawn on and mailed to Holland Banking Company by plaintiff, did not constitute payment of the collection items sent to plaintiff by defendant and covered by said drafts.

"20. The Court finds that, prior to acceptance thereof by the Holland Banking Company, the drafts drawn on and mailed to Holland Banking Company by plaintiff did not constitute payment of the collection items sent to plaintiff by defendant and covered by said drafts.

"21. The Court finds that, prior to payment thereof by the Holland Banking Company, the drafts drawn on and mailed to Holland Banking Company by Plaintiff did not constitute payment of the collection items sent to plaintiff and covered by said drafts.

"22. The Court finds that the failure or refusal of the Holland Banking Company to accept the draft for \$1,803.45 was not the failure or refusal of an agent of defendant.

"23. The Court finds that the failure or refusal of the Holland Banking Company to accept the drafts for \$496.78, \$40.73, \$1,833.90, and \$2,089.19, or any of them, was not the failure or refusal of an agent of defendant.

"23 $\frac{1}{2}$ . The Court finds that the drafts of \$1,803.45, \$496.78, \$40.73, \$1,833.90 and \$2,089.19, or any of them were not payment of the collection items covered thereby, prior to the acceptance or payment of said drafts by the Holland Banking Company.

"24. The Court finds that the failure or refusal of the Holland Banking Company to honor or pay the drafts for \$1,803.45, \$496.78, \$40.73, \$1,833.90 and \$2,089.19, was not the failure or refusal of an agent of defendant.

"25. The Court further finds that the plaintiff made and proved its claim against the liquidators of the Holland Banking Company, for the whole balance of its general deposit, which included the amounts of the unentered drafts here in controversy, and that there was subsequently paid on such claim a dividend of forty per cent; but the plaintiff never notified the defendant that any such claim was being made or filed as in behalf, or for the use, of defendant, nor did the claim as filed profess or appear to be made in behalf of any other than plaintiff, and prior to the collection of said claim, plaintiff assigned said claim to another bank, in return for moneys advanced.

"26. The Court finds that the following regulations had been adopted and promulgated by the Federal Reserve Board, for the governance of Federal Reserve Banks, with respect to collections and were in force at all times when the cash letters and drafts involved in this controversy were sent and received.

"Check Clearing and Collection.

"Section 16 of the Federal Reserve Act authorizes the Federal Reserve Board to require each Federal Reserve Bank to exercise the function of a clearing house for its member banks, and section 13 of the Federal Reserve Act, as amended by the act approved June 21, 1917, authorizes each Federal Reserve Bank to receive from any non-member bank or trust company, solely for the purposes of exchange or of collection, deposits of current funds in lawful money, national bank notes, Federal Reserve notes, checks and drafts payable upon presentation, or maturing notes and bills, provided such non-member bank or trust company maintains with its Federal Reserve Bank a balance sufficient to offset the items in transit held for its account by the Federal Reserve Bank.

"In pursuance of the authority vested in it under these provisions of law, the Federal Reserve Board, desiring to afford both to the public and to the various banks of the country a direct, expeditious, and economical system of check collection and settlement of balances, has arranged to have each Federal Reserve

Bank exercise the functions of a clearing house for such of its member banks as desire to avail themselves of its privileges and for such non-member state banks and trust companies as may maintain with the Federal Reserve Bank balances sufficient to qualify them under the provisions of section 13 to send items to Federal Reserve Banks for purposes of exchange or of collection. Such non-member state banks and trust companies will hereinafter be referred to in this regulation as non-member clearing banks.

"Each Federal Reserve Bank shall exercise the functions of a clearing house under the following general terms and conditions.

"(1) Each Federal Reserve Bank will receive at par from its member banks and from non-member clearing banks in its district, checks drawn on all member and non-member clearing banks and on all other non-member banks which agree to remit at par through the Federal Reserve Bank of their district.

"(2) Each Federal Reserve Bank will receive at par from other Federal Reserve Banks, and from all member and non-member clearing banks, regardless of their location, for the credit of their accounts with their respective Federal Reserve Banks, checks drawn upon all member and non-member clearing banks of its district and upon all other non-member banks of its district whose checks are collected at par by the Federal Reserve Bank.

"(3) Immediate credit entry upon receipt subject to final payment will be made for all such items upon the books of the Federal Reserve Bank at full face value, but the proceeds will not be counted as part of the minimum reserve nor become available to meet checks drawn until such time as may be specified in the appropriate time schedule referred to in subdivision 7.

"(4) Checks received by a Federal Reserve Bank on its member or non-member clearing banks will be forwarded direct to such banks and will not be charged to their accounts until sufficient time has elapsed within which to receive advice of payment, as shown by the appropriate time schedule referred to in subdivision 7.

"(5) Under this plan each Federal Reserve Bank will receive at par from its member and non-member clearing banks checks on all member and non-member clearing banks and on all other non-member banks whose

checks can be collected at par by any Federal Reserve Bank. Member and non-member clearing banks will be required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of their Federal Reserve Banks: Provided, however, that a member or non-member clearing bank may ship currency or specie from its own vaults at the expense of its Federal Reserve Bank to cover any deficiency which may arise because of and only in the case of inability to provide items to offset checks received from or for the account of its Federal Reserve Bank.

"(6) Section 19 of the Federal Reserve Act provides that:

"The required balance carried by a member bank with a Federal Reserve Bank may, under the regulations 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: Provided, however, that no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored.

"Items can not be counted as a part of the minimum reserve balance to be carried by a member bank with its Federal Reserve Bank until such time as may be specified in the appropriate time schedule referred to in subdivision 7. Therefore, should a member bank draw against items before such time, the draft would be charged against its reserve balance if such balance were sufficient in amount to pay it; but any resulting impairment of reserve balances would be subject to all the penalties provided by the Act.

"Inasmuch as it is essential that the law in respect to the maintenance by member banks of the required minimum reserve balance shall be strictly complied with, the Federal Reserve Board, under authority vested in it by section 19 of the Act, has prescribed as the basic penalty for any deficiency in reserve a sum equivalent to an interest charge on the amount of the deficiency of 2 per cent per annum above the ninety-day discount rate of the Federal Reserve Bank of the district in which the member bank is located, and has announced that it will prescribe for any Federal Reserve district, upon the application of the Federal Reserve Bank of that district, as an additional progressive penalty for any subsequent deficiency by the same member bank during the same calendar year a sum equivalent to an interest charge on the amount of the subsequent deficiency at a

rate increasing one-half of 1 per cent for each such subsequent deficiency.

"(7) Each Federal Reserve Bank will determine by analysis the amounts of uncollected funds appearing on its books to the credit of each member bank. Such analysis will show the true status of the reserve held by the Federal Reserve Bank for each member bank and will enable it to apply the penalty for impairment of reserve.

"Each Federal Reserve Bank will publish time schedules showing the time at which any item sent to it will be counted as reserve and become available to meet any checks drawn.

"(8) In handling items for member and non-member clearing banks, a Federal Reserve Bank will act as agent only. The board will require that each member and non-member clearing 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 Banks in their letters of instruction to their member and non-member clearing 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 non-member banks which are clearing through the Federal Reserve Bank.

"27. The Court further finds that the Federal Reserve Bank of St. Louis, with the consent and approval of the Federal Reserve Board, did on the 30th day of December, 1922, adopt, promulgate and send out to all member banks and to all non-member clearing banks within its district, and to all other Federal Reserve Banks, Circular No. 6, stating the conditions under which checks sent to said Federal Reserve Bank of St. Louis for collection would be handled; and that said Circular No. 6 remained unchanged up to and during the period of the facts mentioned and complained of in plaintiff's petition.

"Circular No. 6, Series of 1922, is as follows:

"Federal Reserve Bank of St. Louis

"Operation of Check Collection System

"St. Louis, Mo., December 30, 1922.

"To the Member Banks of District No. 8:

"On the following pages of this circular will be found instructions and regulations governing the deposit and collection of checks through the Federal Reserve Bank of St. Louis and its branches.

"It is requested that all member banks familiarize their staffs with the instructions and regulations herein, in order that they may obtain the greatest benefit of the facilities provided for their use.

"Additional copies of this circular will be furnished on request.

"Respectfully,  
"D. C. Biggs,  
"Governor.

#### "Cash Items Received

"The Federal Reserve Bank of St. Louis and its branches will receive for collection and credit at par such checks payable in the United States as can be collected at par, as per list published semi-annually by the Federal Reserve Board and amended by the monthly supplements thereto, and checks and warrants drawn on the treasurer of the United States.

"Exceptions to this general rule are as follows:

"(1) Checks which have been protested and are reforwarded for payment.

