X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 2, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
11	Dallas Bank & Trust Co., Dallas, Texas, ...	$1,000,000	1- 2-31
11	Stamford State Bank, Stamford, Texas, ...	50,000	12-30-30
	Merger of State Members:		
4	Peoples-Pittsburgh Trust Co., Pittsburgh, Pa., member,	5,322,000	11-17-30
	Oakland Savings & Trust Co., " " "	300,000	
	Consolidated under the title of the Peoples-Pittsburgh Trust Co., a member, ...	5,322,000	
	Closed:		
8	Citizens Bank & Trust Co., England, Ark., member, . .	100,000	12-30-30
8	Bank of Marvell, Marvell, Ark., member, ...	50,000	1- 2-31
8	Bank of Pontotoc, Pontotoc, Miss., member, ...	100,000	1- 2-31
	Change of Title:		
12	The Citizens Savings Bank, Pasadena, Calif., a member, has changed its title to Citizens Commercial Trust & Savings Bank.		12-30-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District		Date
8	Lafayette National Bank and Trust Co., Luxemburg, Mo. (Full powers)	12-27-30

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 9, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Closed:		
6	Merchants & Farmers Bank, Roanoke, Ala., ...	$ 75,000	1- 5-31
	Merger of State Banks:		
3	Susquehanna Trust Co., Williamsport, Pa., member,. .	500,000	12-31-30
	merged with and under title of		
	Lycoming Trust Co., Williamsport, Pa., member, . . .	2,000,000	
4	Brighton Bank & Trust Co., Cincinnati, O., member, .	500,000	12-22-30
	Pearl-Market Bank & Trust Co.,Cincinnati, O., member,	600,000	12-22-30
	merged with and under title of		
	Central Trust Co., Cincinnati, O., a member, ...	4,000,000	
4	Oakley Bank, Cincinnati, O., nonmember, ...	100,000	12-22-30
	merged with and under title of		
	Fifth-Third Union Trust Co., Cincinnati, O., member,	5,000,000	
4	Youngstown State Bank, Youngstown, O., nonmember,. .	50,000	1- 1-31
	Youngstown Savings Co.,Youngstown, O., nonmember,. .	25,000	1- 1-31
	merged with and under title of		
	City Trust & Savings Bank, Youngstown, O., member,. .	1,000,000	
4	Metropolitan Svgs. Bank & Trust Co., Pittsburgh, Pa., nonmember, ...	200,000	12-31-30
	Peoples Trust Co., Pittsburgh, Pa., nonmember, . . .	250,000	12-31-30
	Terminal Trust Co.,Pittsburgh, Pa., nonmember, . . .	125,000	12-31-30
	merged with and under title of		
	Peoples-Pittsburgh Trust Co., a member, ...	5,319,000	
11	First State Bank, Stamford, Texas, member, ...	100,000	12-31-30
	merged with and under title of		
	Stamford State Bank, Stamford, Texas, member,. . . .	50,000	
	Absorption of National Bank:		
4	Napoleon State Bank, Napoleon, Ohio, member, ...	50,000	12-15-30
	absorbed the First National Bank of Napoleon, .	50,000	
11	Dallas Bank & Trust Co., Dallas, Texas, member,. . .	1,000,000	12-31-30
	absorbed the Dallas National Bank, ...	500,000	
	Succeeded by Nonmember:		
11	Continental Bank & Trust Co., Shreveport, La.,member, succeeded by Continental Trust & Savings Bank, Shreveport, La., a nonmember.	300,000	12-29-30

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 16, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
8	Chouteau Trust Co., St. Louis, Mo., ...	$200,000	1-15-31
	Voluntary Withdrawal:		
7	State Savings Bank, Missouri Valley, Iowa, ...	50,000	1-12-31
	Succeeded by Nonmember:		
7	Kent State Bank, Kentland, Ind., member, ... Succeeded by The Kent State Bank, nonmember.	50,000	12-20-30
9	Southern Montana Bank, Ennis, Mont., member, ... Succeeded by Madison Valley Bank, nonmember.	25,000	1- 3-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

4	Union National Bank & Trust Co., Cadiz, Ohio	(Confirmatory)	1-12-31
7	Bloomington National Bank, Bloomington, Ind.	(Full powers)	1-14-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 23, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
7	State Bank of Cuba, Cuba, Illinois, ...	$50,000	1-22-31.

Closed:

None.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 30, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Closed:		
2	Peoples Banking & Trust Co., Elizabeth, N. J., ...	$350,000	1-28-31
6	Jackson Banking Co., Jackson, Ga., ...	50,000	1-28-31
	Absorbed by Nonmember:		
8	Peoples Savings Bank & Trust Co., Halls, Tenn., . . .	25,000	1-16-31
	Absorbed by Bank of Halls, Halls, Tenn., nonmember,	70,000	
	Absorption of Nonmembers:		
2	M & T Trust Co., Buffalo, N. Y., a member, ...	6,000,000	12-30-30
	has absorbed A. Pepe & Sons, Private Bank, ...	100,000	
2	Marine Trust Co., Buffalo, N. Y., a member, ...	10,000,000	1-23-31
	has absorbed Commercial Trust Co., nonmember,. . .	1,250,000	
11	Central State Bank, McKinney, Tex., a member, . . .	75,000	12-13-30
	has absorbed First State Bank, Westminster, Tex., a nonmember, ...	13,000	
	Absorption of National Banks:		
4	Peoples-Pittsburgh Trust Co., Pittsburgh, Pa.,member,	5,319,000	1-20-31
	has absorbed First National Bank of Birmingham, Pittsburgh, Pa., ...	100,000	
7	State Bank of Cuba, Cuba, Ill., a member, ...	50,000	1-22-31
	has absorbed First National Bank, Cuba, Ill., . .	50,000	

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Beverly National Bank, Beverly, Mass.	(Supplemental)	1-28-31
5	Citizens National Bank, Gastonia, N. C.	(Full powers)	1-28-31
12	First National Bank, in Bakersfield, Calif.	(Full powers)	1-29-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 6, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Closed:		
4	Merchants State Bank, New Philadelphia, Ohio, . . .	$150,000	1-31-31
7	First Trust & Savings Bank, Hammond, Ind., ...	1,000,000	2- 2-31
12	Aurora State Bank, Aurora, Oreg., ...	25,000	2- 5-31
	Reopened:		
8	Bank of Marvell, Marvell, Ark., ...	50,000	1-31-31
	Converted to National Bank:		
3	Miners Trust Co., Nanticoke, Pa., member, ...	300,000	1-30-31
	Converted to Miners National Bank, ...	300,000	
	Consolidation of State Members:		
12	Citizens State Bank, Tekoa, Wash., member, ...	25,000	1-31-31
	Tekoa State Bank, Tekoa, Wash., member, ...	30,000	
	Consolidated under charter and title of Tekoa State Bank, Tekoa, Wash., member, . . .	30,000	

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

12	American National Bank, Idaho Falls, Ida. (Full powers)	2- 6-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 13, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
5	The Bank of Romney, Romney, W. Va., ...	$100,000	2-11-31
	Change of Title:		
4	Peoples Savings & Banking Co., Barberton, Ohio. Title changed to First-City Savings Bank.		
	Closed:		
4	First State Bank, Newton Falls, Ohio, ...	125,000	2- 9-31
	Reopened:		
8	Greenwood Bank & Trust Co., Greenwood, Miss., . . .	200,000	2-10-31
	Voluntary Withdrawal:		
12	Bank of Oregon City, Oregon City, Oreg., ...	150,000	2- 9-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

12	First National Bank, Price, Utah (Limited powers)	2-13-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 20, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Consolidations:		
3	American Bank & Trust Co., Hazleton, Pa., member, . .	$400,000	2- 4-31
	City Bank & Trust Co., nonmember, ...	125,000	
	Consolidated under new charter and title of American Bank & Trust Co., nonmember.		
11	First State Bank, Hillsboro, Texas, member, ...	100,000	1-31-31
	Farmers National Bank, ...	100,000	
	Consolidated under new charter and title of Central Bank & Trust Co., nonmember.		
	Closed:		
5	Bank of Woodruff, Woodruff, S. C., ...	77,800	2-20-31
	Voluntary Withdrawal:		
8	Citizens Bank, Festus, Mo., ...	35,000	2-16-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Boston-Continental National Bank, Boston, Mass.	(Confirmatory)	2-17-31
7	Inland-Irving National Bank, Chicago, Ill.	(Confirmatory)	2-14-31
7	Citizens National Bank, South Bend, Ind.	(Full powers)	2-17-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 27, 1931

CHANGES IN STATE BANK MEMBERSHIP

District		Capital	Date
	Admitted to Membership:		
	None.		
	Absorption of National Banks:		
1	Newton Trust Co., Newton, Mass., member, ...	$1,000,000	2-16-31
	absorbed the First National Bank of Newton, . . .	100,000	
6	Peoples Bank, Carrollton, Ga., member, ...	60,000	1-13-31
	absorbed the First National Bank of Carrollton, .	100,000	
	Merger of State Banks:		
4	First-City Trust & Savings Bank, Akron, O., member,	3,500,000	1-31-31
	Ohio State Bank & Trust Co., nonmember, ...	1,000,000	
	merged under charter and title of		
	First-City Trust & Savings Bank, member, . . .	3,750,000	
7	American Trust Co., South Bend, Ind., member, . . .	500,000	2- 2-31
	La Salle State Bank, nonmember, ...	50,000	
	merged under charter and title of		
	American Trust Co., member, ...	500,000	
7	Commercial State Savings Bank, Fenton, Mich.,member	50,000	2-16-31
	Fenton State Savings Bank, member, ...	25,000	
	consolidated under charter of latter and title of		
	State Savings Bank of Fenton, member, ...	50,000	
	Voluntary Liquidation:		
8	Federal Bank & Trust Co., Little Rock, Ark., . . .	200,000	1-20-31
	Closed:		
8	First State Bank, Palmyra, Ill., ...	25,000	2-24-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District			Date
2	First Merchants National Bank & Trust Co., Middletown, N. Y.	(Full powers)	2-18-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 6, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Voluntary Withdrawal:		
6	Bank of Wadley, Wadley, Ga., ...	$ 25,000	3- 2-31
	Merger of State Banks:		
4	Peoples-Pittsburgh Trust Co., Pittsburgh, Pa., member,	5,456,271	3- 4-31
	Dollar Savings & Trust Co., nonmember, ...	1,000,000	
	merged under charter and title of Peoples-Pittsburgh Trust Co., member, ...	5,456,271	
6	Marion Central Bank, Marion, Ala., member, ...	50,000	1-27-31
	Peoples Bank of Marion, nonmember, ...	50,000	
	merged under charter and title of Marion Central Bank, member, ...	50,000	
7	Farmers State Bank, Bellevue, Mich., member,. . . .	25,000	2-21-31
	Bellevue State Bank, nonmember, ...	20,000	
	merged under charter and title of Bellevue State Bank, nonmember.		
7	American State Bank, Saginaw, Mich., member, . . .	400,000	2-21-31
	Peoples Savings Bank, nonmember, ...	200,000	
	merged under the charter of the former and title of Peoples American State Bank, a member, ...	400,000	
	Change of Title:		
12	Walker Brothers, Bankers, Salt Lake City, Utah. Title changed to Walker Bank and Trust Co.		3-1-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District		Date
4	First National Bank, Reynoldsville, Ky. (Full powers)	3- 4-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 13, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Effective date
	Admitted to Membership:		
	None.		
	Voluntary Withdrawals:		
4	Middlefield Banking Co., Middlefield, O., . . .	$ 25,000	3-11-31
7	Ulch Brothers State Bank, Solon, Iowa, ...	50,000	3-11-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

4	First National Bank, Brooksville, Ky. (Supplemental)	3- 9-31
1	National Bank of Commerce, New London, Conn. (Supplemental)	3- 9-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 20, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District	Admitted to Membership:	Capital	Date
2	Bank of Jamestown, Jamestown, N. Y., ...	$500,000	3-20-31
9	Farmers State Bank, Flandreau, S. Dak., ...	50,000	3-19-31
11	First State Bank, Robert Lee, Texas, ...	30,000	3-17-31
11	First State Bank & Trust Co., Snyder, Texas, . . .	50,000	3-17-31
	Voluntary Withdrawal:		
2	Orleans County Trust Co., Albion, N. Y., ...	100,000	3-16-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 27, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
3	American Bank & Trust Co., Hazleton, Pa., ...	$450,000	3-23-31
	Voluntary Withdrawal:		
1	Bristol-American Bank & Trust Co., Bristol, Conn.,	300,000	3-23-31
7	Lake Odessa State Savings Bank, Lake Odessa, Mich.	25,000	3-23-31
	Consolidation of State Banks:		
7	Dearborn State Bank, Dearborn, Mich., member, . .	300,000	2- 1-31
	Peoples State Bank, Inkster, Mich., nonmember, .	50,000	
	Consolidated under charter and title of Dearborn State Bank, member, ...	300,000	

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

8	Union National Bank, Springfield, Mo. (Supplemental)	3-27-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 3, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Consolidation of State Banks:		
7	Depositors State Bank, Chicago, Ill., member, . .	$400,000	3-28-31
	Southwest State Bank, Chicago, Ill., nonmember, . .	200,000	
	Consolidated under charter and title of Depositors State Bank, a member, ...	400,000	
7	Dearborn State Bank, Dearborn, Mich., member, . . .	300,000	3-16-31
	American State Bank, " " , nonmember, .	100,000	
	Consolidated under charter and title of Dearborn State Bank, a member, ...	300,000	
	Closed:		
6	Citizens Bank & Trust Co., Jefferson, Ga., ...	96,420	3-30-31
	Reopened:		
8	State Savings Loan & Trust Co., Quincy, Ill., . . .	1,000,000	4- 2-31
	Change of Title and Location:		
8	Camden County Bank, Linn Creek, Mo. Title and location changed to Camden County Bank, Camdenton, Mo.		

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District		Date
1	National Bank of Commerce, New London, Conn. (Supplemental)	3-31-31
	Report for week ended March 6, 1931, should be corrected to read as follows:	
4	First National Bank, Reynoldsville, Pa. (Full powers)	3- 4-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 10, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
2	State Trust Co., Plainfield, N. J., ...	$150,000	4- 8-31
	Voluntary Withdrawal:		
2	Bank of Millbrook, Millbrook, N. Y., ...	100,000	4- 8-31
	Consolidation of State Banks:		
2	Broadway & Plaza Trust Co., New York, N. Y., member,	1,350,000	4- 4-31
	Consolidated under charter and title of the Hibernia Trust Co., nonmember, ...	3,000,000	
7	St. Joseph Valley Bank, Elkhart, Ind., member, . .	250,000	3-23-31
	South Side State Bank, nonmember, ...	25,000	
	Consolidated under charter and title of St. Joseph Valley Bank, member, ...	250,000	
7	Peoples Wayne County Bank, Detroit, Mich., member	15,000,000	3-27-31
	American State Bank, member, ...	2,500,000	
	Consolidated under charter and title of the Peoples Wayne County Bank, member, ...	15,000,000	
7	Highland Park State Bank, Highland Park, Mich., a member, ...	1,000,000	3-27-31
	American State Bank, member, ...	300,000	
	Consolidated under charter and title of the Highland Park State Bank, member, ...	1,000,000	
7	Peoples Wayne County Bank, Detroit, Mich., member	15,000,000	3-27-31
	Michigan State Bank, nonmember, ...	250,000	
	Consolidated under charter and title of the Peoples Wayne County Bank, member, ...	15,000,000	
	Closed:		
12	Bank of Commerce, Oregon City, Oreg., ...	150,000	4-10-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District			Date
2	Peoples National Bank of Brooklyn in New York, N. Y.	(Full powers)	4- 7-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT

WEEK ENDED APRIL 17, 1931

CHANGES IN STATE BANK MEMBER SHIP:

No Changes

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

NONE

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 24, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Voluntary Withdrawal:		
6	Farmers & Merchants Bank, Eatonton, Ga., ...	$25,000	4-15-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

6	Hamilton National Bank, Knoxville, Tenn. (Full powers)	4-15-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 1, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
	None.		
	Closed:		
12	Central Bank of Toppenish, Toppenish, Wash.	$50,000	4-22-31
6	La Grange Banking & Trust Co., La Grange, Ga.	250,000	4-29-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

9	First National Bank, Dickinson, N. Dak. (Full powers)	4-28-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 8, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
11	Commercial-American Bank & Trust Co., Shreveport, La., ...	$300,000	5- 6-31
	Voluntary Withdrawal:		
7	Twenty-sixth Street State Bank, Chicago, Ill., . .	200,000	5- 8-31
	Absorption of Nonmembers:		
7	Fletcher Savings & Trust Co., Indianapolis, Ind., a member, has absorbed the following nonmembers:	1,500,000	4-15-31
	East Washington State Bank, Indianapolis, Ind.	25,000	
	Irvington State Bank, " "	50,000	
	Roosevelt Ave. State Bank, " "	25,000	
	Broad Ripple State Bank, " "	25,000	
	Sixteenth Street State Bank, " "	25,000	
	South Side State Bank, " "	25,000	
7	Davison State Bank, Davison, Mich., member, . . . has absorbed the following nonmember:	50,000	3- 2-31
	Farmers State Bank, Davison, Mich., ...	40,000	
	Consolidation of State Members:		
7	Farmers State Bank, Vicksburg, Mich., member, . .	25,000	5- 5-31
	First State Bank, " " " , . .	30,000	
	Consolidated under charter and title of Farmers State Bank, Vicksburg, Mich., member,	25,000	
	Closed:		
9	State Bank of Madelia, Madelia, Minn., ...	50,000	5- 5-31
4	First Bank & Trust Co., Washington, Pa., ...	600,000	5- 4-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 15, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Change of Title:	
7	The Fletcher Savings & Trust Co., Indianapolis, Ind., has changed its title to Fletcher Trust Company.	5- 4-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

7	Citizens National Bank, Paris, Ill. (Full powers)	3-15-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT

WEEK ENDED MAY 22, 1931.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
2	Clinton Trust Co., New York, N. Y.	$500,000	5-18-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District			Date
7	Edgar County National Bank, Paris, Ill.	(Full Powers)	5-18-31
9	Security National Bank, Brookings, So. Dak.	(Full Powers)	5-18-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 29, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
2	Dover Trust Company, Dover, N. J., ...	$200,000	5-25-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	National Bank of Westfield, Westfield, N. J.	(Full powers)	5-27-31
2	Peoples-First National Bank, Hoosick Falls, N. Y.	(Confirmatory)	5-27-31
6	Peoples-First National Bank, Quitman, Ga.	(Confirmatory)	5-27-31
9	First National Bank & Trust Co., Helena, Mont.	(Full powers)	5-23-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 5, 1931

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Date
6	Winfield State Bank, Winfield, Ala., ...	$25,000	6- 5-31

Consolidation of State Banks:

District		Capital	Date
7	American Commercial & Savings Bank, Davenport, Ia., member, .	1,500,000	6- 1-31
	American Trust Co., nonmember, ...	100,000	
	Citizens Trust & Savings Bank, nonmember, ...	150,000	
	Consolidated under the charter of the first-named and title: American Savings Bank & Trust Co., . .	1,500,000	
7	Milan State Savings Bank, Milan, Mich., member,. .	25,000	5-23-31
	Farmers & Merchants Bank, nonmember, ...	25,000	
	Consolidated under the charter of the former and title of Peoples State Bank of Milan, member, . .	25,000	

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 12, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
2	Mercantile Bank & Trust Co., New York, N. Y., . .	$900,000	6- 4-31
	Change of Title:		
4	Minerva Savings & Trust Co., Minerva, Ohio. Title changed to Minerva Savings & Bank Co.		5-27-31
	Consolidation with Nonmember:		
7	Bennett Savings Bank, Bennett, Iowa, member, . .	50,000	6- 8-31
	Farmers Savings Bank, Bennett, Iowa, nonmember, .	35,000	
	Consolidated under new charter and title of Bennett State Bank, nonmember.		

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

District		Date
5	McDowell County National Bank in Welch, W. Va. (Full powers)	6- 9-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 19, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to Membership:		
10	Sundance State Bank, Sundance, Wyo., ...	$25,000	6-17-31
	Absorption of National Bank:		
2	Merchants & Newark Trust Co., Newark, N. J., member,	2,500,000	6-11-31
	has absorbed the Port Newark National Bank, Newark,	200,000	
	Absorption of Nonmembers:		
2	Bank of Manhattan Trust Co., New York, N.Y., member,	22,250,000	5-21-31
	absorbed the Seward Bank, New York, N.Y., nonmember,	2,000,000	
	(a conversion of the Seward Nat. Bank & Trust Co.)		
3	Camden Safe Deposit & Trust Co., Camden, N.J., member,	1,200,000	6-15-31
	absorbed Broadway-Merchants Trust Co., nonmember,	1,100,000	
	Closed:		
7	Noel State Bank, Chicago, Ill., ...	1,000,000	6-18-31
7	Des Plaines State Bank, Des Plaines, Ill., ...	200,000	6-12-31
7	American Trust Co., South Bend, Ind., ...	500,000	6-15-31
7	First State Savings Bank, Birmingham, Mich., ...	200,000	6-16-31
7	Pontiac Commercial & Svgs. Bank, Pontiac, Mich., . .	800,000	6-15-31
7	Wayne Savings Bank, Wayne, Mich., ...	50,000	6-19-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

		Date
7	Grundy County National Bank, Morris, Ill. (Confirmatory)	6-19-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 26, 1931

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Date
	Admitted to membership:		
	None.		
	Closed:		
7	Farmington State Savings Bank, Farmington, Mich.	$ 40,000	6-26-31

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 2, 1931

CONFIDENTIAL

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
Aldine Trust Co.	Philadelphia	Pa.	Dec.29	1,218,000	750,000	5,486,000
First Italian Exchange Bank	Philadelphia	Pa.	Dec.29	(private bank - no figures)		
District No. 4						
Peoples Bank	Greensboro	Pa.	Dec.29	25,000	41,000	251,000
Doylestown Banking Co.	Doylestown	Ohio	" 30	25,000	4,000	200,000
District No. 5						
*Merchants & Planters National Bank	Dillwyn	Va.	Dec.27	50,000	5,000	180,000
Bank of South Hill	South Hill	"	" 27	100,000	62,000	327,000
State Bank of Pamplin	Pamplin	"	" 27	25,000	18,000	240,000
Citizens Bank	Edenton	N. C.	" 27	100,000	51,000	338,000
Bank of Bladen	Clarkton	"	" 27	15,000	32,000	205,000
Bank of Crozet,	Crozet	Va.	" 31	50,000	17,000	343,000
Peoples Bank	Covington	"	" 31	40,000	23,000	423,000
Elm City Bank	Elm City	N. C.	Jan. 2	20,000	33,000	211,000
Bank of Candor	Candor	"	" 2	25,000	10,000	115,000
Bank of Severn	Severn	"	" 2	20,000	5,000	77,000
Bank of the Monongahela Valley	Morgantown	W.Va.	" 2	300,000	337,000	3,796,000
District No. 6						
*City National Bank	Bessemer	Ala.	Dec.23	100,000	34,000	800,000
*Farmers & Merchants National Bank	Rockmart	Ga.	" 23	40,000	5,000	251,000
*National Bank of Wilkes	Washington	"	" 23	50,000	102,000	438,000
White County Bank	Cleveland	"	" 29	15,000	8,000	175,000
Chambers County Bank	Lafayette	Ala.	" 29	75,000	68,000	319,000
Prospect Bank & Tr. Co.	Prospect Sta.	Tenn.	" 29	10,000	5,000	46,000
Merchants & Farmers Bk	Boston	Ga.	" 30	50,000	27,000	229,000
Bank of New Hope	New Hope	Ala.	" 31	25,000	17,000	61,000
Bank of Walnut Grove	Walnut Grove	Miss.	" 30	10,000	6,000	213,000
Bank of Lena	Lena	"	" 30	12,000	3,000	118,000
District No. 7						
Stockton Bank	Stockton	Iowa	Dec.26	15,000	- -	167,000
Mooresville State Bank	Mooresville	Ind.	" 27	50,000	35,000	604,000
Miller State Bank	Gary	"	" 27	25,000	3,000	130,000
Central Trust & Svgs.Bk	"	"	" 29	100,000	54,000	964,000
Bank of Earlham	Earlham	Iowa	" 30	14,000	33,000	294,000
Farmers State Bank	Harris	"	" 30	25,000	- -	150,000
Citizens State Bank	Indianapolis	Ind.	" 30	100,000	127,000	1,435,000
Linn County Svgs. Bank	Center Point	Iowa	" 30	30,000	12,000	444,000
Maple Road State Bank	Indianapolis	Ind.	" 31	25,000	13,000	168,000
*Lawrence Ave. Nat.Bank	Chicago	Ill.	Jan. 2	200,000	20,000	782,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended January 2, 1931.

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 7 (continued)						
Brocton Bank	Brocton	Ill.	Jan. 2	25,000	13,000	156,000
Logan Trust & Svgs.Bank	Logan	Iowa	" 2	50,000	2,000	198,000
Ft. Wayne Ave.State Bk	Indianapolis	Ind.	" 2	25,000	7,000	200,000
District No. 8						
Booneville Banking Co.	Booneville	Miss.	Dec. 27	50,000	29,000	844,000
Bank of Sherman	Sherman	"	" 27	15,000	14,000	221,000
Itawamba County Bank	Fulton	"	" 27	16,000	- -	107,000
Van Buren County Bank	Clinton	Ark.	" 29	20,000	20,000	275,000
*First National Bank	Corinth	Miss.	" 26	100,000	30,000	1,250,000
Bank of Oxford	Oxford	"	" 29	60,000	18,000	844,000
Flinthill Bank	Flinthill	Mo.	" 29	10,000	3,000	58,000
*Citizens Bank & Tr. Co.	England	Ark.	" 30	100,000	42,000	358,000
Bank of Stephens	Stephens	"	" 30	30,000	11,000	251,000
Planters Tr. & Svgs.Bk.	Clarksdale	Miss.	" 30	50,000	5,000	535,000
*Planters National Bank	"	"	" 30	500,000	239,000	2,093,000
*First National Bank	Ludlow	Mo.	" 30	25,000	10,000	98,000
*First National Bank	Ashdown	Ark.	" 30	50,000	6,000	300,000
Bank of Myrtle	Myrtle	Miss.	" 30	15,000	3,000	105,000
State Bank of Hecker	Hecker	Ill.	" 31	15,000	4,000	141,000
Progressive State Bank	Tutwiler	Miss.	" 31	30,000	4,000	275,000
Peoples Bank	Jonestown	"	" 31	10,000	13,000	123,000
Bank of Chidester	Chidester	Ark.	" 31	10,000	4,000	102,000
*Bank of Marvell	Marvell	"	Jan. 2	50,000	26,000	360,000
Alma State Bank	Alma	Ill.	" 2	15,000	1,000	93,000
Peoples Bank	Dixon	Mo.	" 2	30,000	21,000	163,000
*Bank of Pontotoc	Pontotoc	Miss.	" 2	100,000	15,000	732,000
District No. 9						
*First National Bank	Tyler	Minn.	Dec. 23	25,000	30,000	600,000
Farmers State Bank	Woodworth	N. Dak.	" 26	15,000	3,000	132,000
Farmers State Bank	Leith	" "	" 27	10,000	5,000	108,000
Langford State Bank	Langford	S. Dak.	Jan. 2	15,000	29,000	439,000
District No. 10						
State Bank of Elsmore	Elsmore	Kans.	Dec. 26	10,000	6,000	114,000
Farmers State Bank	Wheaton	"	" 27	30,000	10,000	174,000
Farmers State Bank	Brighton	Colo.	" 29	35,000	26,000	459,000
College State Bank	Manhattan	Kans.	" 30	25,000	7,000	105,000
Farmers State Bank	Platte Center	Nebr.	" 30	30,000	6,000	220,000
Bank of Yampa	Yampa	Colo.	Jan. 2	15,000	11,000	100,000
District No. 11						
Farmers State Bank	Pottsboro	Texas	Dec. 30	10,000	- -	29,000
*First National Bank	Plainview	"	" 29	100,000	102,000	1,912,000
*First National Bank	Ralls	"	Jan. 2	25,000	15,000	108,000
Huntsville State Bank	Huntsville	"	" 2	50,000	27,000	453,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 5						
Bank of Clover	Clover	S. C.	12-16-30	30,000	34,000	12-29-30
District No. 8						
Security Bank & Trust Co.	Greenwood	Miss.	12-22-30	50,000	9,000	12-30-30
Peoples Bank,	Sulphur	Ky.	11-18-30	15,000	12,000	1- 1-31
District No. 10						
Nebraska State Bank	Norfolk	Nebr.	7-23-30	100,000	35,000	12-20-30
(reorganized and reopened as the State Bank of Norfolk)						

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 9, 1931

CONFIDENTIAL

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
Haddon Heights Bank & Trust Co.	Haddon Heights,	N. J.	Jan. 3	100,000	131,000	1,707,000
Darby Bank & Trust Co.	Darby	Pa.	" 8	200,000	153,000	1,734,000
District No. 4						
State Security Bank	Zanesville	Ohio	Jan. 5	100,000	97,000	2,913,000
District No. 5						
Bank of Jarratts	Jarratt	Va.	Jan. 3	12,000	12,000	210,000
Bank of Macon	Macon	N. C.	" 2	10,000	1,000	50,000
Metropolitan Bank & Trust Co.	Norfolk	Va.	" 3	55,000	37,000	429,000
Commercial & Svgs.Bk.	Andrews	S. C.	Dec.31	8,000	- -	8,000
Bank of Dundas	Dundas	Va.	Jan. 7	10,000	8,000	104,000
Loan & Savings Bank	Camden	S. C.	" 7	100,000	15,000	281,000
Bank of Lake View	Lake View	S. C.	" 7	50,000	4,000	115,000
Bank of Aynor	Aynor	S. C.	" 7	15,000	6,000	101,000
Farmers & Merch. Bank	Littleton	N. C.	" 7	15,000	43,000	353,000
Bank of Antreville	Antreville	S. C.	" 7	10,000	6,000	60,000
Bank of Montgomery	Troy	N. C.	" 9	60,000	60,000	450,000
District No. 6						
S. Lemon Banking Co.	Acworth	Ga.	Jan. 2	30,000	11,000	156,000
Planters Bank	White Plains	Ga.	" 2	15,000	2,000	16,000
Bank of Twin City	Summit	Ga.	" 2	25,000	27,000	96,000
Peoples Bank	Gilbertown	Ala.	" 2	15,000	5,000	113,000
Roanoke Banking Co.	Roanoke	Ala.	" 5	200,000	101,000	752,000
*Merchants & Farmers Bk	Roanoke	Ala.	" 5	75,000	50,000	423,000
Farmers State Bank	Ashland	Ala.	" 7	15,000	11,000	170,000
Decatur Bank & Tr. Co.	Decatur	Ga.	" 8	100,000	96,000	1,006,000
District No. 7						
Garrett Savings Loan & Trust Co.	Garrett	Ind.	Jan. 2	40,000	12,000	210,000
Farmers Savings Bank	Oxford	Iowa	" 2	20,000	31,000	317,000
First Indiana State Bk	Gary	Ind.	" 5	75,000	23,000	625,000
Iowa Savings Bank	Ft. Dodge	Iowa	" 5	100,000	32,000	1,189,000
Farmers & Merchants Bk	Lenox	Iowa	" 5	50,000	15,000	425,000
Wojcik State Bank	Hamtramck	Mich.	Oct. 7	60,000	15,000	213,000
Citizens Tr.& Svgs.Bk	E.Chicago	Ind.	Jan. 5	100,000	41,000	518,000
Indiana State Bank	E.Chicago	Ind.	" 5	50,000	50,000	516,000
*First National Bank	Floyd	Iowa	" 6	25,000	1,000	179,000
Huntertown Bank	Huntertown	Ind.	" 6	10,000	5,000	105,000
Lamont Savings Bank	Lamont	Iowa	" 6	25,000	6,000	192,000
Mystic Industrial Savings Bank	Mystic	Iowa	" 6	15,000	11,000	178,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended January 9, 1931.