"(2) Checks drawn by the sending bank on its account with a correspondent located elsewhere than in the city in which the receiving Federal Reserve Bank or branch is located, unless special arrangements have been made to charge such drafts immediately to the drawee bank's reserve account.

"(3) Checks with pass books or other documents attached.

"Items of the kinds mentioned in the list of exceptions noted, as well as any other items which banks are not authorized by this circular to list as cash items will be charged to the account of any bank listing them as cash, and entered for collection and proceeds credited only when actually paid.

"Checks and Warrants on the Treasurer of the United States.

"Checks and warrants drawn on the treasurer of the United States will be received for immediate credit subject to examination and final payment by the Treasurer.

"The treasurer of the United States reserves the usual right of the drawee to examine, when received, all Government warrants and checks and to refuse payment thereon, and the Federal Reserve Bank of St. Louis and its branches will handle such items in accordance with the provisions of Treasury Department, Circular No. 176, as amended and supplemented May 15, 1922.

"The treasurer will return immediately any warrant or check, payment of which is refused on account of forged signature of drawer, insufficient funds, stoppage of payment, or any material defect discovered upon first examination. Such items will be charged back and returned to the depositing bank for immediate credit.

"In the event that any warrant or check which has been paid by the treasurer is subsequently found to bear a forged endorsement, or to have been raised, or to bear any other material alteration or defect which was not discoverable upon first examination, a photographic copy of the warrant or check will be sent to the depositing bank, but its account will not be charged pending adjustment.

"In the cases of warrants or checks bearing a forged signature of the drawer, not discovered upon first examination by the treasurer, and in other cases where the treasurer's right to reclaim is in question, the warrants or checks will not be charged to the account of the depositing bank but will be returned to it as collection items for adjustment.

#### "Preparation of Cash Letters.

"In listing checks on cash letters the name and location of the drawee should appear opposite each amount. The numerical system of the American Bankers Association may be used to advantage in this connection.

"In order that checks may be economically and expeditiously handled and the quickest availability given, it is necessary that depositing banks sort their checks according to the divisions of the time schedule, forwarding separate letters for -

"Checks subject to immediate credit."

"Checks subject to one day deferred credit."

"Checks subject to two days deferred credit."

"Checks subject to three days deferred credit," etc.

"Letters containing checks of various availabilities will be deferred for the time necessary to collect those longest outstanding in accordance with the time schedule. More than one letter may be enclosed in one envelope, but as cash letters will be accounted for separately, depositing banks are requested not to show recapitulation of the various totals.

"All cash letters for deferred credit will be acknowledged by the Federal Reserve Bank of St. Louis and its branches. The acknowledgment will be in form similar to the illustration below and will show the date on which proceeds will be available.

"Federal Reserve Bank of St. Louis  
"October 30, 1922.

"Advice

"First National Bank

"Blanktown, State

"Receipt is acknowledged of your cash letter dated 10-28-22.

"Total \$1220.00 which will be available and credited to your Reserve

Account on Nov. 3, 1922. Amount \$1220.00

"Subject to final payment.

"Hours at which Checks will be received.

"Checks may be deposited with the Federal Reserve Bank of St. Louis and its branches for handling on the current day until 2 p.m. daily, except Saturday. On Saturday checks will be received by the Federal Reserve Bank of St. Louis and its branches at Memphis until 12 o'clock noon and by its branches at Little Rock and Louisville until 1 p.m.

"Checks received later than the prescribed hours will not enter into the current day's work, but will be handled in all respects as if received on the succeeding business day within the hours named.

"Uniform Instructions.

"All checks received or forwarded by the Federal Reserve Banks and branches will be handled subject to the following uniform instructions:

"1. Do not protest items of \$10.00 or less.



"2. Protest items of \$10.01 or over except those bearing on their face this stamp 'No Pro 4-4' or a similar symbol containing the A. B. A. number of a preceding bank endorser.

"3. Telegraph non-payment of all items \$500.00 and over, giving reason for non-payment and quoting the name of the preceding bank endorser.

"Checks will be handled only in accordance with these uniform instructions and any other or special instructions will be disregarded. If depositing banks wish any checks handled otherwise than under the above instructions, it will be necessary to forward such checks for collection and credit when paid, in which case the Federal Reserve Bank of St. Louis, and its branches will follow the instructions contained in the letter of transmittal from the forwarding bank.

"The Federal Reserve Bank of St. Louis and its branches will absorb telegraphic costs in connection with wiring advice of non-payment of items of \$500.00 or over. All other telegraphic costs in connection with obtaining and advising payment or non-payment, or any other information or instructions at the request of the depositing member bank, will be charged to the requesting member bank.

"Endorsements.

"All checks forwarded to the Federal Reserve Banks and branches must bear the unqualified endorsement of the forwarding bank, directing payment to be made to any bank or banker, or to the order of the Federal Reserve Bank or branch addressed, carrying a guarantee of all prior endorsements and bearing the date and American Bankers Association transit number of the endorsing bank.

"In the interest of good banking, the indirect routing of checks will be discouraged and member banks will not be permitted to deposit with the Federal Reserve Bank of St. Louis or its branches, or send direct to other Federal Reserve Banks or branches for their account, any checks payable in other Federal Reserve districts, which bear the endorsement of banks located in other Federal Reserve districts, in cases where it is evident that such checks have been routed indirectly.

"When Proceeds of Checks will be available.

"Proceeds of checks deposited with the Federal

Reserve Bank of St. Louis or one of its branches will be available for credit to the accounts of depositing banks after the lapse of the time noted in the current time schedule.

"In order to obtain immediate credit for checks subject to immediate availability, they must be in the hands of the Federal Reserve Bank of St. Louis or its branches, by 10 a.m. daily, except Saturday. On Saturday checks subject to immediate availability, they must be in the hands of the Federal Reserve Bank of St. Louis by 8:30 a.m. and in the hands of its branches at Little Rock, Louisville and Memphis by 9:30 a.m. Credit for checks subject to immediate availability received after the hours mentioned will be deferred one business day.

"The provisions of the preceding paragraph will not apply to drafts on the Federal Reserve Bank of St. Louis or its branches deposited at the office on which they are drawn. Such items will be received for immediate credit up to the closing time as specified on Page 3 of this circular under the caption 'Hours at which Checks will be Received.'

"Direct Routing.

"Member banks will be permitted under certain conditions and regulations, to route checks payable in other Federal Reserve districts direct to the Federal Reserve banks and branches of the districts in which the items are payable, for the account of the Federal Reserve Bank of St. Louis or its branches, provided, permission to do so is first obtained from the Federal Reserve Bank of St. Louis. Member banks desiring to avail themselves of this privilege will write the Federal Reserve Bank of St. Louis for permission (if permission has not already been obtained) and, if granted, they will be advised in a letter giving full information and complete instructions.

"The Federal Reserve Bank of St. Louis reserves the right to require direct routing to other Federal Reserve Banks and branches, when, in its judgment, the number or amount of checks handled by banks may warrant such action on its part.

"Conditions under which Checks will be Handled.

"Every bank sending checks or other cash items to the Federal Reserve Bank of St. Louis or its branches, or to another Federal Reserve Bank direct,

for their account, will be understood to have agreed to the terms and conditions of this circular and to have agreed that in receiving such items the Federal Reserve banks will act only as the collecting agent of the sending bank; that the Federal Reserve banks will be responsible only for due diligence and care in forwarding or presenting such items; that the Federal Reserve banks are authorized to present or send such items for payment in cash or bank draft, direct to the bank on which they are drawn, or in their discretion 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 the Federal Reserve banks are authorized to charge back the amount of any items (whether or not the items themselves can be returned) for which payment either in cash or in the proceeds of bank draft has not actually been received."

This is an action at law, and if the findings of fact made by the trial court are supported by substantial evidence, this court will not interfere on appeal. This is a well-established rule of law and procedure in this state, as is shown by reference to the following authorities: *Walther v. Null*, 233 Mo. 104, 134 S. W. 993; *Green v Whaley*, 271 Mo. 636, 197 S. W. 355; *Holt v. St. Louis-San Francisco R. Co. (Mo.)*, 245 S. W. 1054; *Abrams v. Unknown Heirs of Rice*, 317 Mo. 216, 295 S. W. 83. And in determining whether there is such substantial evidence, every reasonable inference in behalf of the successful party, which can be derived from the evidence heard, must be indulged for his benefit. (*Bowyer v. Bradford*, 162 Mo. App. 138, 144 S. W. 145.)