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 7 (continued)						
Citizens State Bank	Oakland	Ill.	Jan. 7	25,000	9,000	140,000
Iowa Savings Bank	Lamotte	Iowa	" 7	40,000	11,000	315,000
Citizens Bank	Monroe	Wis.	" 7	100,000	112,000	1,611,000
District No. 8						
Bank of St. Paul	St. Paul	Ark.	Dec.13	10,000	5,000	55,000
Pope County State Bank	Golconda	Ill.	" 16	50,000	14,000	315,000
*First National Bank	Rogers	Ark.	Jan. 2	50,000	65,000	685,000
*Interstate National Bk	Helena	Ark.	" 3	250,000	89,000	2,125,000
State Bank of Joppa	Joppa	Ill.	" 5	15,000	4,000	89,000
Central Trust Co.	St. Charles	Mo.	" 5	100,000	56,000	801,000
State Bank of Yale	Yale	Ill.	" 6	15,000	5,000	67,000
Barry State Bank	Barry	Ill.	" 6	50,000	52,000	375,000
*First National Bank	Pontotoc	Miss.	" 2	125,000	37,000	832,000
Old Rockport State Bank	Rockport	Ind.	" 6	40,000	7,000	276,000
Farmers & Traders State Bank	Manchester	Ill.	" 8	25,000	20,000	120,000
District No. 9						
First State Bank	Binford	N.Dak.	Dec.31	15,000	5,000	70,000
*First National Bank	Kerkhoven	Minn.	Jan. 5	25,000	5,000	100,000
State Bank of Roberts	Roberts	Wis.	" 6	10,000	7,000	77,000
First State Bank	Battle Lake	Minn.	" 9	25,000	10,000	583,000
District No. 10						
Guide Rock State Bank	Guide Rock	Nebr.	Dec. 5	15,000	16,000	331,000
State Bank of Niobrara	Niobrara	Nebr.	" 17	30,000	8,000	335,000
Farmers State Bank	Wilcox	Mo.	Jan. 7	10,000	4,000	31,000
District No. 11						
Guaranty State Bank	Whitehouse	Texas	Dec. 17	15,000	5,000	65,000
First State Bank	Ben Franklin	Texas	Jan. 7	15,000	10,000	50,000
District No. 12						
Belvedere State Bank	Los Angeles	Calif.	Dec. 17	50,000	14,000	607,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 5.						
Peoples Bank	Vinton	Va.	12-20-30	100,000	84,000	1- 2-31
Peoples Bank	Gretna	Va.	12-23-30	80,000	35,000	1- 5-31
State Bank of Pamplin	Pamplin	Va.	12-27-30	25,000	13,000	1- 6-31
District No. 7.						
State Tr. & Svgs. Bank	Goodland	Ind.	12-23-30	25,000	8,000	1- 6-31
District No. 8.						
Bank of St. Helens	Shively	Ky.	11-18-30	30,000	40,000	1- 5-31
Bank of Chidester	Chidester	Ark.	12-31-30	10,000	4,000	1- 5-31

- - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CONFIDENTIAL

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 16, 1931

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4						
Peoples Bank	Bloomingburg	Ohio	Jan. 13	25,000	7,000	130,000
District No. 5						
Cabell County Bank	Huntington	W. Va.	Jan. 10	25,000	5,000	262,000
Mechanics Savings Bank	Raleigh	N. C.	" 13	15,000	82,000	799,000
Bamberg Banking Co.	Bamberg	S. C.	" 16	100,000	41,000	331,000
District No. 6						
Fidelity Bank	New Smyrna	Fla.	Jan. 10	75,000	34,000	1,446,000
Citizens Bank	Eustis	"	" 12	55,000	41,000	60,000
Luther Williams Bank & Trust Co.	Macon	Ga.	" 12	100,000	107,000	1,900,000
Bank of Ramer	Ramer	Ala.	" 14	20,000	4,000	31,000
*First National Bank	Hartselle	"	" 12	100,000	38,000	593,000
*First National Bank	Brookhaven	Miss.	" 13	100,000	80,000	1,388,000
Bank of Center Town	Center Town	Tenn.	" 15	12,000	1,000	58,000
Bank of Santa Fe	Santa Fe	"	" 15	10,000	1,000	36,000
First Bank of Nashville	Nashville	Ga.	" 14	25,000	40,000	320,000
*First National Bank	Meridian	Miss.	" 14	260,000	320,000	5,723,000
Alabama Tr.& Svgs.Bank	Florence	Ala.	" 16	100,000	31,000	732,000
Bledsoe County Bank & Trust Co.	Pikeville	Tenn.	" 16	25,000	- -	75,000
District No. 7						
Citizens State Bank	Carmel	Ind.	Jan. 10	25,000	8,000	195,000
Nobel County Bk.& Tr.Co.	Kendallville	"	" 10	175,000	77,000	1,518,000
Dawson Savings Bank	Dawson	Iowa	" 10	25,000	8,000	167,000
Avilla State Bank	Avilla	Ind.	" 12	25,000	9,000	323,000
Little Sioux Svgs.Bank	Little Sioux	Iowa	" 12	10,000	- -	116,000
Farmers State Bank	Calumet Harbor,	Wis.	" 12	20,000	14,000	296,000
State Bank of Westfield	Westfield	Ind.	" 14	25,000	15,000	146,000
Cutler Bank	Cutler	"	" 14	10,000	4,000	152,000
Keosauqua State Bank	Keosauqua	Iowa	" 12	28,000	9,000	329,000
Crawford State Svgs.Bk.	Chicago	Ill.	" 12	200,000	107,000	1,490,000
State Bank of Thorntown	Thorntown	Ind.	" 12	40,000	12,000	222,000
Clayton Bank & Trust Co.	Clayton	"	" 15	25,000	10,000	304,000
State Savings Bank	Zearing	Iowa	" 15	25,000	- -	160,000
District No. 8						
*First National Bank	Holly Grove	Ark	Jan. 9	25,000	5,000	30,000
De Soto Trust Co.	De Soto	Mo.	" 10	50,000	37,000	518,000
Bank of Flemington	Flemington	"	" 12	10,000	11,000	90,000
Farmers Bank	Billings	"	" 12	10,000	5,000	115,000
New Canton State Bank	New Canton	Ill.	" 14	25,000	6,000	- -
*First National Bank	Brookfield	Mo.	" 14	100,000	10,000	156,000
Bank of Blue Mountain	Blue Mountain,	Miss.	" 2	20,000	17,000	389,000
Ashland Branch Bank of Bank of Blue Mountain,	Ashland,	Miss.	" 3	10,000	9,000	155,000
Citizens Bank	Winona	"	" 2	25,000	14,000	305,000
Bank of Derma	Derma	"	" 3	10,000	3,000	65,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended January 16, 1931.

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 8 (continued)						
Bank of Bruce	Bruce	Miss.	Jan. 10	20,000	6,000	119,000
Peoples Bank	Calhoun City	"	" 10	30,000	8,000	200,000
Merchants & Farmers Bank, Ecru		"	" 10	10,000	3,000	65,000
Bank of Kilmichael	Kilmichael	"	" 10	25,000	10,000	428,000
Merchants & Farmers Bank, Vardaman		"	" 10	10,000	6,000	100,000
Peoples Bank	Water Valley	"	" 10	40,000	19,000	518,000
Bank of Winona	Winona	"	" 10	50,000	44,000	803,000
Coffeeville Bank	Coffeeville	"	" 12	24,000	24,000	265,000
Riverside Bank	Marks	"	" 12	50,000	17,000	328,000
Bank of Lowell	Lowell	Ark.	" 8	10,000	2,000	35,000
Bank of Sledge	Sledge	Miss.	" 16	25,000	10,000	230,000
Louisville Home Bank	Louisville	"	" 16	40,000	22,000	688,000
Peoples Savings Bank	Starkville	"	" 16	25,000	52,000	811,000
District No. 9						
Columbus State Bank	Columbus	Mont.	Dec. 23	25,000	1,000	310,000
Fall River County Bank	Edgemont	S. Dak.	Jan. 13	15,000	10,000	311,000
State Bank of Waubay	Waubay	" "	" 14	20,000	10,000	225,000
District No. 10						
Home State Bank	Grandfield	Okla.	Jan. 10	30,000	- -	272,000
Tillman County Bank	"	"	" 10	30,000	3,000	211,000
State Bank of Madison	Madison	Nebr.	" 13	30,000	14,000	301,000
Tecumseh State Bank	Tecumseh	"	" 13	50,000	20,000	265,000
Manchester State Bank	Manchester	Kans.	" 13	10,000	7,000	100,000
Bank of Smithville	Smithville	Mo.	" 14	20,000	30,000	550,000
Citizens State Bank	Selden	Kans.	" 15	25,000	20,000	200,000
District No. 11						
State Bank of	Walnut Springs,	Tex.	Jan. 14	17,000	1,000	68,000
District No. 12						
Tooele County State Bk.	Tooele	Utah	Jan. 14	30,000	65,000	1,035,000

- - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended January 16, 1931.

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

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date reopened
District No. 5						
Bank of Robeson	Maxton	N. C.	12- 6-30	50,000	16,000	1-15-31
District No. 6						
City Bank	Miami Beach	Fla.	12-23-30	100,000	50,000	1-13-31
District No. 7						
Lancaster State Bank	Lancaster	Wis.	4- 8-30	50,000	10,000	1-12-31
State Bank of Fennimore	Fennimore	"	4-14-30	100,000	25,000	1- 5-31
Farmers & Merchants Bk.	Tomah	"	4-16-30	50,000	18,000	12-15-30
District No. 8						
Farmers Bank	Casa	Ark.	11-19-30	10,000	6,000	1- 2-31
Van Buren County Bank	Clinton	"	12-29-30	20,000	20,000	1- 5-31
Bank of Salem	Salem	"	11-19-30	20,000	6,000	1- 2-31
Farmers & Merchants Bk.	La Grange	Mo.	11-17-30	10,000	17,000	1- 9-31
Washington State Bank	Washington	Ark.	?	25,000	6,000	1- 9-31
District No. 9						
Orient State Bank	Orient	S. Dak.	11-26-30	20,000	36,000	1-10-31
Guaranty State Bank	Cresbard	" "	10-28-30	15,000	5,000	12-13-30
Bank of Cresbard	"	" "	10-28-30	20,000	7,000	12-13-30

(two above banks reorganized, consolidated and opened under name of Bank of Cresbard)

- - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 23, 1931.

X3962
CONFIDENTIAL

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date Closed	Capital	Surplus & Profits	Total Deposits
District No. 4.						
Bank of Ludlow	Ludlow	Ky.	Jan. 20	50,000	22,000	670,000
American State Bank	St.Bernice	Ind.	" 20	25,000	1,000	83,000
District No. 5.						
Home Savings Bank	Wilmington	N.C.	" 20	50,000	25,000	800,000
*First National Bank	Clinton	S.C.	" 22	100,000	59,000	326,000
District No. 6.						
*Exchange National Bank	Fitzgerald	Ga.	" 16	100,000	59,000	935,000
*First National Bank	"	"	" 16	125,000	58,000	879,000
*First National Bank	Jackson	Miss.	" 20	200,000	240,000	2,675,000
Bank of Homerville	Homerville	Ga.	" 20	15,000	30,000	150,000
Citizens Bank of	Millry	Ala.,	" 21	10,000	3,000	45,000
South Side Bank	Birmingham	"	" 22	50,000	10,000	461,000
Bank of Alachua	Alachua	Fla.,	" 23	25,000	9,000	208,000
District No. 7.						
Peoples State Bank	So.Milford	Ind.,	" 17	25,000	5,000	139,000
Ashley State Bank	Ashley	"	" 17	25,000	5,000	172,000
State Bank of Dana	Dana	"	" 17	40,000	29,000	299,000
Bank of Rushville	Rushville	Ill.	" 19	120,000	142,000	1,092.000
Exchange State Bank	Walnut	Iowa	" 19	40,000	16,000	527,000
Farmers State Bank	Berwick	Ill.	" 21	30,000	23,000	63,000
Farmers & Merchants Bnk	Scranton	Iowa	" 21	- ---	- ---	- ---
District No. 8.						
Citizens Bank & Tr.Co.	Marks	Miss.	" 17	50,000	20,000	451,000
Hardin County Bank	Saltillo	Tenn.	" 17	15,000	4,000	45,000
Pinson Savings Bank	Pinson	"	" 19	7,000	2,000	50,000
Washington State Bank	Washington	Ark.,	" 3	25,000	6,000	96,000
(This bank reopened Jan.9.)						
*First National Bank	Dardanelle	Ark	" 19	25,000	7,000	260,000
District No. 9.						
Citizens State Bank	Paynesville	Minn.	" 19	15,000	3,000	185,000
District No. 10.						
Rosalia State Bank	Rosalia	Kans.	" 17	50,000	9,000	265,000
Farmers Bank	Turney	Mo.	" 19	25,000	6,000	45,000
Moundville State Bank	Moundville	Mo.	" 19	15,000	3,000	75,000
Farmers State Bank	Nelson	Nebr.	" 21	35,000	3,000	225,000

(Reopened Banks on next sheet)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterick (*) Week ended January 23, 1931.

Name of Bank	City	State	Date Closed	Capital	Surplus & Profits	Date Reopened
		CLOSED BANKS REOPENED				
District No. 4.						
Savings & Loan Banking Company	New London	Ohio	10-6-30	30,000	33,000	1-20-31
District No. 5.						
Bank of Windsor	Windsor	N.C.	12-23-30	20,000	42,550	1-10-31
Planters & Merchants Bank	Everetts	N.C.	12-12-30	15,000	14,000	1-9-31
Merchants and Farmers Bank	Garysburg	N.C.	12-19-30	15,000	13,000	1-9-31
Citizens Bank of Yancy	Burnsville	N.C.	12-18-30	50,000	60,000	1-17-31
Clayton Banking Company	Clayton	N.C.	12-16-30	100,000	32,000	1-19-31
Bank of French Broad	Marshall	N.C.	12-16-30	25,000	54,000	1-19-31
District No. 7.						
Martinsville State Bank	Martinsville	Ill.	12-10-30	50,000	11,000	1-17-31
Farmers & Merchants Bank	Winchester	Ind.	12-8-30	50,000	40,000	1-21-31
Citizens State Bank	Indianapolis	Ind.	12-30-30	100,000	127,000	1-22-31
District No. 8.						
*Citizens Bank & Trust Co.	England	Ark.	12-30-30	100,000	42,000	1-19-31
(Reopened as the Citizens Bank, a nonmember)						
Bank of Clark	Clark	Mo.	12-26-30	15,000	5,000	1-21-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3962

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 30, 1931

CONFIDENTIAL

Member banks indicated by an asterisk (*).

Name of bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
S. Lunghino & Sons	Rochester	N. Y.	Jan. 23	20,000	328,000	637,000
*Peoples Banking & Tr.Co.	Elizabeth	N. J.	" 28	300,000	305,000	6,056,000
District No. 3						
Cresson Deposit Bank	Cresson	Pa.	Jan. 24	50,000	20,000	405,000
District No. 4						
*First National Bank	Addison	Pa.	Jan. 28	25,000	13,000	105,000
*First National Bank in	Crestline	Ohio	" 28	70,000	8,000	598,000
New Martinsville Bank	New Martinsville,	W. Va.	" 29	60,000	121,000	1,277,000
District No. 5						
Bank of Fayette	Fayetteville,	W.Va.	Jan. 26	25,000	25,000	198,000
Union Bank & Trust Co.	Huntington	" "	" 28	500,000	119,000	2,024,000
Farmers Bank	Eure	N. C.	Dec. 9	10,000	11,000	186,000
Planters Bank	Sharon	S. C.	Jan. 30	35,000	16,000	200,000
District No. 6						
Bank of Buford	Buford	Ga.	Jan. 23	25,000	12,000	393,000
with branches at:	Sewanee	"				
and	Duluth	"				
Cumberland City Bank	Cumberland City	Tenn.	Jan. 24	10,000	9,000	89,000
Bank of Preston	Preston	Ga.	" 24	15,000	2,000	79,000
Leake County Bank	Carthage	Miss.	Dec. 29	30,000	35,000	584,000
Southern Banking Co.	Eunice	La.	" 31	30,000	15,000	283,000
Bank of Flovilla	Flovilla	Ga.	Jan. 28	15,000	15,000	57,000
*Jackson Banking Co.	Jackson	"	" 28	50,000	11,000	112,000
District No. 7						
Scott Walters & Rakestraw, Bankers	Wyoming	Ill.	Jan. 30	75,000	14,000	609,000
Washington State Bank	South Bend	Ind.	" 30	50,000	34,000	683,000
Farmers & Workingmens Savings Bank	Jackson	Mich.	Jan. 23	100,000	16,000	850,000
Vincent Savings Bank	Vincent	Iowa	" 26	22,000	- -	145,000
State Bank of Topeka	Topeka	Ind.	" 27	40,000	36,000	513,000
*Farmers & Merchants National Bank	Sheridan	Ind.	Jan. 27	50,000	18,000	571,000
McConnell State Bank	McConnell	Ill.	" 26	30,000	13,000	209,000
State Bank of	Orangeville	"	" 26	35,000	19,000	325,000
River Park State Bank	South Bend	Ind.	" 26	50,000	1,000	72,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended January 30, 1931.

Name of bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 8						
Bank of Cave Springs	Cave Springs	Ark.	Jan. 23	8,000	3,000	89,000
*Clinton National Bank	Clinton	Mo.	" 24	50,000	55,000	600,000
State Bank of Decatur	Decatur	Ark.	" 27	10,000	1,000	120,000
Bank of Hardinsburg & Trust Co.	Hardinsburg	Ky.	" 30	100,000	26,000	669,000
Planters Bank	Camden	Ark.	" 30	50,000	85,000	1150,000
District No. 9						
*Anoka National Bank	Anoka	Minn.	Jan. 27	50,000	2,000	638,000
Farmers State Bank	Corsica	S.Dak.	" 29	24,000	7,000	600,000
First State Bank	Bristol	" "	" 30	20,000	8,000	184,000
Farmers State Bank	Platte	" "	" 26	50,000	8,000	870,000
District No. 10						
State Bank of Keats	Keats	Kans.	Jan. 29	10,000	4,000	35,000
South Denver Bank	Denver	Colo.	" 30	50,000	11,000	372,000
District No. 11						
Dale Bros. & Co.	Henrietta	Texas	Jan. 26	50,000	(not given)	
District No. 12						
Opportunity State Bank	Opportunity	Wash.	Jan. 24	25,000	6,000	292,000
Quinn River Bank	McDermitt	Nev.	" 28	20,000	5,000	75,000

CLOSED BANKS REOPENED:

Name of bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 5						
Citizens Bank	Bryson City	N. C.	11-21-30	30,000	13,000	1-24-31
Bank of Fletcher	Fletcher	" "	12-18-30	10,000	11,000	1-24-31
District No. 6						
Cumberland City Bank	Cumberland City	Tenn.	1-24-31	10,000	9,000	1-28-31
District No. 7						
State Bank of Topeka	Topeka	Ind.	1-27-31	40,000	36,000	1-29-31
District No. 8						
*First National Bank	Corinth	Miss.	12-26-30	100,000	30,000	1-24-31
District No. 8						
Citizens Bank	Bradford	Ark.	11- 5-30	10,000	2,000	1-27-31
District No. 9						
State Bank of Waubay	Waubay	S.Dak.	1-14-31	20,000	10,000	1-24-31

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 6, 1931

CONFIDENTIAL

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*Peoples National Bank	Osceola Mills	Pa.	Feb. 2	100,000	40,000	358,000
District No. 4						
Guaranty Bank & Tr.Co.	Lexington	Ky.	Feb. 2	250,000	81,000	3,063,000
*Merchants State Bank	New Philadelphia,O.		Jan. 31	150,000	57,000	698,000
Stillwater Valley Bk.	Covington	Ohio	Feb. 4	50,000	19,000	252,000
Peoples State Bank	E. Pittsburgh	Pa.	" 4	50,000	18,000	448,000
Farmers Bank	Utica	Ohio	" 5	10,000	3,000	88,000
Miners State Bank	New Salem	Pa.	" 6	25,000	9,000	376,000
District No. 6						
*First National Bank	Panama City	Fla.	Feb. 2	250,000	168,000	1,100,000
Peoples Bank	Cleveland	Tenn.	" 3	50,000	22,000	398,000
McComb Svgs.Bk.& Tr.Co.,	McComb	Miss.	Jan. 21	35,000	17,000	630,000
Mechanics State Bank	McComb	"	" 21	75,000	27,000	1,041,000
Peoples Bank	Utica	"	" 20	18,000	11,000	166,000
Farmers Tr.& Svgs.Bk.	Lockport	La.	" 19	50,000	29,000	239,000
District No. 7						
Rochelle Tr.& Svgs.Bk	Rochelle	Ill.	Jan. 31	150,000	125,000	903,000
Citizens State Bank	Denver	Ind.	" 31	25,000	3,000	132,000
*First Tr.& Svgs.Bank	Hammond	"	Feb. 2	1,000,000	1,149,000	7,389,000
Calumet City State Bk	Calumet City	Ill.	" 2	50,000	17,000	660,000
Lansing State Bank	Lansing	Ill.	" 3	100,000	100,000	573,000
Farmers & Merchants Savings Bank	Highland	Ind.	" 4	25,000	13,000	206,000
Cadillac Savings Bank	Detroit	Mich.	Sept. 9	-	-	101,000
with branch at:	Hamtramck	"				
State Trust & Savings Bank	Peoria	Ill.	Feb. 6	200,000	307,000	1,971,000
District No. 8						
Farmers Bank	New Boston	Mo.	Jan. 31	15,000	-	84,000
Farmers Savings Bank	West Plains	"	" 31	25,000	10,000	125,000
Peoples State Bank	Ramsey	Ill.	Feb. 4	30,000	16,000	136,000
Carroll County Bank	Carrollton	Miss.	" 5	15,000	5,000	192,000
*First National Bank	Waverly	Ill.	" 5	100,000	5,000	450,000
Peoples Bank	Weir	Miss.	" 6	10,000	10,000	340,000
District No. 9						
Farmers & Merchants State Bank	Kensington	Minn.	Jan. 31	15,000	2,000	131,000
Circle State Bank	Circle	Mont.	" 31	20,000	-	48,000
Pioneer Bank	Bottineau	N.Dak.	Feb. 2	25,000	10,000	117,000
First State Bank	Jefferson	S.Dak.	" 4	10,000	9,000	88,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended February 6, 1931

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 10						
Cameron Trust Co.	Cameron	Mo.	Jan. 31	100,000	71,000	538,000
State Bank of Paxico	Paxico	Kans.	Feb. 2	16,000	21,000	175,000
District No. 11						
*First National Bank	Irene	Texas	Feb. 3	25,000	6,000	177,000
*American National Bank	Paris	"	" 5	150,000	181,000	1,382,000
District No. 12						
*Aurora State Bank	Aurora	Oreg.	Feb. 5	25,000	5,000	365,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date Opened
District No. 6						
Mechanics State Bank	McComb	Miss.	1-21-31	75,000	27,000	2- 4-31
District No. 8						
*Bank of Marvell	Marvell	Ark.	1- 2-31	50,000	26,000	1-31-31
Bank of Oxford	Oxford	"	11-19-30	10,000	4,000	2- 2-31
Merchants & Planters Bank & Trust Co.	Arkadelphia	"	12-20-30	75,000	24,000	2- 2-31
Corinth State Bank	Corinth	Miss.	12-26-30	50,000	13,000	1-30-31
American Exchange Bank	Leslie	Ark.	12-17-30	15,000	2,000	2- 3-31
State Bank of Decatur	Decatur	"	1-27-31	10,000	4,000	2- 5-31
Bank of Ethel	Ethel	Miss.	12-26-30	10,000	8,000	2- 5-31
Bank of Winona	Winona	"	1-10-31	50,000	44,000	2- 5-31
Exchange Bank & Tr. Co. (reopened under new charter)	Dermott	Ark.	11-19-30	75,000	25,000	2- 5-31
Farmers & Merchants State Bank (reopened under new charter and name of Citizens State Bank)	Green Forest	"	12-18-30	10,000	9,000	2- 5-31
Victoria Bank (reopened under new charter and title of Citizens Bank)	Strong	Ark.	11-19-30	25,000	15,000	2- 5-31

- - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 13, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
Henry Muller & Co.	Philadelphia	Pa.	Jan. 23	(private bank - no figures)		
Ebensburg Trust Co.	Ebensburg	Pa.	Feb. 10	125,000	79,000	1,020,000
District No. 4						
Glouster State Bank	Glouster	Ohio	Feb. 9	50,000	25,000	800,000
*First State Bank	Newton Falls	"	" 9	125,000	87,000	1,927,000
*First National Bank	Republic	Pa.	" 11	50,000	28,000	302,000
*First National Bank	Fairchance	"	" 13	25,000	74,000	502,000
District No. 6						
American Banking Corpn.	Vienna	Ga.	Feb. 9	75,000	16,000	149,000
Bank of Luverne	Luverne	Ala.	" 13	50,000	43,000	254,000
Peoples Bank	Dixon Springs,	Tenn.	" 13	20,000	3,000	116,000
District No. 8						
Bank of Pheba	Pheba	Miss.	Dec. 18	15,000	3,000	38,000
*First National Bank	Cowgill	Mo.	Feb. 10	35,000	41,000	165,000
Oolitic State Bank	Oolitic	Ind.	" 10	25,000	2,000	81,000
Merchants & Farmers Bk.	Starkville	Miss.	" 12	25,000	52,000	811,000
District No. 10						
Trimble State Bank	Trimble	Mo.	Feb. 10	10,000	1,000	82,000
Home Savings Bank	Columbus	Nebr.	" 10	12,000	3,000	159,000
Columbus State Bank	"	"	" 12	75,000	13,000	682,000
District No. 12						
Malheur County Bank	Nyssa	Oreg.	Feb. 9	25,000	53,000	401,000
State Bank of Hubbard	Hubbard	"	" 10	10,000	5,000	191,000
*First National Bank	Redmond	"	" 11	25,000	3,000	385,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 8						
Peoples Savings Bank	Starkville	Mo.	1-16-31	25,000	52,000	2- 3-31
Bank of Blue Mountain	Blue Mountain,	Miss.	1- 2-31	20,000	17,000	2- 9-31
Ashland Branch Bank (branch of Bank of Blue Mountain)	Ashland	Miss.	1- 2-31	10,000	9,000	2- 9-31
*Greenwood Bank & Tr. Co.	Greenwood	Miss.	12-20-30	200,000	107,000	2-10-31
*First National Bank	Blytheville	Ark.	12- 1-30	150,000	36,000	2-11-31
Timewell State Bank	Timewell	Ill.	11-17-30	25,000	20,000	2-13-31
Security Bk & Tr. Co.	Paragould	Ark.	11-12-30	100,000	62,000	2-11-31
Citizens Bk & Tr. Co.	Marks	Miss.	(1-17-31 reported by agent in error)			
District No. 9						
Security State Bank (reorganized and reopened)	Gayville	S.Dak.	12-11-30	25,000	34,000	2-11-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 20, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4						
Canton Bank	Canton	Ohio	Feb. 16			
(successor to Canton Bank & Trust Co., ...				250,000	90,000	2,629,000
Dresden State Bank	Dresden	Ohio	Feb. 17	25,000	18,000	259,000
District No. 5						
*National Bank of	Thurmond	W. Va.	Feb. 14	50,000	35,000	316,000
*Bank of Woodruff	Woodruff	S. C.	" 20	78,000	18,000	281,000
District No. 6						
Bank of Gerster	Gerster	Mo.	Feb. 16	10,000	6,000	50,000
District No. 7						
State Bank of Goshen	Goshen	Ind.	Feb. 14	100,000	18,000	740,000
Farmers Bank	Elk Horn	Iowa	Jan. 29	20,000	35,000	800,000
Security Savings Bank	Greeley	Iowa	Feb. 18	15,000	15,000	149,000
Novak & Steiskal State Bank	Chicago	Ill.	Feb. 20	200,000	113,000	942,000
Farmers & Merchants State Bank	Casnovia	Mich.	Feb. 20	20,000	7,000	245,000
Sheboygan County Mutual Savings Bank	Sheboygan	Wisc.	Feb. 20		2,000	420,000
District No. 8						
Elm Springs State Bk.	Elm Springs	Ark.	Feb. 7	10,000	4,000	66,000
Citizens State Bank	Osceola	Mo.	" 13	10,000	6,000	194,000
Home Trust Co.	Perryville	Mo.	" 14	50,000	24,000	211,000
Bank of Gerster	Gerster	Mo.	" 16	10,000	6,000	50,000
Farmers Bank	Ash Grove	Mo.	" 16	20,000	14,000	133,000
Bank of Noble	Noble	Ill.	" 19	25,000	1,000	90,000
District No. 9						
Danube State Bank	Danube	Minn.	Feb. 14	25,000	5,000	161,000
District No. 10						
Kipp State Bank	Kipp	Kans.	Feb. 18	10,000	5,000	58,000
District No. 11						
State Bank & Tr. Co.	Bonham	Texas	Feb. 18	200,000	59,000	945,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED REOPENED

Member banks indicated by an asterisk (*). Week ended February 20, 1931.

Name of Bank		State	Date closed	Capital	Surplus & profits	Date opened
District No. 5						
Bank of Mars Hill	Mars Hill	N. C.	12-15-30	15,000	19,000	1-26-31
Bank of Dallas	Dallas	"	12-16-30	20,000	28,000	1-22-31
Bank of Clyde	Clyde	"	12-16-30	11,000	14,000	2- 5-31
Bank of Severn	Severn	"	12-31-30	20,000	5,000	2- 6-31
Swannanoa Bk & Tr. Co.	Swannanoa	"	12-16-30	20,000	9,000	2-11-31
Clay County Bank	Hayesville	"	11-22-30	10,000	1,000	2-14-31
District No. 6						
*First National Bank	McComb City	Miss.	1-21-31	50,000	41,000	2-12-31
District No. 8						
Peoples Bank	Water Valley,	Miss.	1-10-31	40,000	19,000	2-14-31
Bank of Alpena	Alpena Pass	Ark.	12-17-30	10,000	1,000	2-16-31
Bank of North Arkansas	Everton	"	12-17-30	10,000	2,000	2-16-31
Citizens Bk & Tr. Co.	Harrison	"	12-17-30	100,000	28,000	2-16-31
Bank of Lead Hill	Lead Hill	"	12-17-30	10,000	1,000	2-16-31
(Above Arkansas banks belong to Hudspeth chain)						
*First National Bank	Pontotoc	Miss.	1- 2-31	125,000	37,000	2-17-31
Peoples Bank	Okolona	Ark.	12-16-30	10,000	2,000	2-19-31
District No. 9						
Langford State Bank	Langford	S.Dak.	1- 2-31	15,000	29,000	2-18-31
District No. 10						
Guide Rock State Bank	Guide Rock	Nebr.	12- 5-30	15,000	16,000	2-12-31
Center State Bank	Center	"	10-21-30	10,000	9,000	2-18-31

- - - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 27, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
Union Bank	Altoona	Pa.	Feb. 24	200,000	243,000	2,055,000
Mountain City Trust Co.	"	"	" 27	163,000	379,000	2,047,000
District No. 4						
*National Bank of	Toronto	Ohio	Feb. 21	100,000	82,000	1,115,000
Peoples Com'l Bank	Bellefontaine	"	" 24	125,000	42,000	1,452,000
Roseville State Bank	Roseville	"	" 24	25,000	9,000	408,000
*First National Bank	Stone	Ky.	" 25	50,000	18,000	502,000
*Lincoln National Bank	Avella	Pa.	" 26	100,000	54,000	872,000
District No. 6						
Bank of Loudon	Loudon	Tenn.	Feb. 24	32,000	53,000	280,000
Citizens Bank	Daisy	"	" 24	10,000	- -	45,000
*First National Bank	La Pine	Ala.	" 24	25,000	21,000	118,000
District No. 7						
State Bank of Kimmell	Kimmell	Ind.	Feb. 21	25,000	5,000	61,000
District No. 8						
*First State Bank	Palmyra	Ill.	Feb. 24	25,000	16,000	255,000
District No. 10						
Gower Bank	Gower	Mo.	Feb. 24	25,000	7,000	62,000
Niwot State Bank	Niwot	Colo.	" 25	10,000	4,000	100,000
District No. 11						
Mayo's Money Exchange Bank,	San Antonio,	Texas	Feb. 26	(no figures available)		
District No. 12						
Farmers State Bank	Independence,	Oreg.	Feb. 20	25,000	4,000	261,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 5						
Elm City Bank	Elm City	N. C.	1- 2-31	20,000	33,000	2-26-31
District No. 7						
Badger State Bank	Cassville	Wis.	4-17-30	30,000	11,000	2-24-31
District No. 8						
Carroll County Bank	Carrollton	Miss.	2- 5-31	15,000	5,000	2-26-31
Peoples Bk & Tr. Co.	N.Carrollton	"	12-26-30	25,000	24,000	2-26-31
District No. 11						
*First National Bank	Irene	Texas	2- 3-31	25,000	6,000	2-24-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MARCH 6, 1931.

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4						
*Coolville National Bank	Coolville	Ohio	Feb. 28	25,000	19,000	336,000
Sun Savings Bank	Rising Sun	"	Mar. 2	25,000	- -	155,000
*Citizens Nat. Bank	Wilmington	"	Mar. 5	100,000	65,000	825,000
District No. 6						
Farmers Bank	Cotton Port	La.	Feb. 14	35,000	11,000	136,000
Calhoun Bank	Calhoun	Tenn.	Feb. 28	25,000	5,000	43,000
District No. 7						
Farmers Bank	Davis City	Iowa	Feb. 28	10,000	1,000	112,000
Farmers Bank	Zearing	"	Mar. 2	25,000	5,000	300,000
Cedar County State Bank	Tipton	"	Mar. 4	50,000	5,000	441,000
Fountain-Parke State Bank	Kingman	Ind.	Mar. 6	25,000	10,000	203,000
District No. 8						
Merchants & Farmers Bank & Trust Co.	Lexington	Miss.	Feb. 28	100,000	165,000	2,210,000
Commercial State Bk	Goodman	"	" 28	15,000	12,000	125,000
Bank of West	West	"	" 28	20,000	9,000	188,000
Bank of Sturgis	Sturgis	Ky.	Dec. 16	15,000	17,000	432,000
Chalybeate Bank	Chalybeate	Miss.	Mar. 6	10,000	8,000	186,000
Bank of Falkner	Falkner	"	" 6	10,000	3,000	101,000
Bank of Ripley	Ripley	"	" 6	50,000	24,000	876,000
District No. 9						
Dakota State Bank	Bonesteel	S.Dak.	Mar. 2	25,000	3,000	233,000
First State Bank	Wagner	" "	" 2	50,000	35,000	404,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 2						
Central-Fairfield Trust Co.(reopened under title of Merchants Bank & Trust Co. - same charter)	Norwalk	Conn.	12- 1-30	200,000	203,000	2-20-31
District No. 8						
Bank of Sturgis	Sturgis	Ky.	12-16-30	15,000	17,000	3- 3-31
District No. 9						
Guaranty State Bank	Eureka	S.Dak.	11-29-30	25,000	83,000	3- 4-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MARCH 13, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
*First National Bank	Rouses Point	N. Y.	Mar. 11	50,000	90,000	698,000
*First National Bank	Champlain	N. Y.	" 11	100,000	215,000	1,300,000
District No. 5						
Bank of Whiteville	Whiteville	N. C.	Mar. 10	30,000	18,000	850,000
with branch at:	Tabor	"				
District No. 6						
Citizens Savings Bank,	Magnolia	Miss.	Oct. 2	15,000	33,000	373,000
District No. 7						
Sparta State Bank	Cromwell	Ind.	Mar. 6	27,000	9,000	175,000
Farmers Svgs.Bank	Minden	Iowa	" 9	50,000	5,000	520,000
Farmers & Merchants Savings Bank	Eldon	Iowa	Mar. 9	25,000	5,000	140,000
Davis Trust Co.	Brazil	Ind.	" 10	50,000	30,000	484,000
Sherrill Svgs.Bank	Sherrill	Iowa	" 10	25,000	13,000	510,000
Farmers State Bank	Potterville	Mich.	" 10	20,000	5,000	105,000
*First National Bank	Veedersburg	Ind.	" 11	35,000	13,000	223,000
Farmers State Bank	Wawaka	"	" 11	25,000	3,000	71,000
State Bank of Dows	Dows	Iowa	" 12	50,000	13,000	670,000
American State Bank	Ferndale	Mich.	" 13	100,000	56,000	1,763,000
American State Bank	Wyandotte	"	" 13	(no figures available)		
State Savings Bank	Melvindale	"	" 13	50,000	44,000	740,000
State Savings Bank	Lincoln Park	"	" 13	50,000	42,000	1,133,000
State Bank of	West Point	Ill.	" 13	25,000	3,000	153,000
District No. 8						
Bank of Halltown	Halltown	Mo.	Mar. 6	10,000	9,000	29,000
Bingham State Bank	Bingham	Ill.	" 11	25,000	3,000	42,000
Sallis Bank	Sallis	Miss.	Nov. 20	10,000	2,000	166,000
Farmers Bank	Norborne	Mo.	Mar. 12	100,000	12,000	351,000
District No. 9						
First State Bank	Lewiston	Minn.	Mar. 7	40,000	23,000	675,000
Farmers State Bank	Rapidan	"	" 7	10,000	5,000	218,000
Farmers State Bank	Stockton	"	" 7	15,000	3,000	179,000
State Bank of	Round Lake	"	" 9	10,000	11,000	254,000
*Security Nat. Bank	Hope	N.Dak.	" 13	25,000	6,000	166,000
District No. 10						
Farmers Bank	Quitman	Mo.	Mar. 9	15,000	- -	26,000
Schell City Bank	Schell City	"	" 9	20,000	14,000	121,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*). Week ended March 13, 1931.