Aside from any question of agency in this case, we think the judgment of the trial court was for the right party, because plaintiff is estopped from asserting its right to recover this money because the record in this case justifies the

conclusion that plaintiff knew or should have known all the facts with respect to the relation that existed between defendant and the Holland Bank at the time plaintiff and its officers authorized the payment of this money to the defendant. Prior to the date of these payments to defendant, no request was made by the plaintiff to see any of the defendant's files or correspondence with respect to the relationship existing between defendant and the Holland Bank. The plaintiff and its officers were familiar with the operation of the arrangement and with the forms used in its operation, and plaintiff had in its own files the correspondence establishing the arrangement. When plaintiff paid the money to defendant, its officers testified it was done because they were afraid a run would be made upon the plaintiff bank; that there were rumors in the neighborhood and community to the effect that plaintiff had failed to pay defendant what it owed, and to avoid these rumors they paid plaintiff the sum in controversy. This was not a payment under duress. Nor was it a payment without knowledge of the facts. In order to recover back money so paid, it must appear not only that the demand was illegal, but plaintiff must show duress, and there can be no duress unless the pressure or constraint was such as to virtually take away the free agency of the plaintiff. Defendant practiced no fraud upon plaintiff.

Whether the Holland Bank was the agent of defendant or not matters little in this case, in our opinion, for plaintiff paid the money demanded by defendant voluntarily, or

under such circumstances as not to amount to duress, and therefore other questions raised on this appeal become of little importance. It follows, therefore, that the judgment should be affirmed.

Haid, P. J., and Becker, J., concur!

S. G. Nipper

JUDGE.

STATE OF MISSOURI - Sct:

I, Hazel B. English, Clerk of the St. Louis Court of Appeals, do hereby certify that the foregoing is a true copy of the opinion delivered by this court in the foregoing entitled cause on the 2nd day of December, 19 30, as fully as the same appears on file in my office.

IN TESTIMONY WHEREOF, I have hereunto set my hand and

Affixed the seal of said Court, at office, in the

City of St. Louis

this 3rd day of December 1930.

HAZEL B. ENGLISH

Clerk.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6771

December 9, 1930.

SUBJECT: Code words to cover telegraphic transactions in new issues of Treasury Certificates of Indebtedness, Series TJ2-1931 and TD-1931.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Certificates of Indebtedness, as follows:

"NOWHIGGLE", Series TJ2-1931, dated December 15, 1930, due June 15, 1931.

"NOWHIGH", Series TD-1931, dated December 15, 1930, due December 15, 1931.

These code words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOWHIDDEN", on page 172.

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-6772

December 9, 1930.

SUBJECT: Code words to cover telegraphic transactions  
in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in  
Government securities between Federal reserve banks,  
the following code words have been designated to cover  
new issues of Treasury Bills, as follows:

- "NOXABE" Series dated October 15 and maturing  
December 16, 1930
- "NOXADY" Series dated October 16 and maturing  
December 17, 1930
- "NOXAGO" Series dated November 17 and maturing  
February 16, 1931

These words should be inserted in the Federal Re-  
serve Telegraph Code book, following the code word  
"NOWHOUSE", on page 172.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-6774

## STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

November 1 to 29, 1930.

|                | <u>\$5</u>     | <u>\$10</u>    | <u>\$20</u>    | <u>\$50</u>  | <u>\$100</u>  | <u>\$500</u> | <u>\$1000</u> | Total<br>Sheets  | Amount              |
|----------------|----------------|----------------|----------------|--------------|---------------|--------------|---------------|------------------|---------------------|
| Boston,        | 75,000         | 60,000         | 12,000         | -            | -             | -            | -             | 147,000          | \$13,590.15         |
| New York,      | 200,000        | 120,000        | 60,000         | -            | -             | -            | -             | 380,000          | 35,131.00           |
| Philadelphia,  | 86,000         | 50,000         | 18,000         | -            | -             | -            | -             | 154,000          | 14,237.30           |
| Cleveland,     | 82,000         | 42,000         | 40,000         | -            | -             | -            | -             | 164,000          | 15,161.80           |
| Richmond,      | 42,000         | 24,000         | 15,000         | -            | -             | -            | -             | 81,000           | 7,488.45            |
| Atlanta,       | 30,000         | 16,000         | 14,000         | -            | -             | -            | -             | 60,000           | 5,547.00            |
| Chicago,       | -              | -              | -              | -            | -             | -            | -             | -                | -                   |
| St. Louis,     | 62,000         | 16,000         | 8,000          | 8,000        | 10,000        | 500          | 250           | 104,750          | 9,684.14            |
| Minneapolis,   | 21,000         | 15,000         | 10,000         | -            | -             | -            | -             | 46,000           | 4,252.70            |
| Kansas City,   | 36,000         | 10,000         | 12,000         | -            | -             | -            | -             | 58,000           | 5,362.10            |
| Dallas,        | 35,000         | 14,000         | 12,000         | -            | -             | -            | -             | 61,000           | 5,639.45            |
| San Francisco, | 41,000         | 30,000         | 20,000         | -            | -             | -            | -             | 91,000           | 8,412.95            |
|                | <u>710,000</u> | <u>397,000</u> | <u>221,000</u> | <u>8,000</u> | <u>10,000</u> | <u>500</u>   | <u>250</u>    | <u>1,346,750</u> | <u>\$124,507.04</u> |

1,346,750 sheets, @ \$92.45 per M, .....\$124,507.04



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

## N O T I C E

to  
Employees

December 11, 1930.

In order to conform with the practice followed by other Government Establishments, effective with the December 15, 1930, Pay Roll the mid-monthly checks covering salaries of the Board's employees will be drawn in the amount earned, in dollars only. Any balance of less than a dollar that may have been earned during the first half of the month will be carried to the last half and added to the total earned at that time.

C. W. Hanford,  
Chief Clerk.

# FEDERAL RESERVE BOARD

425

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6776

December 18, 1930.

SUBJECT: Holidays during January, 1931.

Dear Sir:

On New Year's Day there will be neither Gold Fund nor Federal reserve note clearing, and the books of the Board will be closed.

In addition, the following Federal reserve banks and branches will observe holidays during the month of January:

|           |            |  |  |
|-----------|------------|--|--|
| Thursday  | January 8  | New Orleans  | Anniversary of the Battle of New Orleans |
| Monday    | January 19 | Richmond<br>Charlotte<br>Atlanta<br>Birmingham<br>Nashville<br>Jacksonville<br>Louisville<br>Memphis | Birthday of General Robert E. Lee        |
| Wednesday | January 28 | Havana Agency  | Birthday of Jose Marti                   |

On the dates indicated, the banks affected will not participate in either the Gold Fund or the Federal reserve note clearing. Please include credits for the offices affected on each of the holidays with your credits in the Gold Fund clearing for the following business day, and make no shipment of Federal reserve notes, fit or unfit, for account of the Federal reserve banks of Richmond and Atlanta on January 19th.

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-6779

December 20, 1930.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6779-a and X-6779-b, covering in detail operations of the main line, Leased Wire System, during the month of November, 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 NOVEMBER, 1930.

| From   | Business reported by banks | Words sent by New York charge-able to other F. R. Banks (1) | Net Federal Reserve Bank business | Percent of total bank business (*) |
|--|----------------------------|---|-----------------------------------|------------------------------------|
| Boston   | 25,210                     | 2,271   | 27,481                            | 3.28                               |
| New York   | 123,461                    | -   | 123,461                           | 14.71                              |
| Philadelphia   | 30,809                     | 1,089   | 31,898                            | 3.80                               |
| Cleveland  | 77,631                     | 2,430   | 80,061                            | 9.54                               |
| Richmond   | 52,194                     | 1,971   | 54,165                            | 6.45                               |
| Atlanta  | 59,974                     | 6,102   | 66,076                            | 7.87                               |
| Chicago  | 88,053                     | 2,704   | 90,757                            | 10.81                              |
| St. Louis  | 94,811                     | 1,816   | 96,627                            | 11.51                              |
| Minneapolis  | 30,861                     | 3,059   | 33,920                            | 4.04                               |
| Kansas City  | 72,124                     | 2,372   | 74,496                            | 8.88                               |
| Dallas   | 61,268                     | 6,651   | 67,919                            | 8.09                               |
| San Francisco  | 89,355                     | 3,114   | 92,469                            | 11.02                              |
| Total  | 805,751                    | 33,579  | 839,330                           | 100.00                             |
| F. R. Board business . . . . .                               |                            |   | 258,072                           | 1,097,402                          |
| Treasury Department business Incoming and Outgoing . . . . . |                            |   |                                   | 59,352                             |
| Total words transmitted over main lines. . . . .             |                            |   |                                   | 1,156,754                          |

(\*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6779-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.