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 11						
*Athens National Bank	Athens	Texas	Mar. 9	50,000	25,000	400,000
*Blossom National Bank	Blossom	"	" 11	30,000	5,000	130,000
District No. 12						
Grand View State Bank	Grand View	Idaho	Mar. 9	10,000	5,000	50,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 5						
Bank of Aulander	Aulander	N. C.	12-16-30	80,000	23,000	2-13-31
Bank of Candor	Candor	"	1- 2-31	25,000	10,000	2-25-31
*First National Bank	Gastonia	"	12-16-30	500,000	524,000	3-12-31
Bank of Murphy	Murphy	"	11-22-30	30,000	19,000	3- 2-31
District No. 6						
Citizens Svgs. Bank	Magnolia	Miss.	10- 2-30	15,000	33,000	2-28-31
Bank of Walnut Grove	Walnut Grove	"	12-30-30	10,000	6,000	2-28-31
McComb Svgs. Bank & Trust Co.	McComb	Miss.	1-21-31	35,000	17,000	2-12-31
Bank of Lena	Lena	"	12-30-30	12,000	3,000	2-21-31
District No. 7						
Citizens State Bank (reopened as Citizens Bank)	Denver	Ind.	1-31-31	25,000	3,000	3-12-31
District No. 8						
Portageville Bank	Portageville	Mo.	12- 1-30	20,000	30,000	3- 7-31
Peoples Bank	Jonestown	Miss.	12-31-30	10,000	13,000	3-10-31
Merchants & Far. Bank	Vardaman	"	1-10-31	10,000	6,000	3-10-31
Merchants & Far. Bank	Ecru	"	1-10-31	10,000	3,000	3-10-31
Bank of Kilmichael	Kilmichael	"	1-10-31	25,000	10,000	3-10-31
Peoples Bank	Weir	"	1-20-31	10,000	10,000	1-21-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MARCH 20, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1						
Industrial Bank & Trust Co.	Boston	Mass.	Mar. 19	200,000	35,000	2,312,000
District No. 2						
World Exchange Bank,	New York	N. Y.	Mar. 20	500,000	325,000	1,722,000
District No. 3						
Plaza Trust Co.	Philadelphia	Pa.	Mar. 18	641,000	160,000	765,000
District No. 4						
Marion Svgs. Bank Co.	Marion	Ohio	Mar. 14	50,000	22,000	460,000
Security Savings Bank	Akron	"	" 17	125,000	9,000	814,000
*First Rempel Nat. Bank	Logan	"	" 20	100,000	55,000	1,220,000
District No. 5						
*First National Bank	Worthington	W. Va.	Mar. 18	30,000	31,000	327,000
District No. 7						
Huxley Savings Bank	Huxley	Iowa	Mar. 14	15,000	6,000	122,000
Farmers State Bank	Paton	"	" 16	25,000	4,000	208,000
Ferndale State Bank	Ferndale	Mich.	" 16	100,000	25,000	895,000
Melvin State Bank	Melvin	Ill.	" 16	25,000	5,000	104,000
Berkley State Bank	Berkley	Mich.	" 18	25,000	9,000	226,000
Peoples State Trust & Savings Bank	Pontiac	Mich.	Mar. 18	400,000	150,000	2,280,000
State Bank of Alden	Alden	Iowa	" 19	35,000	12,000	425,000
Lochmoor State Bank	Lochmoor	Mich.	" 19	30,000	7,000	384,000
Bank of Penfield	Penfield	Ill.	" 20	25,000	3,000	72,000
District No. 8						
Farmers & Merchants Bk	Decker	Ind.	Mar. 16	25,000	15,000	137,000
District No. 11						
*City National Bank	Temple	Texas	Mar. 17	200,000	18,000	999,000

Closed Banks Reopened:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 5						
Bank of Weldon	Weldon	N. C.	12-15-30	25,000	63,000	3-16-31
District No. 7						
State Bank of	Orangeville	Ill.	1-26-31	35,000	19,000	3-16-31
District No. 8						
Crestwood State Bank	Crestwood	Ky.	11-21-30	15,000	8,000	3-16-31
Citizens State Bank	Goreville	Ill.	12- 3-30	25,000	6,000	3-10-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MARCH 27, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*First National Bank,	Portage	Pa.	Mar. 24	60,000	127,000	963,000
District No. 4						
Citizens Bank	Hamden	Ohio	Mar. 23	25,000	13,000	219,000
*First National Bank	Richwood	"	" 24	40,000	25,000	455,000
District No. 5						
Peoples Bank of Southhampton	Courtland	Va.	Mar. 21	25,000	12,000	129,000
*National Bank of	Norton	"	" 24	50,000	40,000	335,000
Dickenson County Bk	Clintwood	"	" 26	100,000	56,000	902,000
with branches at:	Clinchco and Dante.					
District No. 6						
Bank of Newton Co.,	Covington	Ga.	Mar. 23	70,000	13,000	320,000
District No. 7						
Farmers Exchange Bank,	Prescott	Mich.	Mar. 21	15,000	18,000	120,000
Exchange Bank	St. Joseph	Ill.	" 24	25,000	6,000	200,000
Commercial Bank	Mayville	Mich.	" 24	(no figures available)		
Farmers State Bank	Melrose	Iowa	" 25	30,000	8,000	375,000
Lyndon State Bank	Lyndon Sta.	Wisc.	" 25	20,000	12,000	330,000
Farmers & Merchants Savings Bank	Lovilia	Iowa	Mar. 26	15,000	8,000	300,000
District No. 9						
*First & Farmers National Bank in	Luverne	Minn.	Mar. 20	100,000	10,000	1,335,000
Farmers State Bank	Bancroft	S. Dak.	Dec. 30	25,000	8,000	69,000
District No. 10						
*Central National Bank,	Ellsworth	Kans.	Mar. 25	100,000	50,000	1,116,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 7						
Clayton Bk & Tr. Co.	Clayton	Ind.	1-15-31	25,000	10,000	3-25-31
District No. 8						
Bank of Bruce	Bruce	Miss.	1-10-31	20,000	6,000	3-16-31
Far.& Merch.State Bk	Virden	Ill.	10- 1-30	85,000	22,000	3-20-31
*First National Bank	Dardanelle	Ark.	1-19-31	25,000	7,000	3-21-31
District No. 9						
Far & Merch.State Bk	Russell	Minn.	9-29-30	30,000	8,000	3-23-31
Farmers State Bank	Corsica	S.Dak.	1-29-31	24,000	7,000	3-25-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3962

BANKS REPORTED CLOSED
WEEK ENDED APRIL 3, 1931
(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5						
Pinetops Banking Co.	Pinetops	N. C.	Apr. 3	50,000	59,000	308,000
with branch at Hookerton		"				
District No. 6						
Abbeville State Bank	Abbeville	Ala.	Mar.28	25,000	20,000	220,000
*Citizens Bk & Tr. Co.	Jefferson	Ga.	" 30	95,000	20,000	51,000
Bank of Granville	Granville	Tenn.	" 28	15,000	9,000	69,000
Bank of Green Back	Green Back	"	" 21	25,000	11,000	162,000
Bank of Ooltewah	Ooltewah	"	" 18	20,000	9,000	95,000
District No. 7						
*First National Bank	Rockwell	Iowa	Mar.27	25,000	2,000	204,000
State Bank of	Warrensburg	Ill.	" 28	25,000	13,000	142,000
Columbia State Svgs.Bk.	Chicago	"	" 28	300,000	112,000	2,869,000
*Austin National Bank	"	"	" 30	250,000	195,000	3,535,000
*First National Bank	Oak Park	"	" 30	100,000	31,000	1,727,000
Mellott Bank	Mellott	Ind.	" 30	10,000	9,000	75,000
First State Bank	Manlius	Ill.	" 31	25,000	17,000	311,000
Ridgeway State Bank	Chicago	"	Apr. 1	200,000	44,000	934,000
Cicero Trust & Svgs.Bk.	Cicero	"	" 2	200,000	155,000	2,478,000
Hiteman Savings Bank	Hiteman	Iowa	Mar.16	10,000	3,000	144,000
District No. 8						
Deputy State Bank	Deputy	Ind.	Mar.27	25,000	1,000	65,000
Baldwin State Bank	Baldwin	Ill.	" 30	25,000	6,000	108,000
Maben Home Bank	Maben	Miss.	Jan.10	15,000	10,000	300,000
Bank of Stewart	Stewart	"	" 5	10,000	5,000	76,000
District No. 10						
Blanca State Bank	Blanca	Colo.	Mar.31	10,000	4,000	78,000
District No. 11						
First State Bank	Sikes	La.	Nov.24	15,000	--	26,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CLOSED BANKS REOPENED

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 6						
S. Lemon Banking Co.	Acworth	Ga.	1- 2-31	30,000	11,000	3-10-31
District No. 7						
American State Bank	St. Bernice	Ind.	1-20-31	25,000	1,000	2-27-31
Farmers & Merchants Savings Bank	Highland	Ind.	2- 4-31	25,000	13,000	2-27-31
Citizens State Bank	Carmel	"	1-10-31	25,000	8,000	2-28-31
Calumet City State Bk	Calumet City	Ill.	2- 2-31	50,000	18,000	4- 1-31
Tobacco Exchange Bank	Edgerton	Wisc.	5-20-30	20,000	78,000	3-30-31
Avilla State Bank	Avilla	Ind.	1-12-31	25,000	9,000	3- 7-31
(reopened as the Community State Bank, new organization)						
District No. 8						
*First National Bank in	Harrison	Ark.	12-16-30	25,000	46,000	2-20-31
(restored to solvency and sold to a State bank)						
Paoli State Bank	Paoli	Ind.	11-24-30	40,000	12,000	3-26-31
(member at time of closing; membership discontinued 1- 5-31)						
Citizens State Bank	Orleans	Ind.	11-28-30	30,000	13,000	3-18-31
Farmers & Merchants State Bank	Cyprus	Ill.	12-19-30	25,000	5,000	3-24-31
Home Trust Co.	Perryville	Mo.	2-14-31	50,000	24,000	3-30-31
*State Svgs. Loan & Trust Co.	Quincy	Ill.	11-15-30	1,000,000	365,000	4- 2-31
Bank of Crawford	Crawford	Miss.	12- 5-30	10,000	7,000	1- 5-31
Citizens Bank	Sturgis	"	1-13-31	10,000	7,000	2-28-31
Carterville State & Savings Bank	Carterville	Ill.	4-15-30	50,000	52,000	4- 2-31
District No. 9						
Citizens State Bank	Mobridge	S. Dak.	12-12-30	25,000	38,000	3- 2-31
(reopened as Citizens Bank & Trust Co.)						
Merchants State Bank	Freeman	S. Dak.	12-19-30	30,000	11,000	3- 2-31
Security State Bank	Madison	S. Dak.	12-19-30	30,000	19,000	3- 2-31
(reopened as Security Bank & Trust Co.)						
District No. 10						
*Hartford National Bank	Hartford	Kans.	10- 3-30	25,000	8,000	2-25-31
(restored to solvency and sold to a State bank)						

- - -

BANKS REPORTED CLOSED
WEEK ENDED APRIL 10, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
*Linden Nat. Bank & Trust Co.	Linden	N. J.	Apr. 2	250,000	256,000	3,182,000
State Bank of	Linden	N. J.	" 2	100,000	48,000	669,000
*First National Bank	Macedon	N. Y.	" 8	25,000	13,000	337,000
District No. 3						
*Second Nat. Bank	Altoona	Pa.	Apr. 9	125,000	788,000	3,494,000
District No. 4						
*Monongahela Nat.Bk	Brownsville	Pa.	Apr. 6	100,000	647,000	5,222,000
District No. 7						
Fountain State Bk	Fountain City,	Ind.	Apr. 6	25,000	3,000	103,000
Bank of Muir	Muir	Mich.	" 6	10,000	7,000	223,000
District No. 9						
*First National Bk	Ivanhoe	Minn.	Apr. 8	25,000	10,000	357,000
Barronett State Bk	Barronett	Wis.	" 8	10,000	2,000	47,000
District No. 10						
Farmers & Merchants State Bank	Exeter	Nebr.	Apr. 6	25,000	2,000	170,000
Bassett State Bank	Bassett	"	" 7	25,000	4,000	125,000
District No. 11						
First State Bank	Seminole	Texas	Apr. 6	25,000	20,000	287,000
District No. 12						
*Bank of Commerce	Oregon City	Oreg.	Apr. 10	200,000	50,000	1,139,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 5						
Far.& Traders Bank	Weaverville	N. C.	12-15-30	18,000	27,000	4- 1-31
Bank of Leicester	Leicester	"	11-20-30	20,000	22,000	3-31-31
Bank of Bladen	Clarkton	"	12-27-30	15,000	32,000	3-13-31
Polk County Bank & Trust Co.	Columbus	"	11-22-30	15,000	11,000	3-10-31
Citizens Bank & Trust Co.	Waynesville	"	11-20-30	50,000	45,000	3-30-31
District No. 8						
South Side State Savings Bank	Quincy	Ill.	11-15-30	50,000	14,000	4- 2-31
Payson State Savings Bank	Payson	"	11-17-30	25,000	9,000	4- 2-31
McElwain Meguiar Bank & Tr. Co.	Franklin	Ky.	11-18-30	75,000	51,000	4- 7-31
District No. 11						
*City National Bk (turned back to directors and sold to a State bank)	Temple	Tex.	3-17-31	200,000	18,000	4- 3-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED APRIL 17, 1931.

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*Woodlynne Nat. Bk.	Woodlynne	N. J.	Apr. 11	50,000	2,000	339,000
Security Title & Trust Co.	Philadelphia	Pa.	Apr. 16	661,000	103,000	1,014,000
District No. 4						
Citizens Savings Bk.	Salem	Ohio	Apr. 13	50,000	46,000	1,015,000
*First Nat. Bank	Masontown	Pa.	Apr. 17	100,000	222,000	2,032,000
District No. 5						
Exchange Bank	Newberry	S. C.	Apr. 11	100,000	103,000	750,000
District No. 6						
Bank of Fort Myers & Trust Co.	Fort Myers	Fla.	Apr. 16	100,000	132,000	1,049,000
District No. 7.						
Seward State Bank	Seward	Ill.	Apr. 11	40,000	14,000	195,000
Builders & Merchants Bk. & Trust Co.	Chicago	Ill.	Apr. 13	450,000	157,000	4,900,000
Smithfield State Bk.	Smithfield	Ill.	Apr. 13	25,000	11,000	133,000
Danbury State Bk.	Danbury	Ia.	Apr. 14	40,000	6,000	291,000
State Savings Bk.	Rowan	Ia.	Apr. 15	25,000	9,000	200,000
North Town State Bank	Chicago	Ill.	Apr. 14	200,000	86,000	1,128,000
District No. 8						
First State Bank	Willow Hill	Ill.	Apr. 15	15,000	1,000	165,000
Boulevard State Savings Bank	Chicago	Ill.	Apr. 16	200,000	39,000	1,233,000
Lincoln Trust & & Savings Bk.	Chicago	Ill.	Apr. 16	400,000	202,000	3,805,000
District No. 10.						
First State Bank	Ringling	Okla.	Apr. 13	25,000	5,000	188,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 11						
*Citizens National Bank	Odessa	Texas	Apr. 14	50,000	19,000	579,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 8						
Peoples Bank	Imboden	Ark.	11-10-30	21,000	6,000	4-8-31
Citizens Bank	Yellville	Ark.	12-17-30	30,000	10,000	4-6-31
with branch:						
Marion County Bk.	Flippin	Ark.	12-17-30	- -	- -	4-6-31
Merchants & Farmers Bk.	Starkville	Miss.	2-12-31	25,000	17,000	4-15-31
Coffeeville Bank	Coffeeville	Miss.	1- 8-31	24,000	24,000	4-17-31
Commercial State Bk.	Goodman	Miss.	2-28-31	15,000	12,000	4-17-31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED APRIL 24, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4						
*Citizens National Bank	Monessen	Pa.	Apr. 17	100,000	40,000	864,000
(formerly in liquidation, now insolvent)						
*Noble County Nat. Bank	Caldwell	Ohio	Apr. 18	60,000	51,000	706,000
Citizens Bank	Jackson	"	" 24	50,000	25,000	913,000
District No. 5						
*First National Bank	Kinston	N. C.	Apr. 21	125,000	77,000	1,411,000
*National Bank of	"	"	" 20	120,000	57,000	1,305,000
Farmers Bank	Wakefield	Va.	" 22	20,000	30,000	212,000
District No. 6						
*Central Nat. Bk & Tr Co	St.Petersburg,Fla.		Apr. 17	300,000	298,000	2,675,000
District No. 7						
Fortville State Bank	Fortville	Ind.	Apr. 17	25,000	9,000	298,000
Memphis Bank	Memphis	Mich.	" 20	(no figures available)		
First State Bank	Lyndon	Ill.	" 22	25,000	1,000	77,000
District No. 8						
*First National Bank	Waldron	Ark.	Apr. 20	25,000	6,000	96,000
District No. 9						
Bank of Elk Mound	Elk Mound	Wis.	Apr. 17	25,000	3,000	171,000
*First National Bank	Tracy	Minn.	" 20	50,000	13,000	640,000
Amiret State Bank	Amiret	"	" 20	10,000	12,000	125,000
District No. 12						
Bank of Moroni	Moroni	Utah	Apr. 23	25,000	15,000	136,000

Closed Banks Reopened:

Dist.	Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
2.	*Linden Nat.Bk & Tr.Co.	Linden	N. J.	4- 2-31	250,000	256,000	4-15-31
	(turned back to directors and sold to new association)						
8.	Merch & Planters Bk	Camden	Ark.	1-30-31	50,000	85,000	3-12-31
6.	Leake County Bank	Carthage	Miss.	12-29-30	30,000	35,000	3-19-31
8.	Bank of Falkner	Falkner	Miss.	3- 6-31	10,000	2,000	3-24-31
7.	State Bank of Lodi	Lodi	Wis.	3-28-30	25,000	20,000	4-18-31
8.	Bank of Myrtle	Myrtle	Miss.	12-30-30	15,000	3,000	4- 8-31
9.	Farmers State Bank	Rapidan	Minn.	3- 7-31	10,000	5,000	4-18-31
11.	*Athens National Bank	Athens	Texas	3- 9-31	50,000	25,000	4-18-31
	(turned back to directors and will liquidate)						

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MAY 1, 1931.

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
*Savona National Bank, Savona		N. Y.	Apr. 29	25,000	6,000	135,000
District No. 4						
*First Nat. Bank	Millsboro	Pa.	Apr. 25	25,000	17,000	138,000
*Old National City Bank	Lima	Ohio	Apr. 28	300,000	74,000	2,922,000
District No. 5						
Bank of Warm Springs, Warm Springs, Va.			Apr. 30	25,000	11,000	248,000
Farmers & Merchants Bank	Kinston	N. C.	Apr. 30	48,000	52,000	708,000
District No. 6						
*La Grange Banking & Trust Co.	La Grange	Ga.	Apr. 29	250,000	352,000	1,334,000
District No. 7						
Pecatonica State Bank,	Pecatonica	Ill.	Apr. 25	40,000	35,000	390,000
Churchill & Webber, Bankers	Shelby	Mich.	Apr. 27	23,000	5,000	-
District No. 9						
First State Bank	Cleveland	Minn.	Apr. 24	25,000	26,000	238,000
*First Nat. Bank	Brandt	S. Dak.	" 27	25,000	7,000	175,000
State Bank of	Akeley	Minn.	" 24	10,000	5,000	82,000
Augusta State Bank	Augusta	Wis.	" 25	40,000	8,000	432,000
State Bank of	Viking	Minn.	" 27	10,000	2,000	48,000
Marshall State Bk	Marshall	"	" 29	65,000	15,000	682,000
District No. 10						
Bank of Crested Butte	Crested Butte, Colo.		Apr. 24	15,000	9,000	210,000
Citizens Bank	Graham	Mo.	" 28	20,000	4,000	106,000
Wulfekuhler State Bank	Leavenworth	Kans.	May 1	150,000	64,000	1,527,000
District No. 12						
*Central Bank	Toppenish	Wash.	Apr. 22	50,000	13,000	294,000

CLOSED BANKS REOPENED:

Dist.	City	State	Date closed	Capital	Surplus & profits	Date open
5. Far. & Merch. Bk	Stanley	N. C.	12- 6-30	30,000	15,000	4- 4-31
6. Bank of McLain	McLain	Miss.	12-22-30	15,000	15,000	4-22-31
8. First State Bk	Marshall	Ark.	12-17-30	25,000	3,000	4-21-31
8. Alma State Bank	Alma	Ill.	1- 2-31	15,000	1,000	4-17-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MAY 8, 1931.

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4						
*First Bank & Trust Co.,	Washington,	Pa.	May 4	600,000	736,000	5,380,000
*Farmers Nat. Bank	Hickory	"	" 5	90,000	44,000	607,000
Leesburg Bank	Leesburg	Ohio	" 8	20,000	25,000	- - -
District No. 5						
Bank of Jones	Trenton	N. C.	May 2	15,000	9,000	96,000
Bank of Dungannon	Dungannon	Va.	" 2	25,000	11,000	123,000
Bank of Grifton	Grifton	N. C.	" 5	44,000	3,000	54,000
District No. 6						
Macon County Bank	Tuskegee	Ala.	May 7	65,000	79,000	446,000
District No. 7						
Farmers Trust Co.	Indianapolis	Ind.	May 4	300,000	260,000	868,000
Farmers Savings Bank	Allendorf	Iowa	" 4	12,000	1,000	74,000
*Com'l Nat. Bank	Essex	"	" 4	50,000	27,000	244,000
*First National Bank	Pomeroy	"	" 4	40,000	20,000	216,000
*First Nat. Bk.& Tr.Co.	Paris	Ill.	" 4	150,000	79,000	942,000
(placed in vol. liquidation 3-27-31; declared insolvent 5-4-31)						
Farmers State Bank	Breda	Iowa	May 6	25,000	10,000	296,000
Farmers State Bank	Princeville	Ill.	" 6	25,000	32,000	266,000
Martensdale Bank	Martensdale	Iowa	9-23-30	6,000	- -	70,000
(not previously reported)						
*Security National Bk.	Milford	Iowa	May 7	50,000	26,000	305,000
District No. 8						
Farmers State Bank	Bolivar	Mo.	May 5	30,000	2,000	148,000
District No. 9						
*State Bank of Madelia	Madelia	Minn.	May 5	50,000	18,000	531,000
New Munich State Bank	New Munich	"	" 8	12,000	2,000	122,000
District No. 10						
*Montgomery Co.Nat.Bk.	Cherryvale	Kans.	May 4	50,000	1,000	300,000
District No. 11						
Dilworth Bank	Gonzales	Texas	May 4	(private bank - no figures)		
Far.& Merch.State Bk	Yoakum	"	" 7	50,000	3,000	272,000
District No. 12						
*First National Bank	Terra Bella	Calif.	May 4	25,000	6,000	157,000
State Bank of Buckley	Buckley	Wash.	" 4	25,000	28,000	371,000

REOPENED:

Dist.	Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
5.	Bank of Franklin	Franklin	N. C.	12-16-30	50,000	55,000	4-29-31
8.	*First Nat. Bank	Green Forest	Ark.	12-18-30	25,000	16,000	5- 2-31
	(restored to solvency and sold to new organization)						

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MAY 15, 1931
(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*Mahaffey National Bank	Mahaffey	Pa.	May 13	50,000	47,000	674,000
Suburban Title & Tr.Co.	Upper Darby	"	" 9	500,000	464,000	4,006,000
Carbondale Miners & Mechanics Svgs. Bank	Carbondale	"	" 12	100,000	1,054,000	3,989,000
Haverford Township Title & Trust Co., Brookline,	Upper Darby,	"	" 13	125,000	11,000	411,000
*Overbrook National Bank	Philadelphia	"	" 16	500,000	190,000	3,131,000
District No. 4						
Cummings Trust Co.	Carrollton	Ohio	May 9	150,000	281,000	1,451,000
District No. 6						
Meyer-Kiser Bank	Miami	Fla.	May 12	125,000	28,000	185,000
District No. 7						
Meyer-Kiser Bank	Indianapolis	Ind.	May 11	300,000	426,000	2,068,000
*Albany Park Nat. Bank & Trust Co.	Chicago	Ill.	" 14	300,000	80,000	3,155,000
Humboldt State Bank	"	"	" 14	500,000	226,000	3,406,000
Second Humboldt State Bk	"	"	" 14	100,000	26,000	660,000
Bank of Leonidas	Leonidas	Mich.	" 14	(no figures available)		
District No. 8						
Mutual Standard Bank	Louisville	Ky.	May 11	100,000	18,000	573,000
Bank of Loose Creek	Loose Creek	Mo.	" 11	10,000	10,000	77,000
Luray Banking Co.	Luray	Tenn.	" 13	7,500	2,000	127,000
District No. 9						
Bank of Canby	Canby	Minn.	May 9	100,000	25,000	953,000
State Bank of	Carpenter	S.Dak.	" 9	15,000	1,000	85,000
First Security Bank	Raleigh	N.Dak.	" 8	10,000	5,000	42,000
*Peoples National Bank	Shakopee	Minn.	" 12	25,000	8,000	280,000
Bank of Dawson	Dawson	"	" 13	50,000	8,000	620,000
*First National Bank	Dawson	"	" 14	30,000	2,000	281,000
Far. & Merch.State Bk.	Oklee	"	" 14	10,000	7,000	164,000

REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 7						
Trust & Savings Bank	Rensselaer	Ind.	12-16-30	100,000	38,000	4-25-31
District No. 8						
*First National Bank	Cowgill	Mo.	2-10-31	35,000	41,000	5- 4-31

(turned back to directors and sold to First National Bank in Cowgill, a new organization).

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED
WEEK ENDED MAY 22, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*First National Bank	Irvona	Pa.	May 19	25,000	32,000	404,000
District No. 4						
*Citizens National Bank	Warren	Pa.	May 18	125,000	49,000	1,103,000
Conewango Trust Co.	"	"	" 20	100,000	335,000	3,049,000
District No. 5						
Bank of Gray Court	Gray Court	S. C.	May 12	25,000	26,000	151,000
Bank of Grundy, Inc.	Grundy	Va.	" 18	75,000	41,000	710,000
Farmers Bank	Belhaven	N. C.	" 21	30,000	13,000	187,000
District No. 6						
Commercial Bank	Rayne	La.	Apr. 4	50,000	115,000	546,000
Far.& Merchants Bank	Lumber City	Ga.	May 21	15,000	2,000	76,000
District No. 7						
Bonaparte State Bank	Bonaparte	Iowa	May 20	25,000	14,000	268,000
Montrose Tr.& Svgs.Bank	Chicago	Ill.	" 21	100,000	17,000	674,000
*First National Bank	Fowler	Ind.	" 22	75,000	16,000	469,000
District No. 8						
Beckman State Bank	Ferdinand	Ind.	May 21	25,000	22,000	274,000
District No. 9						
*First National Bank	Crary	N.Dak.	May 18	25,000	- -	70,000
District No. 10						
Farmers & Merchants State Bank	Kinsley	Kans.	May 18	20,000	22,000	303,000
*First National Bank	Holton	"	" 18	50,000	32,000	451,000
State Bank of Bee	Bee	Nebr.	" 22	10,000	12,000	330,000
District No. 11						
*Citizens National Bank	Blooming Grove	Texas	May 22	50,000	20,000	197,000
District No. 12						
*Farmers National Bank	Pomeroy	Wash.	May 16	50,000	19,000	193,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 7						
State Savings Bank (reopened as the Melvindale State Bank)	Melvindale	Mich.	3-13-31	50,000	44,000	5-15-31
Peoples State Bank	Berne	Ind.	5- 7-30	60,000	19,000	5-22-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED WEEK ENDED MAY 29, 1931.

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
Citizens Bank	Barnesboro	Pa.	May 27	50,000	34,000	386,000
District No. 4						
*First National Bank	Smithfield	Pa.	May 26	75,000	75,000	597,000
District No. 6						
*First National Bank	Prattville	Ala.	May 28	50,000	23,000	542,000
District No. 7						
Commerce Trust & Svgs.Bk	Chicago	Ill	May 28	200,000	54,000	1,371,000
Farmers State Bank	Armington	"	" 28	25,000	5,000	93,000
United State Bank	Crystal Lake	"	" 29	75,000	63,000	923,000
Farmers State Bank	Lake City	Iowa	" 23	50,000	- -	172,000
Farmers Savings Bank	Larchwood	"	" 23	25,000	1,000	155,000
Holstein Savings Bank	Holstein	"	" 28	90,000	62,000	1,476,000
Merchants State Bank	Correctionville, Ia.		" 28	25,000	12,000	313,000
Cushing Farmers Svgs.Bk	Cushing	Iowa	" 28	30,000	3,000	112,000
Bank of Fulton	Fulton	Mich.	" 23	- -	- -	91,000
*McCartney National Bank	Green Bay	Wis.	" 28	500,000	338,000	2,595,000
District No. 8						
Peoples Bank & Trust Co.	Morrilton	Ark.	May 28	60,000	27,000	260,000
District No. 9						
*Iron National Bank	Ironwood	Mich.	May 25	100,000	42,000	650,000
State Bank of Hector	Hector	Minn.	" 26	50,000	11,000	717,000
Ashcreek State Bank	Ashcreek	"	" 27	10,000	2,000	108,000
District No. 10						
Nebraska State Bank	Long Pine	Nebr.	May 23	25,000	2,000	400,000
German Bank	Millard	"	" 23	15,000	8,000	230,000
Osage Bank	Fairfax	Okla.	" 22	25,000	5,000	60,000
Farmers State Bank	Sedgwick	Kans.	" 27	10,000	6,000	75,000
District No. 12						
Farmers & Merchants State Bank	Nooksack	Wash.	May 25	15,000	2,000	95,000
*National Bank of	Lynnwood	Calif.	" 28	50,000	- -	401,000

REOPENED:

None.