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REPORT OF EXPENSE MAIN LINE  
FEDERAL RESERVE LEASED WIRE SYSTEM, NOVEMBER, 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           | \$ 729.25                        | \$ 260.00          | \$ 469.25                        |
| New York              | 1,129.14            | -                   | -                   | 1,129.14            | 3,270.51                         | 1,129.14           | 2,141.37                         |
| Philadelphia          | 225.00              | -                   | -                   | 225.00              | 844.86                           | 225.00             | 619.86                           |
| Cleveland             | 306.66              | -                   | -                   | 306.66              | 2,121.05                         | 306.66             | 1,814.39                         |
| Richmond              | 190.00              | -                   | 230.00(&)           | 420.00              | 1,434.05                         | 420.00             | 1,014.05                         |
| Atlanta               | 270.00              | -                   | -                   | 270.00              | 1,749.76                         | 270.00             | 1,479.76                         |
| Chicago               | 3,687.00(#)         | 2.00                | -                   | 3,689.00            | 2,403.42                         | 3,689.00           | 1,285.58(*)                      |
| St. Louis             | 195.00              | 8.00                | -                   | 203.00              | 2,559.05                         | 203.00             | 2,356.05                         |
| Minneapolis           | 201.13              | -                   | -                   | 201.13              | 898.22                           | 201.13             | 697.09                           |
| Kansas City           | 287.50              | -                   | -                   | 287.50              | 1,974.31                         | 287.50             | 1,686.81                         |
| Dallas                | 251.00              | -                   | -                   | 251.00              | 1,798.67                         | 251.00             | 1,547.67                         |
| San Francisco         | 380.00              | -                   | -                   | 380.00              | 2,450.10                         | 380.00             | 2,070.10                         |
| Federal Reserve Board | -                   | -                   | 15,813.28           | 15,813.28           | -                                | -                  | -                                |
| <b>Total</b>          | <b>\$ 7,382.43</b>  | <b>\$ 10.00</b>     | <b>\$ 16,043.28</b> | <b>\$ 23,435.71</b> | <b>\$ 22,233.25</b>              | <b>\$ 7,622.43</b> | <b>\$ 15,896.40</b>              |
|                       |                     |                     |                     | 1,202.46(a)         |                                  |                    | 1,285.58(b)                      |
|                       |                     |                     |                     | <u>\$ 22,233.25</u> |                                  |                    | <u>\$ 14,610.82</u>              |

(&) Main Line rental, Richmond-Washington.

(#) Includes salaries of Washington operators.

(\*) Credit.

(a) Received \$1,202.46 from Treasury Department covering business for the month of November, 1930.

(b) Amount reimbursable to Chicago.

F E D E R A L R E S E R V E B O A R D  
STATEMENT FOR THE PRESS

X-6781

For immediate release

December 23, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 2 per cent on all classes of paper of all maturities, effective December 24, 1930.

X-6783

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 12 o'clock noon.

December 27, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a re-discount rate of 3 % on all classes of paper of all maturities, effective December 29, 1930.

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**FEDERAL RESERVE BOARD**

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6785

December 30, 1930.

SUBJECT: ASSESSMENT FOR GENERAL EXPENSES OF THE FEDERAL RESERVE  
BOARD JANUARY 1 TO JUNE 30, 1931.

Dear Sir:

Confirming telegraphic advice, 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 eighty-one thousandths of one per cent (00081) of the total paid-in capital stock and surplus of such banks at close of business December 31, 1930, to defray the estimated general expenses of the Board from January 1 to June 30, 1931.

Kindly deposit one-half of the amount of your assessment in the General Account, Treasurer, U. S., on your books January 1, 1931, and one-half March 1, 1931, 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.



X-6785-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 eighty-one thousandths of one per cent 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 eighty one thousandths of one per cent (.00081) of the total paid-in capital and surplus of such banks as of the close of business December 31, 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 January 1, 1931, and the second half on March 1, 1931.

X-6786

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.

December 31, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of  $2\frac{1}{2}$  % on all classes of paper of all maturities, effective January 2, 1931.

FEDERAL RESERVE BOARD

434

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

July 14, 1930  
St. 6656

SUBJECT: Bank Suspensions

Dear Sir:

There is enclosed herewith our usual list of member and nonmember banks reported to the Board as having suspended during the month of June. If you note any corrections therein, except in deposit figures which will be revised as soon as reports on form St. 6386b have been received, it will be appreciated if you will call them promptly to our attention. In the future this monthly statement will be sent out without the usual accompanying letter, but it will be appreciated, however, if any errors therein are promptly called to our attention.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

Enclosure.

TO ALL FEDERAL RESERVE AGENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDJuly 30, 1930.  
St. 6668.

SUBJECT: Preliminary classification of loans and investments of member banks as of June 30, 1930.

Dear Sir:

In order that the System might have available at the earliest practicable date a classification of the loans and investments of all member banks as of June 30, the Board on July 16 asked the Federal reserve agents to have the loan and investment figures tabulated from the June call reports of both National and State member banks and to furnish the figures to the Board.

These figures have been received by the Board and I am enclosing herewith a statement showing the data for all member banks, member banks in New York City, in Chicago, and in other reserve cities, and for country banks.

The figures for National banks have not been made public by the Comptroller nor figures for State banks by the Federal Reserve Board. It will be appreciated, therefore, if you will treat the statement as confidential.

Very truly yours,

Roy A. Young,  
Governor.

TO ALL GOVERNORS AND AGENTS.\*

## FEDERAL RESERVE BOARD

WASHINGTON

August 12, 1930  
St. 6684ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDSUBJECT: Condition of member banks as  
of June 30, 1930.

Dear Sir:

For your information there are enclosed herewith the following statements:

1. Classification of loans and investments of all member banks, central reserve city banks in New York and in Chicago, reserve city banks and country banks on each call date from October 3, 1928 to June 30, 1930.
2. Classification of demand and time deposits and borrowings of all member banks, central reserve city banks in New York and in Chicago, reserve city banks and country banks on each call date from October 3, 1928 to June 30, 1930.
3. Resources and liabilities of all member banks in each Federal reserve district as of June 30, 1930.
4. Classification of loans, investments, demand and time deposits and borrowings of all member banks in each Federal reserve district as of June 30, 1930.

The first statement merely replaces the corresponding preliminary figures which were sent to you on July 30.

The Board's Member Bank Call Report (No. 48) giving detailed figures by states, cities and classes of banks, which will include practically all of the data shown in the enclosed statements, will be ready for distribution around the end of the month.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS\*

437

# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 18, 1930.  
St. 6695.

SUBJECT: Functional Expenses,  
First Half, 1930.

Dear Sir:

There are enclosed herewith  
copies of the consolidated Functional Expense  
Exhibit for the half year ending June 30, 1930.  
A copy of the exhibit is also being mailed to  
the Governor of the bank.

Very truly yours,

J. R. Van Fossen, Assistant Chief,  
Division of Bank Operations.

Enclosure

LETTER TO CHAIRMAN OF EACH FEDERAL RESERVE BANK.\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 20, 1930.  
St. 6697.

SUBJECT: Reports of Condition of State  
Banks and Trust Companies.

Dear Sir:

It will be greatly appreciated if in accordance with your usual practice you will kindly furnish the Federal Reserve Board, as soon as available, with a copy of the abstract of reports of condition of state banks and trust companies in your state on June 30, 1930. If no call was issued as of June 30, will you kindly advise the date of call nearest thereto and furnish the Board with a copy of your abstract as of that date, if not already done.

In submitting the above-mentioned data it is requested that the number of banks (exclusive of branch banks) be stated, and that separate figures be furnished for mutual savings banks providing there are any such banks operating in your state.

A franked and addressed envelope, requiring no postage, is enclosed for use in transmitting the data requested.

Very truly yours,

J. R. Van Hossen, Asst. Chief,  
Division of Bank Operations.

Enclosure

TO ALL STATE BANKING DEPARTMENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 20, 1930,  
St. 6697a.

SUBJECT: Reports of Condition of State  
Banks and Trust Companies.

Dear Sir:

It will be greatly appreciated if in accordance with your usual practice you will kindly furnish the Federal Reserve Board, as soon as available, with a copy of the abstract of reports of condition of state banks and trust companies in your state on June 30, 1930. If no call was issued as of June 30, will you kindly advise the date of the call nearest thereto and furnish the Board with a copy of your abstract as of that date, if not already done.

In submitting the above-mentioned data it is requested that the number of banks (exclusive of branch banks) be stated, and that separate figures be furnished for mutual savings banks providing there are any such banks operating in your state, also that the figures be segregated by Federal reserve districts.

A franked and addressed envelope, requiring no postage, is enclosed for use in transmitting the data requested.

Very truly yours,

J. R. Van Fossen, Asst. Chief,  
Division of Bank Operations.

Enclosure.