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED WEEK ENDED JUNE 5, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 3						
*Citizens Nat. Bank	Jenkintown	Pa.	June 2	150,000	13,000	473,000
District No. 4						
First State Bank	Louisville	Ohio	June 1	50,000	29,000	804,000
*Peoples Nat. Bank	Delmont	Pa.	" 4	25,000	26,000	323,000
District No. 5						
Phoenix Bank of Nansemond	Suffolk	Va.	May 29	33,000	2,000	59,000
Peoples Bank	Ridgeley	W. Va.	June 4	25,000	13,000	140,000
District No. 6						
*Com'l Nat. Bank	Hattiesburg	Miss.	June 2	100,000	14,000	839,000
District No. 7						
Citizens State Bank	Russell	Iowa	June 2	25,000	4,000	192,000
Brown County State Bank	Green Bay	Wis.	" 2	100,000	27,000	772,000
Fullerton State Bank	Chicago	Ill.	" 5	250,000	120,000	2,489,000
District No. 8						
Miller County Bank & Trust Co.	Texarkana	Ark.	June 1	75,000	52,000	257,000
District No. 9						
Millville State Bank	Millville	Minn.	June 3	10,000	10,000	140,000
Citizens State Bank	Twin Valley	"	" 4	10,000	15,000	200,000
*First National Bank	Mountain Lake	"	" 4	25,000	18,000	340,000
Olivia State Bank	Olivia	"	" 5	25,000	30,000	485,000
District No. 10						
Verdigre State Bank	Verdigre	Nebr.	June 1	20,000	5,000	293,000
Citizens State Bank	Creston	"	" 2	40,000	13,000	204,000
Armourdale State Bk	Kansas City	Kans.	" 5	50,000	30,000	691,000
District No. 11						
Vivian State Bank	Vivian	La.	June 2	30,000	38,000	450,000

CLOSED BANKS REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date open
District No. 7						
Fountain Parke State Bank	Kingman	Ind.	3- 6-31	25,000	10,000	5-29-31
State Bank of	Westpoint	Ill.	3-13-31	25,000	3,000	6- 3-31
District No. 9						
First State Bank	Lewiston	Minn.	3- 7-31	40,000	11,000	5-22-31

0 - - - 0

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED WEEK ENDED JUNE 12, 1931
(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
South River Trust Co.	South River	N. J.	June 12	100,000	111,000	1,646,000
District No. 3						
Mortgage Security Tr.Co.	Philadelphia,	Pa.	June 6	300,000	110,000	1,029,000
Snowshoe Bank	Snowshoe	"	" 10	25,000	54,000	229,000
District No. 4						
Byesville State Bank	Byesville	Ohio	June 9	25,000	22,000	230,000
District No. 5						
Bank of Cary	Cary	N.C.	June 10	5,500	3,750	51,000
District No. 7						
*Inland-Irving Nat. Bank	Chicago	Ill.	June 8	525,000	120,000	- -
*Washington Park Nat.Bank	"	"	" 8	600,000	440,000	9,161,000
Industrial State Bank	"	"	" 6	100,000	24,000	265,000
Union Trust Co.	South Bend	Ind.	" 6	600,000	424,000	4,363,000
Cheltenham Tr.& Svgs.Bk	Chicago	Ill.	" 8	200,000	41,000	494,000
Sheridan Tr. & Svgs. Bk	"	"	" 8	800,000	429,000	10,370,000
South Side Svgs.Bk.& Tr.Co.	"	"	" 8	500,000	103,000	4,486,000
Farmers Cooperative State Bk,	Galva	"	" 8	100,000	55,000	530,000
Far.& Merch State Bank of Bloomingdale	Roselle	"	" 8	25,000	4,000	115,000
State Bank of	Otterbein	Ind.	" 8	50,000	65,000	363,000
Yale Savings Bank	Yale	Iowa	" 8	30,000	11,000	197,000
Armitage State Bank	Chicago	Ill.	" 9	250,000	70,000	714,000
Auburn Park Tr.& Svgs.Bk	"	"	" 9	300,000	116,000	882,000
Brainerd State Bank	"	"	" 9	200,000	105,000	337,000
Bryn Mawr State Bank	"	"	" 9	200,000	52,000	833,000
Chatham State Bank	"	"	" 9	300,000	124,000	1,040,000
Chicago Lawn State Bank	"	"	" 9	420,000	456,000	2,530,000
Ridge State Bank	"	"	" 9	200,000	101,000	308,000
Stony Island State Svgs.Bk.	"	"	" 9	400,000	322,000	2,837,000
West Highland State Bank	"	"	" 9	300,000	276,000	1,426,000
West Lawn Tr. & Svgs.Bk.	"	"	" 9	200,000	126,000	372,000
Elston State Bank	"	"	" 9	200,000	63,000	1,085,000
West Englewood Tr.& Svgs.Bk	"	"	" 9	750,000	639,000	4,793,000
Lincoln State Bank	"	"	" 10	400,000	106,000	1,127,000
Northwestern Tr.& Svgs.Bk.	"	"	" 10	1,000,000	996,000	14,862,000
Second North Western State Bk.	"	"	" 10	350,000	191,000	3,661,000
Elmwood Park State Bank	Elmwood Park	"	" 10	150,000	39,000	1,480,000
Far.& Merch. State Bank	Hortonville	Wis.	" 9	20,000	6,000	261,000
Cragin State Bank	Chicago	Ill.	" 10	200,000	65,000	1,238,000
Italian Tr. & Svgs.Bank	"	"	" 10	200,000	38,000	1,432,000
West Town State Bank	"	"	" 10	600,000	637,000	4,765,000
Farmers & Merch. Bank	Kendall	Wis.	" 10	23,000	4,000	149,000
Garfield State Bank	Chicago	Ill.	" 11	800,000	648,000	8,383,000
State Bank of Beverly Hills,	Chicago	"	" 11	200,000	61,000	1,011,000
Illinois State Bank	Evanston	"	" 12	100,000	17,000	677,000
State Savings Bank	Royal Oak	Mich.	" 12	700,000	304,000	7,688,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Banks Reported Closed Week ended June 12, 1931 (continued).

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 9						
Lac Qui Parle County Bk	Madison	Minn.	June 8	25,000	21,000	817,000
Madison State Bank	"	"	" 8	25,000	42,000	735,000
Peoples Security Bank	Worthing	S.Dak.	" 8	25,000	15,000	292,000
State Bank of Vesta	Vesta	Minn.	" 9	20,000	7,000	275,000
State Bank of Milroy	Milroy	"	" 6	18,000	18,000	151,000
Renville County State Bk.,	Bird Island,	Minn.	" 11	50,000	23,000	534,000
Waltham State Bank	Waltham	Minn.	" 11	10,000	12,000	150,000
Clara City State Bank	Clara City	"	" 11	25,000	15,000	325,000
Appam State Bank	Appam	N.Dak.	" 11	15,000	3,000	80,000
Farmers State Bank	Atwater	Minn.	" 12	15,000	17,000	375,000
District No. 10						
Farmers State Bank	Mason City	Nebr.	June 5	20,000	2,000	153,000
First State Bank	St. Edward	"	" 5	25,000	14,000	200,000
Nebraska State Bank	Bloomfield	"	" 8	25,000	17,000	389,000
Little River State Bk	Little River	Kans.	" 11	20,000	3,000	130,000
District No. 11						
Asherton State Bank	Asherton	Texas	June 10	25,000	3,000	89,000
*Farmers National Bank	Cross Plains	"	" 11	25,000	20,000	247,000
District No. 12						
Commercial State Bank	Springfield	Oreg.	June 8	30,000	6,000	183,000
Bank of West Hollywood	Los Angeles	Calif.	" 12	51,000	12,000	625,000

REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 2						
*Port Newark Nat. Bank	Newark	N. J.	8- 8-30	200,000	58,000	6- 8-31
(reopened as branch of Merchants & Newark Trust Co., a member)						
District No. 5						
*First National Bank	Ayden	N. C.	12-10-30	75,000	6,000	6-10-31
(restored to solvency and sold to First National Bank in Ayden)						
Mechanics Savings Bank	Raleigh	N. C.	1-13-31	15,000	82,000	5-12-31
District No. 8						
Peoples Bank	Calhoun City,	Miss.	1-2-31	30,000	8,000	4-11-31
Merch.& Far.Bk & Tr.Co.	Lexington	Miss.	2-21-31	100,000	165,000	4-11-31
Bank of West	West	"	2-21-31	20,000	9,000	4-21-31

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED WEEK ENDED JUNE 19, 1931
(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of bank	City	State	Date Closed	Capital	Surplus & profits	Total deposits
District No. 3						
Penns Valley Banking Co.	Centre Hall	Pa.	June 15	50,000	- -	- -
Citizens Bank	Gallitzin	"	" 18	25,000	18,000	281,000
District No. 4						
Farmers & Merch. Bank	Millersburg,	O.	June 13	30,000	60,000	990,000
Security Home Trust Co.	Toledo	"	" 17	1,500,000	2,045,000	27,428,000
Bank of Ashley, Unincorp.,	Ashley	"	" 19	15,000	24,000	165,000
District No. 6						
First State Bank	New Port Richey	Fla.	June 13	25,000	34,000	221,000
Johnson County Bank	Butler	Tenn.	May 20	15,000	94,000	106,000
District No. 7						
*Des Plaines State Bank	Des Plaines	Ill.	June 12	200,000	181,000	1,552,000
Diversey Tr. & Svgs. Bank	Chicago	"	" 13	200,000	71,000	1,143,000
Bower City Bank	Janesville	Wis.	" 13	100,000	49,000	763,000
*Manufacturers National Bank & Trust Co.	Rockford	Ill.	" 15	500,000	292,000	3,752,000
Peoples Bank & Trust Co.	"	"	" 15	250,000	170,000	2,714,000
*Security National Bank	"	"	" 15	200,000	183,000	2,641,000
*American Trust Co.	South Bend	Ind.	" 15	500,000	330,000	4,960,000
*Pontiac Com'l & Svgs. Bank	Pontiac	Mich.	" 15	800,000	659,000	17,088,000
Hazel Park State Bank	Hazel Park	"	" 15	25,000	9,000	397,000
*First State Savings Bank	Birmingham	"	" 16	200,000	211,000	2,620,000
*First National Bank	St. Clair Shores,	"	" 16	50,000	15,000	851,000
*First National Bank	Bagley	Iowa	" 16	25,000	5,000	200,000
State Bank of Mosinee	Mosinee	Wis.	" 16	50,000	60,000	393,000
*First National Bank	Downers Grove,	Ill.	" 17	100,000	48,000	1,139,000
Peoples State Bank	Guthrie Center,	Ia.	" 17	50,000	30,000	885,000
*Noel State Bank	Chicago	Ill.	" 18	1,000,000	493,000	7,530,000
Waukegan State Bank	Waukegan	"	" 18	200,000	171,000	2,398,000
Franklin State Bank	Milwaukee	Wis.	" 17	50,000	29,000	915,000
*Waukegan National Bank	Waukegan	Ill.	" 19	250,000	212,000	3,292,000
*Wayne Savings Bank	Wayne	Mich.	" 19	50,000	128,000	1,852,000
Midwest State Bank	Cicero	Ill.	" 19	100,000	20,000	213,000
District No. 9						
First State Bank	Boyd	Minn.	June 13	15,000	8,000	212,000
Farmers State Bank	Columbus	N.Dak.	" 13	20,000	12,000	247,000
Security State Bank	Noonan	" "	" 13	25,000	6,000	201,000
Prinsburg State Bank	Prinsburg	Minn.	" 15	10,000	7,000	74,000
Artas State Bank	Artas	S.Dak.	" 13	15,000	10,000	150,000
State Bank of Herreid	Herreid	" "	" 13	25,000	8,000	185,000
Bank of Shell Lake	Shell Lake	Wis.	" 15	30,000	11,000	315,000
First State Bank	Alamo	N.Dak.	" 16	15,000	- -	41,000
Citizens State Bank	Ambrose	" "	" 17	15,000	5,000	45,000
First International Bank	Fortuna	" "	" 17	10,000	6,000	80,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Member banks indicated by an asterisk (*).

Name of Bank	City	Date closed	Capital	Surplus & profits	Total deposits
District No. 10					
Peoples State Bank	Meriden, Kans.	June 12	15,000	6,000	62,000
District No. 12					
Clearwater Valley State Bank	Kamiah Ida.	June 19	25,000	12,000	202,000

REOPENED:

Name of Bank	City	Date closed	Capital	Surplus & profits	Date opened
District No. 8					
*First National Bank	Holly Grove, Ark.	1- 9-31	25,000	5,000	6-16-31
(restored to solvency and reopened for business)					
*First National Bank	Eureka Springs, Ark.	12-16-30	50,000	12,000	6-16-31
(restored to solvency and sold to First State Bank, nonmember).					

- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3962

BANKS REPORTED CLOSED WEEK ENDED JUNE 26, 1931

(For confidential use only - subject to correction)

Member banks indicated by an asterisk (*).

Name of bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2						
*First National Bank	Mechanicville	N. Y.	June 20	50,000	91,000	1,580,000
District No. 4						
Com'l Bank & Svgs. Co.	Bluffton	Ohio	June 24	60,000	22,000	1,317,000
LaFayette Banking Co.	LaFayette	"	" 24	10,000	1,000	140,000
Com'l Savings Bank	Rawson	"	" 24	25,000	2,000	165,000
District No. 5						
Bank of Sampson	Clinton	N. C.	June 22	30,000	12,000	331,000
Bank of Clinton	"	"	" 22	50,000	48,000	442,000
Bank of Summerfield	Summerfield	"	" 22	10,000	- -	50,000
*Planters National Bank	Saluda	S. C.	" 22	100,000	20,000	524,000
*Kingwood National Bank	Kingwood	W.Va.	" 23	25,000	25,000	303,000
*Peoples National Bank,	Winston-Salem	N. C.	" 25	150,000	23,000	993,000
District No. 7						
First State Bank	Gary	Ind.	June 20	75,000	23,000	625,000
*First National Bank	Watseka	Ill.	" 22	50,000	27,000	341,000
Belding Savings Bank	Belding	Mich.	" 22	50,000	29,000	602,000
Glencoe State Bank	Glencoe	Ill.	" 23	125,000	105,000	1,240,000
*First National Bank	Blissfield	Mich.	" 24	60,000	23,000	721,000
Bank of Grayling	Grayling	"	" 24	2,000	45,000	358,000
Metropolitan Trust Co.	Detroit	"	" 18	500,000	312,000	3,058,000
*First National Bank	Morrisonville	Ill.	" 25	50,000	7,000	296,000
*First National Bank	Dearborn	Mich.	" 25	150,000	36,000	900,000
Farmers Bank	Viroqua	Wis.	" 25	50,000	15,000	600,000
*Farmington State Svgs.Bk	Farmington	Mich.	" 26	40,000	39,000	1,115,000
Denmark Savings Bank	Denmark	Iowa	" 26	10,000	11,000	108,000
District No. 8						
*First National Bank	Chillicothe	Mo.	June 22	100,000	26,000	937,000
Bank of Weaubleau	Weaubleau	"	" 17	10,000	21,000	122,000
Bank of Lilbourn	Lilbourn	"	" 17	20,000	27,000	133,000
District No. 9						
Farmers State Bank	Westby	Mont.	June 19	20,000	17,000	112,000
*Bottineau National Bank	Bottineau	N.Dak.	" 23	25,000	14,000	474,000
Peoples State Bank	Glencoe	Minn.	" 26	25,000	15,000	601,000

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BANKS REPORTED CLOSED WEEK ENDED JUNE 26, 1931.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 10						
Andrew County Bank	Savannah	Mo.	June 20	20,000	10,000	285,000
Farmers State Bank	Conception Junction	Mo.	" 22	10,000	4,000	60,000
Coyville State Bank	Coyville	Kans.	May 27	10,000	12,000	82,000
District No. 11						
Arizona Southwest Bank	Tucson	Ariz.	June 22	120,000	31,000	1,149,000
branches at: Douglas, Coolidge and Casa Grande.						
Bank of Matagorda	Matagorda	Texas	June 23	- -	- -	150,000

REOPENED:

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Date opened
District No. 11						
*Citizens National Bank	Blooming Grove	Texas	5-22-31	50,000	20,000	6-18-31
(turned back to directors and sold to First National Bank in-)						

\- - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6788

January 2, 1931.

SUBJECT: State Member Banks Not Examined During 1930.

Dear Sir:

You are requested to furnish the Board, at your early convenience, with a list of State member banks in your district which were not examined either by State authorities or your own examiners during 1930.

It is also requested that you advise what steps are contemplated by you to secure a prompt and satisfactory examination of any bank reported.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.
(Except Boston)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6789

January 6, 1931.

SUBJECT: Expiration of Charters of State Member Banks.

Dear Sir:

A number of instances have come to the Board's attention in which the charters of State member banks have expired and they have continued to transact business without obtaining new charters or extending their corporate existence or have transferred their business to new banks organized for the purpose of succeeding them and the Federal reserve bank has not discovered these facts until some time after such transactions have taken place. In order to prevent legal irregularities and possible legal difficulties arising from such situations, it is suggested that the Federal reserve banks maintain a record showing the dates upon which the charters of all State member banks will expire and devise some means whereby the situation will be called to the attention of the officers of the Federal reserve banks six months in advance of such dates. Upon being advised that the charter of a State member bank is about to expire, it would also seem advisable for the Federal reserve bank to communicate with such State member bank and ascertain what steps it proposes to take with reference to the situation.

If the State laws authorize the renewal of the bank's charter, or the extension of its corporate existence, it will not be necessary for the Federal reserve bank to take any steps except to request that it be furnished with copies of the documents necessary to show that the charter has been renewed or that the corporate existence has been extended.

If, however, the State law contains no provision for the renewal of charters of State banks or the extension of their corporate existence, or if for any other reason it is planned to organize a new bank to take over the business of the bank whose charter is about to expire, it would seem advisable for the Federal reserve bank to suggest that application for membership be made on behalf of the new bank sufficiently in advance of the date of the expiration of the charter of the old bank to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

enable the new bank to become a member of the Federal Reserve System simultaneously with its organization. This, of course, may be done by having an application for membership made upon behalf of the new bank by its organizers and by submitting it to the Federal Reserve Board with a recommendation that it be approved effective if and when the new bank is organized and its directors ratify the application for membership made in its behalf and accept the conditions of membership prescribed by the Federal Reserve Board.

If the condition of the old bank is unsatisfactory, the Federal reserve bank could suggest in advance such adjustments as would be necessary to make its successor a desirable member. If the new bank does not desire to be a member, or if the Federal reserve bank is unwilling to have it as a member, steps should be taken to have any indebtedness of the old bank to the Federal reserve bank retired before the expiration of its charter.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS AND CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6790

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

STATEMENT FOR THE PRESS

release at 3:00 P.M. January 7, 1931

The Federal Reserve Board announces that the Federal
erve Bank of St. Louis has established a rediscount rate of
n all classes of paper of all maturities, effective January
931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6792

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. January 8, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of San Francisco has established a rediscount rate of 3% on all classes of paper of all maturities, effective January 9, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6793

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For release at 4:00 p.m. January 9, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Atlanta has established a rediscount rate of 3% on all classes of paper of all maturities, effective January 10, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO THE FEDERAL RESERVE BOARD

X-6794

January 9, 1931.

SUBJECT: Officers and Employees of Federal Reserve Banks Authorized to Examine Member Banks.