TO ALL STATE BANKING DEPARTMENTS\*



# FEDERAL RESERVE BOARD

440

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

August 29, 1930.  
St. 6709.

SUBJECT: Functional Expenses,  
First Half, 1930.

Dear Sir:

Referring to the Board's letter St. 6695 of August 18, enclosing the Functional Expense Exhibit for the first half of 1930, certain errors have been discovered in the exhibit and it is requested that the copies forwarded to you be revised as follows:

On page 34, change the number of units handled per employee per day at the Baltimore branch from 1,523 to 818 and the cost per 1000 units from \$4.14 to \$4.07.

On page 35, change the number of units handled per employee per day at the Houston Branch from 744 to 774.

On page 36, change the number of units handled per employee per day at Chicago from 1,362 to 1,015 and the cost per 1000 units from \$3.10 to \$4.35.

Very truly yours

J. R. Van Fossen, Assistant Chief,  
Division of Bank Operations.

LETTER TO CHAIRMAN OF EACH F. R. BANK\*

# FEDERAL RESERVE BOARD

WASHINGTON

441

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 6, 1930  
St. 6718

SUBJECT: Member Bank Call Report  
for June 30, 1930

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Member Bank Call Report No. 48, showing the condition of all member banks on June 30, 1930. Please forward a copy to each member bank in your district that has expressed a desire to receive copies of call reports as issued.

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 BOARDSeptember 10, 1930  
St. 6724SUBJECT: Reclassification of average Net Demand  
and Time Deposits for June 1930.

Dear Sir:

The Committee on Bank Reserves would greatly appreciate a special report from your district showing daily average net demand and daily average time deposits during June 1930 according to the following classification:

(Monthly average of daily figures June 1930)

|  | Net demand<br>deposits | Time<br>deposits |
|--|------------------------|------------------|
| 1. Local banks (i.e., banks which customarily obtain currency over counter of reserve bank or branch                     |                        |                  |
| 2. Banks located in current day points, excluding banks to which currency payments are customarily made over the counter |                        |                  |
| 3. Banks located in one-day points   |                        |                  |
| 4. Banks located in two-day points   |                        |                  |
| 5. Banks located in three-day points   |                        |                  |

You will note that this classification is the same as that requested under (2) on form St. 6618 covering the vault cash holdings of member banks during June. In making up this classification, please make certain that the same member banks are included in each subgroup as were included in the corresponding group on form St. 6618.

The reports on member bank vault cash during June were most illuminating and I wish to thank you personally as well as on behalf of the Committee for your prompt cooperation in securing and classifying the data.

Very truly yours,

E. L. Smead,  
Chairman, Committee on Bank Reserves

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 19, 1930  
St. 6730

SUBJECT: Call Condition Reports of  
Member Banks

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.

Following the last call for condition reports of member banks as of June 30, the Board, under date of July 16, wired all Federal reserve agents (Trans 1233) requesting that they have prepared and wired to the Board a preliminary classification of loans and investments of all member banks in their respective districts as soon as possible after receipt of the condition reports. The Board is desirous of obtaining similar data as soon as possible after the forthcoming call, and it will therefore be appreciated if you will kindly arrange to have a preliminary classification of loans and investments wired to the Board if practicable within three weeks from the date of the call. It is suggested that before the figures are telegraphed to the Board they be compared with corresponding figures for June 30 in order to make sure that they are on a comparable basis. Separate figures should be telegraphed to the Board for central reserve city banks, reserve city banks, and country banks in the manner outlined in the form attached hereto.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure

TO ALL FEDERAL RESERVE AGENTS\*

PRELIMINARY CLASSIFICATION OF LOANS AND INVESTMENTS OF ALL  
MEMBER BANKS AS OF \_\_\_\_\_, 1930

(Amounts in thousands of dollars) Federal Reserve District \_\_\_\_\_

|   | Central reserve city (13%) banks | Reserve city (10%) banks* | Country (7%) banks** |
|---|----------------------------------|---------------------------|----------------------|
| <u>LOANS AND DISCOUNTS</u> (Schedule E)                   |                                  |                           |                      |
| 1. Acceptances payable in United States                   |                                  |                           |                      |
| 2. Bills, acceptances, etc., payable in foreign countries |                                  |                           |                      |
| 3. Commercial paper bought in open market                 |                                  |                           |                      |
| 4. Loans to banks:  |                                  |                           |                      |
| (a) On securities   |                                  |                           |                      |
| (b) All other   |                                  |                           |                      |
| 5. Loans on securities, exclusive of loans to banks:      |                                  |                           |                      |
| (a) To brokers and dealers in New York                    |                                  |                           |                      |
| (b) To brokers and dealers elsewhere                      |                                  |                           |                      |
| (c) To others   |                                  |                           |                      |
| 6. Real estate loans:                                     |                                  |                           |                      |
| (a) On farm land  |                                  |                           |                      |
| (b) On other real estate                                  |                                  |                           |                      |
| 7. All other loans  |                                  |                           |                      |
| <u>INVESTMENTS</u>  |                                  |                           |                      |
| 8. U. S. Government securities (Schedule F)               |                                  |                           |                      |
| 9. Other securities (Schedule G)                          |                                  |                           |                      |
| 10. Total loans and investments                           |                                  |                           |                      |
| Number of member banks                                    |                                  |                           |                      |

\*Includes banks located in central reserve cities which have been authorized to carry a 10 per cent reserve on net demand deposits.  
 \*\*Includes banks located in outlying sections of central reserve and reserve cities which have been authorized to carry a 7 per cent reserve on net demand deposits.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 22, 1930.  
St. 6732.

SUBJECT: Condition of All Banks in  
the United States on June  
30, 1930.

Dear Sir:

For your information and use there is enclosed herewith a copy of a statement issued to the press today giving summary condition figures of all banks in the United States at the end of June. There is also enclosed a copy of a statement showing corresponding figures for each Federal reserve district. Corresponding data by states will appear in the forthcoming issue of the Federal Reserve Bulletin.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS\*

# FEDERAL RESERVE BOARD

446

WASHINGTON

October 4, 1930.  
St. 6745.

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

SUBJECT: Forms for use during 1931.

Dear Sir:

It will be appreciated if you will kindly advise the Board at your early convenience the number of copies of the forms listed below that will be required by your bank (including branches, if any) during the calendar year 1931.

| <u>Form Number</u> | <u>Title</u>   |
|--------------------|--|
| 34                 | Daily balance sheet. Please state the number required for the head office and each branch separately and also give any special punching that may be desired. |
| F. R. A. - 5       | Daily statement of Federal reserve agent   |
| E                  | Semi-annual functional expense report.   |
| 38                 | Classification of discounted and purchased bills held at the end of the month.   |
| 95                 | Monthly report of earnings   |
| 96                 | Monthly report of current expenses.  |

Please show separately the number of copies of each form, except form 34, required if it is revised and the number if not revised.

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 BOARDOctober 4, 1930.  
St. 6748.SUBJECT: Debits to Individual Accounts  
for Each Reporting Bank.

Dear Sir:

One of the studies being conducted by the System's Committee on Bank Reserves relates to the turnover in deposits. Existing figures of debits to individual accounts have helped materially in this connection but such figures in the aggregate are not sufficient for the Committee's purposes.

The Committee's study would be greatly facilitated if it had available debit figures for individual reporting banks for use along with deposit figures now available for such banks, in determining the deposit turnover in different classes of banks and in banks in different localities. It will be appreciated, therefore, if you will ask the clearing house managers, or others in your district who furnish you with the aggregate debit figures each week, to give you the figures for each individual bank, in addition to the aggregate figures now being reported, for the four weekly periods beginning Thursday, October 23, and ending Wednesday, November 19. Care should, of course, be taken to see that the mailing of these figures for individual banks does not delay the transmission of the city totals to the Board for use in the weekly press statement.

Your cooperation in obtaining these figures for the Committee will be greatly appreciated.

Very truly yours,

E. L. Smead, Chairman,  
Committee on Bank Reserves.

TO ALL FEDERAL RESERVE AGENTS\*



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDOctober 6, 1930.  
St. 6751.SUBJECT: Monthly Reports of Deposits of  
Member Banks.

Dear Sir:

As you know monthly average figures of net demand and time deposits and of reserves held, compiled from reports submitted to the Board on form St. 6044, are being published in the Federal Reserve Bulletin. The forthcoming October issue will contain figures for the month of July. It is hoped, however, to publish figures for August and September in the November bulletin, and thereafter to publish figures for a given month in the bulletin of the second month thereafter. Accordingly, it will be appreciated if you will kindly endeavor to have reports on form St. 6044 reach the Board not later than the 25th of the succeeding month.

In view of the fact that the 1930 census figures are now being released, it is requested that the figures for country banks located in centers having a population under 15,000 be based on the 1930 census beginning with the month of January 1931, also that the January reports be accompanied with a list of cities added to or deducted from the population group under 15,000, together with figures of net demand and time deposits of member banks in each of such cities during the month of January.

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

October 24, 1930  
St. 6760

SUBJECT: Preliminary classification of loans  
and investments of member banks as  
of September 24, 1930.

Dear Sir:

There are enclosed herewith for your information copies of a memorandum and statements prepared for the Board with respect to changes in the loan and investment account of member banks during the past quarter and year, as disclosed by the September 24 call reports. The September 24 figures as given in the enclosed statements are based on the preliminary data furnished by the Federal reserve agents in response to the Board's letter St. 6730 of September 19.

It is expected that the enclosed figures will be published in the forthcoming November issue of the Federal Reserve Bulletin, but in the meantime they are given to you for your confidential use.

Very truly yours,

Eugene Meyer,  
Governor.

Enclosures

TO ALL GOVERNORS AND AGENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDOctober 24, 1930.  
St. 6769.SUBJECT: Weekly statement of condition  
of Federal reserve banks.

Dear Sir:

In the case of a number of the Federal reserve banks, earnings during the current year have not been sufficient to cover operating expenses, dividends accrued, etc., with the result that a red figure is being shown against the item "Available for depreciation allowances, reserves, surplus and franchise tax", code "CUTE", on the daily balance sheet, Form 34. In one case recently the red figure was large enough to result in a negative amount being shown for "All other liabilities" in the Board's weekly statement. It is felt that whenever a red amount is shown for item CUTE, it should be included among "All other resources" instead of being deducted from actually existing liabilities. Accordingly in condition statements beginning with Wednesday, October 29, we will add the amount of item CUTE on Form 34 to "All other resources" whenever it represents an excess of deductions over current net earnings.

It will be appreciated if you will kindly follow the same procedure in any statements of condition of your bank issued locally.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDNovember 5, 1930  
St. 6775SUBJECT: Salaries of officers of  
Federal reserve banks

Dear Sir:

In accordance with the usual practice a statement showing the 1931 salary provided by your Board of Directors at its first meeting in January for each officer of your bank and branches, if any, subject to the approval of the Federal Reserve Board, should be forwarded to the Board as early in January as practicable. Please list the officers and their salaries in the manner indicated in the attached form. In case the bank's counsel is not an officer of the bank his annual retainer fee and any additional compensation for clerk hire should be shown separately.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure

TO CHAIRMAN OF EACH F. R. BANK\*

## OFFICERS' SALARIES FOR 1931 AT THE FEDERAL RESERVE BANK OF \_\_\_\_\_

AND ITS BRANCHES, IF ANY, AS PROVIDED BY THE BOARD OF DIRECTORS

SUBJECT TO APPROVAL BY THE FEDERAL RESERVE BOARD

| Name | Title | Departments or<br>functions super-<br>vised ( Form A<br>classification) | Annual Salary    |   |
|------|-------|---|------------------|---|
|      |       |   | Dec. 31,<br>1930 | 1931, for<br>approval of<br>F. R. Board |
|      |       |   |                  |   |

Total, \_\_\_\_\_ officers \_\_\_\_\_

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDNovember 5, 1930  
St. 6776SUBJECT: Salaries of employees of  
Federal reserve banks

Dear Sir:

Will you kindly furnish the Board as early in January as practicable with a statement showing the name of each employee of your bank and its branches (if any) on January 1, 1931, and the salary paid to each as of January 1, 1930 and January 1, 1931. The list should be prepared in accordance with the sample form attached hereto in order to facilitate checking with the approved personnel classification plan for your bank on file with the Federal Reserve Board.

As in the past the schedules should cover all employees on the bank's payroll including those whose salaries are reimbursed to the bank in whole or in part from notary fees, cafeteria receipts, etc.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure

CHAIRMAN OF EACH FEDERAL RESERVE BANK WHOSE PERSONNEL  
CLASSIFICATION PLAN HAS BEEN APPROVED BY THE  
FEDERAL RESERVE BOARD\*

BRANCHES (IF ANY) ON JANUARY 1, 1931

| Name of employee | Classifi-<br>cation<br>symbol | Title of job | Salary<br>range | Salary on Jan. 1 |      |
|------------------|-------------------------------|--------------|-----------------|------------------|------|
|                  |                               |              |                 | 1930*            | 1931 |
|                  |                               |              |                 |                  |      |

NOTE: Employees should be listed by functions or departments and the positions or jobs arranged in the same order as they appear in the personnel classification plan, Form A, on file with the Federal Reserve Board. The total number of employees including employees whose salaries are reimbursed to the bank in whole or in part and the total salaries paid should be shown for each function or department. Extra help or temporary employees should be listed with the regular employees of the bank and designated by the letter "T" after the classification symbol. In case of employees on a per diem or hourly basis the estimated total annual compensation should also be shown.

\* If hired during 1930, please show the initial salary.

# FEDERAL RESERVE BOARD

455

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

November 5, 1930  
St. 6777

SUBJECT: 1931 Budget for Statistical  
and Analytical Work.

Dear Sir:

It will be appreciated if, in accordance with the usual custom, you will kindly submit to the Board for approval a budget for the Statistical and Analytical Function of your bank (including branches, if any), for the year 1931. The budget should be prepared in accordance with the attached form and submitted to the Federal Reserve Board as soon as practicable after January 1, 1931.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure

TO ALL FEDERAL RESERVE AGENTS\*



FEDERAL RESERVE BANK OF \_\_\_\_\_ (including branches)

456

Proposed budget for the Statistical and Analytical function (as defined in the Manual of Instructions covering functional expense reports form E)

(All figures to be shown to the nearest dollar, cents omitted)

|   | BUDGET<br>for<br><u>1930</u> | EXPENSES<br>during<br><u>1930</u> | BUDGET<br>for<br><u>1931</u> |
|---|------------------------------|-----------------------------------|------------------------------|
| <b>ADMINISTRATION:</b>                            |                              |                                   |                              |
| Salaries - officers                               |                              |                                   |                              |
| Salaries - employees                              |                              |                                   |                              |
| Traveling expenses                                |                              |                                   |                              |
| Printing & stationery & other supplies            |                              |                                   |                              |
| Telephone and telegraph                           |                              |                                   |                              |
| All other*  |                              |                                   |                              |
| <b>TOTAL</b>                                      |                              |                                   |                              |
| <b>STATISTICAL:</b>                               |                              |                                   |                              |
| Salaries - employees                              |                              |                                   |                              |
| Traveling expenses                                |                              |                                   |                              |
| Printing & stationery & other supplies            |                              |                                   |                              |
| Telephone and telegraph                           |                              |                                   |                              |
| Postage   |                              |                                   |                              |
| All other*  |                              |                                   |                              |
| <b>TOTAL</b>                                      |                              |                                   |                              |
| <b>MONTHLY LETTER:</b>                            |                              |                                   |                              |
| Printing and stationery                           |                              |                                   |                              |
| Postage   |                              |                                   |                              |
| <b>TOTAL</b>                                      |                              |                                   |                              |
| <b>LIBRARY:</b>                                   |                              |                                   |                              |
| Salaries - employees                              |                              |                                   |                              |
| Traveling expenses                                |                              |                                   |                              |
| Printing & stationery & other supplies            |                              |                                   |                              |
| Telephone and telegraph                           |                              |                                   |                              |
| News service - subscriptions to periodicals, etc. |                              |                                   |                              |
| Books   |                              |                                   |                              |
| All other*  |                              |                                   |                              |
| <b>TOTAL</b>                                      |                              |                                   |                              |
| <b>GRAND TOTAL</b>                                |                              |                                   |                              |

**MEMORANDA:**

Number of copies of monthly letter printed, December 1930 \_\_\_\_\_

|                                     |                      |          |                             |
|-------------------------------------|----------------------|----------|-----------------------------|
| Receipts from monthly letters sold: | Year 1930            | \$ _____ | Do not deduct from expenses |
|                                     | Estimated, Year 1931 | \$ _____ |                             |

# FEDERAL RESERVE BOARD

457

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

November 5, 1930  
St. 678

SUBJECT: 1931 Budget.

Dear Sir:

In accordance with the usual practice a detailed statement of the budget approved for the head office and each of its branches, if any, for the calendar year 1931 should be forwarded to the Federal Reserve Board as soon after January 1 as practicable.

The budget statement as submitted to the Board should be in the same form and detail as approved by the bank's budget committee and should show in comparison the budget and actual expenditures for 1930. If total expenditures for 1930, as shown in the budget statement, are not in agreement with total expenditures reported on the bank's functional expense report, Form "E", please forward with your budget statement a memorandum reconciling the two amounts.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO CHAIRMAN OF EACH FEDERAL RESERVE BANK\*

## FEDERAL RESERVE BOARD

WASHINGTON

November 5, 1930  
St. 6782.ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

SUBJECT: Closing of Books on December 31, 1930.

Dear Sir:

It will be appreciated if the resolution of your Board of Directors for the payment of the semi-annual dividend and requests for authority to make the usual end of year charges for reserves, etc., are mailed in time to reach the Board not later than December 10, 1930. The dividend resolution should be accompanied with the following information:

1. Estimated gross earnings, current expenses, additions to and proposed deductions from current net earnings, and net earnings available for surplus and franchise tax for the calendar year 1930.

2. Indebtedness to the Federal reserve bank of (a) suspended banks and (b) banks considered to be in a seriously overextended condition, giving the names of the banks, indebtedness of each on November 30, and probable loss in the case of each bank.

The general procedure followed in the past with reference to charge-offs, depreciation and other reserves, transfers to surplus account and payment of franchise tax will be followed at the end of this year.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

LETTER TO ALL CHAIRMEN\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

November 14, 1930.  
St. 6796.

SUBJECT: Federal Reserve Bank Balance Sheet,  
Form 34, for use during 1931.

Dear Sir:

There is enclosed herewith an unruled proof copy of daily balance sheet, Form 34, to be used by the Federal reserve banks during 1931.

It will be noted that the principal change in the form is the elimination of the item "Liquid value of bills and securities" and the transfer to "Miscellaneous Assets" and "Miscellaneous liabilities", respectively, of items heretofore shown as additions to and deductions from the par value of bills and securities. The arrangement of the blocks on the liability side of the statement has also been changed somewhat.

The year's supply of the form will be mailed as soon as received from the printer, which should be early in December.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

Enclosure.

LETTER TO ALL GOVERNORS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDNovember 24, 1930.  
St. 6805.SUBJECT: Reports of Condition of State  
Banks and Trust Companies.

Dear Sir:

It will be greatly appreciated if in accordance with your usual practice you will kindly furnish the Federal Reserve Board, as soon as available, with a copy of the abstract of reports of condition of state banks and trust companies in your state on September 24, 1930. If no call was issued as of September 24, will you kindly advise the date of call nearest thereto and furnish the Board with a copy of your abstract as of that date, if not already done.

In submitting the above-mentioned data it is requested that the number of banks (exclusive of branch banks) be stated, and that separate figures be furnished for mutual savings banks providing there are any such banks operating in your state.

A franked and addressed envelope, requiring no postage, is enclosed for use in transmitting the data requested.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

Enclosure

TO ALL STATE BANK DEPARTMENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDNovember 24, 1930.  
St. 6805a.SUBJECT: Reports of Condition of State  
Banks and Trust Companies.

Dear Sir: .

It will be greatly appreciated if in accordance with your usual practice you will kindly furnish the Federal Reserve Board, as soon as available, with a copy of the abstract of reports of condition of state banks and trust companies in your state on September 24, 1930. If no call was issued as of September 24, will you kindly advise the date of the call nearest thereto and furnish the Board with a copy of your abstract as of that date, if not already done.

In submitting the above-mentioned data it is requested that the number of banks (exclusive of branch banks) be stated, and that separate figures be furnished for mutual savings banks providing there are any such banks operating in your state, also that the figures be segregated by Federal reserve districts.

A franked and addressed envelope, requiring no postage, is enclosed for use in transmitting the data requested.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations,

Enclosure.

TO ALL STATE BANKING DEPARTMENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDNovember 28, 1930  
St. 6810SUBJECT: Member Bank Call Report  
for September 24, 1930

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Member Bank Call Report No. 49, showing the condition of all member banks on September 24, 1930. Please forward a copy to each member bank in your district that has expressed a desire to receive copies of call reports as issued.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

December 9, 1930  
St. 6824

SUBJECT: Required reserves of member banks  
on Sundays and holidays.

Dear Sir:

For your information, I am enclosing herewith a copy of a letter addressed to Mr. Attebery, Deputy Governor at the Federal Reserve Bank of St. Louis, with regard to the Board's requirement that, for the purpose of assessing penalties on deficient reserves, required reserves of member banks for Sundays and holidays shall be based on deposit liabilities at the close of the preceding business day.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure

GOVERNORS OF ALL FEDERAL RESERVE BANKS EXCEPT ST. LOUIS AND  
PHILADELPHIA\*



(COPY)

December 9, 1930  
St. 6823

Dear Mr. Attebery:

This will acknowledge receipt of your letter of November 29, with regard to the requirement of the Board that, for the purpose of assessing penalties on reserve deficiencies, the required reserves of member banks for Sundays and holidays shall be based on deposit liabilities at the close of the preceding business day.

As you know there was considerable agitation on the part of member banks in the larger cities during the past few years for a change in the Board's Regulations which would permit them to determine their required reserves, so far as the assessment of penalties is concerned, on the basis of deposits at the opening of business. This request was considered by the Governors of the Federal reserve banks and by the Board on several occasions but final action thereon was not taken until October 2, 1930 when the Board voted to amend Regulation D so as to accomplish so far as possible the above purpose. In modifying the regulation, however, as stated in my letter of November 17, it was not the purpose of the Board to change the amount of required reserves used in determining penalties on deficiencies.

Some time after the issuance of the new regulation one of the Federal reserve banks asked the Board whether required reserves for Saturdays and days preceding holidays should be repeated for Sundays and holidays, or whether the required reserves for Sundays and holidays should be based on deposits at the close of business on the immediately preceding days. This matter was given careful consideration by the Board, and in order to determine the effect which the repeating of Saturdays' requirements for Sundays would have on required reserves we obtained daily figures on deposits of member banks in New York City, and found that net demand plus time deposits over the three-year period 1927-1929 averaged \$27,000,000 more on Saturday mornings than on Saturday nights. It is quite probable that somewhat the same thing holds true at banks in many other places, but whether it does or not, it is evident that deposits at the opening of business Saturday are different than at the close of business, and required reserves based on Saturday morning deposits are consequently different than reserves based on Saturday night deposits.

It is clear that if a member bank has a reserve with the Federal reserve bank at the close of business Saturday equal to its required reserve on its deposits at the close of business it is complying with the law so far as Sunday is concerned. To require a bank to carry a higher reserve on Sunday than would be called for by its deposits at the close of business Saturday would be compelling it, in order to avoid an assessment of a penalty for deficient reserves, to carry a reserve in excess of that actually required by law. The Board does not feel that it can issue a regulation which might under any circumstances penalize a bank for a deficiency in reserves when it is complying with the legal requirements of the Federal Reserve Act.

It has been objected that a bank which has a reduction in its deposits on Saturday, justifying a decrease in its reserve balance over Sunday, could not avail itself of this reduction on Saturday because of the fact that Saturday's closing reserve balance must be maintained against Saturday's opening deposit balance and any reduction in this amount would create a deficiency in its reserve on the basis of its opening requirements. The Board's regulation relates to the assessment of penalties for deficient reserves and does not in any way purport to change the legal requirements regarding required reserves. Inasmuch, therefore, as banks do average their reserves over stated periods, the lowered requirements for Saturday in those cases where deposit liabilities are less on Saturday night than on Saturday morning would, in the ordinary course of business, be averaged out over the reserve computation period. However, a bank which literally followed the Federal Reserve Act would necessarily have a reserve with the Federal reserve bank at the close of business each day equal to the requirements on its deposits at the close of business.

If the recent amendment to the Board's Regulation D had provided that in computing deficiencies the required reserve balances of each member bank at the close of each day shall be based on its deposit balances at the close of business the preceding day, which deposit balances are of course the same as at the opening of business on the current day, the question under consideration might not have arisen. If we admit that member banks are required to carry a reserve with the Federal reserve banks on Sundays it logically follows that required reserves on such days should be calculated on the same basis as for any other days, i.e., on Sunday morning deposits, which are the same as deposits at the close of business on Saturday.

You state in your letter that you do not find that the present or former regulation makes any specific reference to member banks being required to carry reserves on Sundays and on holidays based on their deposit liability at the close of business on the preceding day. That is true, of course, but it has been the practice in the

past to repeat Saturday's reserve requirements for Sunday, and this meant that the Sunday's required reserves were based on deposits at the close of business Saturday. This it would seem conforms to the intent of the Federal Reserve Act which presumably intended that banks should maintain required reserves with the Federal reserve banks at all times or be subject to a penalty for deficiencies. Under your proposal, you would require a bank to carry a reserve on Sunday based on deposits at the close of business Friday, which the Board feels is not consistent with the provisions of the Federal Reserve Act.

Inasmuch as member banks are permitted to average their required reserves over given periods the necessity of knowing actual required reserves for Sundays and holidays during business hours on the preceding days is not of great importance except when a reserve computation period ends on Sunday or a holiday. Reserve computation periods for banks in central reserve and reserve cities never end on Sunday and reserve computation periods for all other banks are on a semi-monthly basis. It is felt, therefore, that the Board's requirement would not seriously inconvenience member banks in view of the comparative infrequency with which reserve computation periods end on Sundays or holidays.

This letter was presented to and unanimously approved by the System's Committee on Bank Reserves. In accordance with a further recommendation of the Committee a copy of this letter is being sent to each Federal reserve bank.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. O. M. Attebery,  
Deputy Governor,  
Federal Reserve Bank,  
St. Louis, Mo.

# FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

December 17, 1930.  
St. 6830.

SUBJECT: Data for 1930 Annual Report of  
the Federal Reserve Board.

Dear Sir:

Will you kindly furnish us with the following  
data for use in the Board's forthcoming annual report:

1. Classification of U. S. securities held by your bank (1) under repurchase agreement and (2) in investment account, as at close of business December 31, 1930, giving the kind of securities, interest rate, maturity date, and par value. The total only need be shown for securities bought through the Open Market Policy Committee and held in Special Investment Account.
2. Statement showing the number of member banks in each State (or part of State in the district) accommodated through the discount of paper during the calendar year 1930.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDDecember 17, 1930.  
St. 6831.SUBJECT: Schedule of Federal Reserve  
Bank Personnel.

Dear Sir:

It will be appreciated if you will kindly furnish the Board with a statement relating to the personnel of your bank (including branches, if any) as at close of business on December 31, 1930, and as of January 1, 1931, made out in accordance with the form attached hereto. The figures for December 1930, which should not take account of changes in either the number or salaries of officers or employees that are put into effect as of January 1, will be published in the Board's 1930 annual report and should be comparable with corresponding figures for your bank derived from the statement submitted last year and published on page of the Board's 1929 annual report. The figures for January 1, 1931, should represent annual salaries of employees after all changes effective as of January 1 have been made and annual salaries of officers as submitted to the Board for its approval.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

LETTER TO ALL CHAIRMEN\*

St. 6831a

## FEDERAL RESERVE BANK OF \_\_\_\_\_

(Including branches)

|   | Number         |                 | Annual Salaries |                 |
|---|----------------|-----------------|-----------------|-----------------|
|   | Jan. 1<br>1931 | Dec. 31<br>1930 | Jan. 1<br>1931  | Dec. 31<br>1930 |
| Officers:   |                |                 |                 |                 |
| Chairman and Federal Reserve Agent                  |                |                 |                 |                 |
| Governor  |                |                 |                 |                 |
| Other officers                                      |                |                 |                 |                 |
| Employees by departments:                           |                |                 |                 |                 |
| Banking department                                  |                |                 |                 |                 |
| Federal Reserve Agent's department                  |                |                 |                 |                 |
| Auditing Department                                 |                |                 |                 |                 |
| Fiscal Agency Department                            |                |                 |                 |                 |
| <br>Total   |                |                 |                 |                 |
| Employees whose salaries are<br>reimbursed to bank: |                |                 |                 |                 |
| Fiscal Agency department                            |                |                 |                 |                 |
| Other employees*                                    |                |                 |                 |                 |
| <br>Grand Total                                     |                |                 |                 |                 |
| Temporary employees (not to be<br>included above)   |                |                 |                 |                 |

\*Subdivide by functions and units on separate sheet.

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDDecember 17, 1930.  
St. 6832.SUBJECT: Reports of Earnings, Expenses,  
Dividends, and Franchise Tax  
Payments for 1930.

Dear Sir:

In order that the Board may have information regarding the financial results of operations of Federal reserve banks during the present calendar year as soon as practicable after January 1, it is requested that a statement be telegraphed or mailed in time to reach the Board's offices on Friday morning, January 2, 1931, showing the following information:

(Code)

|      |   |          |
|------|---|----------|
| EARL | - Earnings from discounted bills . . . . .                                      | \$ _____ |
| EDGE | - Earnings from purchased bills . . . . .                                       | _____    |
| ESPY | - Earnings from U. S. securities . . . . .                                      | _____    |
| ETCH | - Other earnings (items 4-7 on Form 95) . . . . .                               | _____    |
| EACH | - Gross earnings . . . . .  | _____    |
| EASY | - Cost of Federal Reserve Currency . . . . .                                    | _____    |
| EDIT | - Other current expenses . . . . .  | _____    |
| EVER | - Total current expenses . . . . .  | _____    |
| EARN | - Current net earnings . . . . .  | \$ _____ |
| ELBA | - Additions to Current net earnings . . . . .                                   | _____    |
| ENID | - Deductions from Current net earnings . . . . .                                | _____    |
|      | Net additions to or deductions<br>from current net earnings . . . . .           | _____    |
| EAST | - Net earnings available for dividends,<br>franchise tax, and surplus . . . . . | _____    |
| EYRE | - Dividends paid . . . . .  | _____    |
| EMET | - Paid to Government as franchise tax . . . . .                                 | _____    |
| EVEN | - Transferred to surplus account . . . . .                                      | _____    |
|      | Total (to agree with item EAST) . . . . .                                       | _____    |
| CAPP | - Subscribed capital January 1, 1931 . . . . .                                  | _____    |
| CEDE | - Surplus January 1, 1931 . . . . .   | _____    |

- 2 -

It is also requested that the regular monthly reports of earnings and expenses on forms 95 and 96 be accompanied with an itemized statement showing in detail all additions to and deductions from current net earnings (Profit and Loss account) during the year with separate figures for each branch, if any, and that in addition to the regular balance sheet form 34 for the last day of the year representing the condition of the bank after final closing of the books, a form 34 be submitted showing the condition of the bank at close of business but prior to the making of any adjusting, closing or other entries not regularly made at the end of each month.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS\*



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDDecember 18, 1930  
St. 6838SUBJECT: Call Condition Reports of  
Member Banks

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.

The Board is desirous of obtaining again a preliminary classification of loans and investments of reserve city and of country banks in each Federal reserve district, as was done for the June 30 and September 24 calls. It will be appreciated if you will kindly arrange to have such data wired to the Board within three weeks from the date designated for the next call report, if practicable, in the same form as the data were furnished for the September 24 call. It is suggested that before the figures are telegraphed to the Board they be compared with corresponding figures for September 24 in order to make sure that they are on a comparable basis.

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

December 19, 1930  
St. 6840

SUBJECT: Earnings, Expenses and Dividends  
Reports of State Bank Members.

Dear Sir:

There are being forwarded to you today under separate cover copies of form 107 for use of State Bank members in submitting their reports of earnings, expenses and dividend payments for the six months ending December 31, 1930.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO ALL F. R. AGENTS\*

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

December 27, 1930.  
St. 6845.

SUBJECT: Condition of All Banks in  
each district on September 24,  
1930.

Dear Sir:

For your information and use there is enclosed herewith a copy of a statement and accompanying memorandum showing loans, investments, deposits and borrowings of all member and nonmember banks in each Federal reserve district on September 24, 1930, together with changes therein since June 30, 1930 and October 4, 1929.

Very truly yours,

E. L. Smend, Chief,  
Division of Bank Operations

Enclosures.

TO ALL FEDERAL RESERVE AGENTS\*

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

December 27, 1930.  
St. 6847.

SUBJECT: Forms for use during 1931.

Dear Sir:

There are being forwarded to you today under separate cover a supply of the following forms for use during 1931:

|          |        |
|----------|--------|
| Form 38, | copies |
| Form E,  | copies |
| Form 95, | copies |
| Form 96, | copies |

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO GOVERNORS OF ALL F. R. BANKS\*

# FEDERAL RESERVE BOARD

WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

December 30, 1930.  
St. 6851.

SUBJECT: Revised Forms, BO-1 and BO-2.

Dear Sir:

There are attached hereto copies of revised forms BO-1 - daily condensed condition statement of Federal reserve banks and BO-2 - weekly statement of resources and liabilities of the twelve Federal reserve banks combined.

Please use Form BO-1, as indicated by the footnote thereon, in telegraphing the condensed statement of condition of your bank except on weekly statement and month-end dates. On weekly statement dates your telegram should include all code words appearing on Form 34 and on month-end dates all code words appearing on Form 34 except those relating to the maturity distribution on the reverse side of the form.

Very truly yours,

E. L. Smead, Chief,  
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS\*