Dear Sir:

Under the provisions of the Federal Reserve Act the Federal Reserve Board is required to approve the designation of examiners at Federal reserve banks. Accordingly, in order that the Board may again make a check of its records, it would be appreciated if you would advise the names of those now in the employ of your bank who have been designated as examiners, as well as the names of all officers and employees who have been designated as special or assistant examiners, or who are authorized to make or assist in the making of examinations or credit investigations of member banks.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL F. R. AGENTS EXCEPT ATLANTA AND SAN FRANCISCO.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6795

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. January 9, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Chicago has established a rediscount rate of 3% on all classes of paper of all maturities, effective January 10, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6796

Jan. 8, 1931.

TO Federal Reserve Board

FROM Mr. Wyatt- General Counsel.

SUBJECT Legislation to be recommended in Annual Report.

It is customary for the Board each year to recommend in its annual report such amendments to the Federal Reserve Act and related statutes as the Board may deem necessary or advisable. The annual report is now being prepared; but the Board has not yet reached any decision as to what legislation, if any, it desires to recommend.

Of course, the chances are not very favorable for the enactment of new legislation at this session of Congress. The long session of the next Congress, however, will commence two or three months before the Board's next Annual Report would ordinarily be submitted; and it might be helpful to recommend in the 1930 Report such legislation as the Board would like to have introduced at the beginning of the next session.

In order to assist the Board in considering this question, I respectfully submit below a summary of the various proposed amendments to the Federal Reserve Act and related statutes which the Board has considered within the last two years. At the end of the memorandum there are also mentioned certain other amendments which the Board might desire to consider at this time. There are attached for the Board's further information: (1) A summary of all amendments to the National Bank Act designed to prevent bank failures which were recommended by the Comptroller of the Currency in his Annual Reports for the years 1863 to 1930, inclusive, but which were not enacted by Congress; and (2) Excerpts from the Annual Report of the Superintendent of Banks for the State of New York for the year 1930 recommending amendments to the New York Banking Law for the same purpose.

AMENDMENTS HERETOFORE RECOMMENDED BUT NOT ENACTED.

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 has not yet been 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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. Letters to the Chairmen of the Banking and Currency Committees of both the Senate and House recommending such an amendment and transmitting drafts of a bill for this purpose were prepared by this office and submitted to the Board on February 10, 1930, but such letters were never sent because it was feared that they would cause confusion with respect to a different bill already pending.

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 that 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 has not yet been reported out by the Banking and Currency Committee of the House, and no similar bill has been 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 that Congress. In the 70th Congress, 1st Session, Mr. Summers 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 has ever been reported out.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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, have never been 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 black list 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. Brand 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 have been 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, 1929. 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"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 this 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 completely 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 depositaries 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. Hamlin, 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.

REDISCOUNT OF NOTES REPRESENTING DIRECT LOANS BY FEDERAL INTERMEDIATE CREDIT BANKS TO LIVESTOCK LOAN COMPANIES.

On July 5 Governor Calkins of the Federal Reserve Bank of San Francisco inquired by telegram whether a note with a maturity not in excess of nine months which is given to a Federal intermediate credit bank by a livestock loan company or an agricultural credit corporation secured by agricultural paper in accordance with the terms of the amendment of June 26, 1930, to the Federal Farm Loan Act is eligible for rediscount at a Federal reserve bank. On July 9 this office advised the Board that such notes are not eligible for rediscount if the proceeds are used by the livestock loan company or agricultural credit corporation for the purpose of making advances or loans to other borrowers, but that they are eligible if the proceeds are used by the agricultural credit corporation or livestock loan company in the first instance for an agricultural or commercial purpose. The Board has not yet ruled on this question, and I understand that some members of the Board are reluctant to adopt the ruling prepared by this office. It has occurred to me, therefore, that the Board might desire to recommend that Congress amend the law so as to make such notes clearly eligible for rediscount.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPEAL OF EDGE ACT.

It has been suggested a number of times that it might be advisable for the Board to recommend that Congress repeal section 25(a) of the Federal Reserve Act, commonly known as the Edge Act, which provides for the organization under Federal charters of corporations to engage in international and foreign banking and for the examination and supervision of such corporations by the Federal Reserve Board. Only a few such corporations have been organized; none of them have been very successful; and at present there are only two such corporations engaged in business and one other which has been granted a preliminary permit to transact such business as may be incidental to its organization but which has not yet paid in its capital and obtained a final permit to transact business. This would indicate that the Edge Act is not productive of much good. On the other hand, the Board receives numerous inquiries regarding the organization of such corporations and occasional applications for permits to organize such corporations which indicate that the Edge Act offers a constant temptation to promoters to organize such corporations solely for the purpose of selling stock therein with the added advantage of being able to advertise that such corporations are organized under Federal law and are under the supervision of the Federal Reserve Board. In view of all these circumstances, it might be advisable for the Board to consider at this time whether it should recommend to Congress that the Edge Act be repealed.

POWER TO REMOVE DIRECTORS AND OFFICERS OF BANKS.

While no formal recommendation to that effect was made, it was suggested during the last meeting of the Federal Advisory Council that it would enable the Comptroller of the Currency more effectively to take steps to prevent bank failures if he were authorized to remove from office directors and officers of national banks which are violating the banking laws, engaging in unsound credit practices, or otherwise manageing their banks in a manner likely to lead to disaster. Such an amendment was recommended by the Comptroller of the Currency in his Annual Reports for the year 1895 and for the years 1914 to 1921, inclusive. A similar amendment to the New York Banking Law was recently recommended by the Superintendent of Banks of the State of New York in his Annual Report for the year ending December 31, 1930, page 13.

It is possible that Congress would not be willing to grant such drastic power to a single Government officer; but it might be willing to authorize the Federal Reserve Board to exercise such power upon the recommendation of the Comptroller of the Currency. The Board, therefore, may desire to consider the advisability of recommending to Congress an amendment either to the National Bank Act or to the Federal Reserve Act, granting either to the Comptroller of the Currency or the Federal Reserve Board, the power to remove officers and directors of national banks, and possibly of State member banks, under the circumstances outlined above.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

OTHER POSSIBLE AMENDMENTS DESIGNED TO PREVENT BANK FAILURES.

The Board might also desire to consider what other amendments to the banking laws could be recommended with a view of preventing bank failures. To assist the Board in considering this question, I respectfully submit herewith: (1) A summary of all recommendations for legislation of this character made by the Comptroller of the Currency in his Annual Reports from the year 1863 up to and including the year 1930; and (2) certain excerpts from the Annual Report of the Superintendent of Banks of the State of New York for the year ending December 31, 1930, recommending amendments to the New York Banking Law.

Respectfully,

Walter Wyatt,
General Counsel.

WW OMC-SAD-GC

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

EXCERPTS FROM ANNUAL REPORT OF THE SUPERINTENDENT OF BANKS
OF THE STATE OF NEW YORK, FOR THE YEAR ENDING DECEMBER 31, 1930.
(Pages 12 to 15 inclusive.)

NEW LEGISLATION RECOMMENDED.

"1. To amend the Banking Law in order to permit prompt mergers of banking institutions in case of emergency or when necessary to protect the interests of depositors and shareholders, by providing that with the approval of the Superintendent of Banks, the boards of directors of any two or more banking institutions may merge such institutions under an agreement which will protect and preserve the equities of the respective stockholders. Such amendment might also provide that such agreement shall be subject to the approval of a Justice of the Supreme Court of New York.

"Under the existing law when a banking institution, because of lack of liquidity or depreciation in the value of assets, can no longer safely be permitted to continue in the conduct of its business, the Superintendent of Banks is placed in the position of being obliged to either close such institution or urge that it merge with some institution having a sound financial standing. The latter remedy, providing the merger is a proper one, is much to be preferred to the first, for the reason that the closing of an institution undermines public confidence generally and often leads to heavy withdrawals from other institutions. Furthermore, the closing of a banking institution may result in loss to depositors for no other reason then the fact that the closing operates to depreciate the value of certain classes of assets, not easily liquidated, though of substantial value to a going institution.

"Why not mergers then in all cases where the condition of an institution will not justify permitting it to continue in business? Under the present law, mergers to become effective must be approved by stockholders. To procure such approval it may be necessary to inform them of the facts necessitating the merger, which is likely to lead to uncertainty and rumors, resulting in runs which may cause the institution's closing before the merger can be effected. Furthermore, because of rumors which may originate suddenly, it becomes necessary in some instances to accomplish mergers over night if institutions are to be saved, which under the present law is impossible since approval by stockholders must be obtained at a meeting held on two weeks' notice.

"For these reasons, and because it is a matter of great public interest that banking institutions be closed only in cases where there is no other alternative, it is urged that the Legislature, which is about to meet, adopt legislation permitting, in cases where an emergency exists, the merger of banking institutions by action of the respective boards of directors without the approval of stockholders. The proposed statute, which is now in process of being drafted, will permit such a merger only in cases where the Superintendent of Banks declares that such action is necessary in order to avoid closing one of the institutions. It also makes ample provision for the protection of the interest of stockholders of the merging institutions.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Had the present law contained such a provision, the Bank of United States would have been merged with one of our strongest institutions and its closing avoided.

"2. To permit the Superintendent to remove from office, officers or directors of banking institutions who have been guilty of persistent violations of the banking law, or of a continuance of unsafe and unsound policies and practices.

"3. To permit the Superintendent to insist upon chargeoffs as directed by the Department, within sixty days after receipt of notification, permitting reserves to be established in lieu of chargeoffs.

"4. To provide that the stock of all banks and trust companies and other corporations subject to the supervision of the Banking Department be evidenced by individual certificates of stock, which shall not be coupled with the stock of any other corporation. All such arrangements existing at the present time shall terminate within two years.

"5. To limit the extension of credit and investment of funds in stock and obligations of affiliated corporations as defined in Section 39 of the Banking Law, by providing that the aggregate investment in capital shares or obligations of, or direct or indirect loans to, or loans secured by the shares or obligations of, any corporation affiliated with a banking institution and or any subsidiary corporation of such affiliated corporation, shall not exceed in the aggregate 10 per cent of the capital and surplus of any banking institution.

"6. To prohibit any officer, clerk or other employee of a bank or trust company from borrowing from the institution of which he is an officer, clerk or other employee and from becoming obligated directly or indirectly, conditionally or otherwise to such institution.

"7. To provide that an officer of a banking institution shall not be permitted to become an officer of any company engaged primarily in the business of the purchase and sale of securities.

"8. To provide that every director of any banking institution who is directly, indirectly, conditionally or otherwise obligated on any loan or other extension of credit made by such institution to such director or other individual, partnership, unincorporated association or corporation shall file with such institution once in each year and at such other times as the Superintendent may require, a statement of his financial condition.

"9. To change the period within which directors' examinations are to be made to provide for such examinations at least once in each

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"six months' period. The scope of such examinations to include a complete review by each director of all loans and investments in excess of one-tenth of 1 per cent of the capital and surplus of such institution (exceeding a minimum of $1000 however) including all extensions of credit to affiliated or subsidiary companies. At least once in two successive years such examination is to include a complete verification of deposit liabilities.

"10. To require that banks and trust companies shall, at the end of each year, render to stockholders a report showing the attendance of directors at meetings held during that year.

* * * * * * * *

"12. To limit the amount of the funds of any banking institution that may be deposited with any other banking institution, giving effect to the varying exigencies attaching to the depositing of funds with (a) designated reserve depositaries; (b) domestic banking institutions not acting as reserve agents; (c) foreign banking institutions.

* * * * * * * *

"14. To omit foreign exchange balances credited to a banking institution from the items that may be deducted from the total deposits of such banking institution in arriving at the aggregate demand deposits thereof against which reserves are required to be maintained.

* * * * * * * *

"17. To limit the aggregate amount of funds which a banking institution may invest in the stock, convertible bonds, or other obligations of other corporations.

* * * * * * * *

"19. To provide that any holding company which owns stock of a banking institution shall be required to maintain reserves or surety bonds to protect the statutory double liability which attaches to such stock.

* * * * * * * *

"23. To permit the Superintendent to order, at the expense of a bank or trust company, appraisals of real estate properties owned by or mortgaged to such institution, by independent, impartial appraisers of recognized standing."

WW-sad

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 7, 1931.

TO Mr. Wyatt

FROM Mr. Wingfield.

SUBJECT: Amendments suggested by Comptrollers of the Currency from 1863 to 1930 designed to prevent bank failures.

In accordance with your request, I have examined the annual reports made to Congress by Comptrollers of the Currency from the year 1863 down to date to determine what amendments to the law designed to prevent bank failures have been suggested by the office of the Comptroller of the Currency. In compiling the suggested amendments, I have omitted any such amendments which it appears have been substantially enacted into laws. In a number of cases, the reports of the Comptroller of the Currency repeat suggestions for amendments which have previously been made. In these cases, I have omitted such repetitions unless some material change has been made in the previous recommendations. The suggested amendments I have discovered will be described below with a citation to the report of the Comptroller of the Currency in which the suggestion may be found.

1863.

In his report of 1863, the Comptroller of the Currency suggested that a number of amendments be made to the National Bank Act. Most of the suggested amendments were for the purpose of clarifying existing provisions of the Act and to remove ambiguities in the provisions of the Act. Two of the amendments contained in this report, however, were apparently made primarily for the purpose of avoiding bank failures.

(1) An amendment providing that the failure of a national bank be declared prima facie fraudulent and that the officers and directors under whose administration each insolvency shall occur be made personally liable for the debts of the bank and be punished criminally unless it shall appear upon investigation that its affairs were honestly administered. This provision was intended to take the place of existing liability of stockholders in a national bank. (Report on the Finances, 1863, p. 51.)

(2) An amendment to provide that no national bank shall commence business with a less capital actually paid in then $50,000. The Comptroller also suggested that a national bank should not be organized with a capital of less then $100,000, $50,000 to be paid in at the commencement of business and the balance in installments of 10% every 60 days thereafter. (Report on the Finances, 1863, p. 51.)

1864.

No recommendation for amendments designed to prevent bank failures.

1865.

No recommendation for amendments designed to prevent bank failures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1866.

(1) An amendment authorizing the Comptroller of the Currency to appoint a receiver whenever satisfactory evidence is furnished that any national bank is not carrying on the proper business of banking; that any of its reports required by law have been false or fraudulent; that its funds have been wilfully misapplied by the officers or directors in violation of law or that it has committed any act of insolvency. (Report of 1866, p. XII.)

(2) An amendment limiting loans to, or deposits with, private bankers or brokers. (Report of 1866, p. XII.)

(3) An amendment to require monthly rather than quarterly reports of condition of national banks. (Report of 1866, p. XII.)

1867-1886

During these years, the Comptroller of the Currency did not make nay new recommendations for amendments to the National Bank Act designed to prevent bank failures.

1887

(1) An amendment to prohibit a majority of the board of directors of a national bank from consisting of the officers of the national bank. (Report of 1887, p. 4.)

(2) An amendment requiring directors of a national bank to include in their oath of office an obligation to inform themselves at all times as to the business and condition of the national bank. (Report of 1887,p.4).

(3) An amendment restricting the investment by national banks in real estate securities. (Report of 1887, p. 8.)

(4) An amendment to provide a penalty for making loans contrary to law. (Report of 1887, page 8.)

(5) An amendment requiring the directors of national banks to charge off all losses and bad debts before the payment of dividends. (Report of 1887, p. 9.)

In his report of 1887, the Comptroller suggested the enactment of a national bank code incorporating a number of changes in the National Bank Act, as it existed at that time. The amendments above described appear to be the most important changes suggested and incorporated in this proposed code to prevent the failure of national banks. The code is set out on pages 12-38 of the Report of the Comptroller of the Currency for the year 1887.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1888-1890

No recommendation for amendments designed to prevent bank failures.

1891

(1) An amendment to prohibit active officers of a National Bank from borrowing from the bank with which he is connected and limiting the loans to any director of a National Bank to 20% of the paid up capital of the bank. (Report of 1891, p. 31.)

(2) An amendment to require the publication of liabilities of officers and directors of national banks. (Report of 1891, p. 31.)

1892

No recommendation for amendments designed to prevent bank failures.

1893

An amendment to require National Bank examiners to take an oath of office and to give bond in such amount and with such sureties as the Comptroller of the Currency may require. (Report of 1893, p. 23.)

1894

No recommendation for amendments designed to prevent bank failures.

1895

An amendment to authorize the Comptroller of the Currency with the approval of the Secretary of the Treasury, after a hearing, to remove officers and directors of National Banks for violations of law and mismanagement of the bank. (Report of 1895, p. 21.)

1896

(1) An amendment limiting loans to officers of a National Bank and requiring that all loans to officers and directors of National Banks be secured by collateral or by personal endorsement. (Report of 1896, p. 100.)

(2) An amendment to require the directors of each National Bank to make an examination of the bank at least once a year and submit a report thereof to the Comptroller of the Currency. (Report of 1896, p. 100.)

1897-1899

No recommendation for amendments designed to prevent bank failures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1900

(1) An amendment to limit loans to officers, directors and employees of National Banks. (Report of 1900, p. XIV.)

(2) An amendment prescribing a specific penalty for violations of Section 5200 Revised Statutes of the United States. (Report of 1900, p.XVIII.)

1901-1905

No recommendation for amendments designed to prevent bank failures.

1906

No recommendation other than with reference to extending the jurisdiction of the Comptroller of the Currency of banks in the District of Columbia and with reference to the issue of currency by national banks. (Report of 1906, pages 63-78.)

1907

No recommendation other than a general discussion of the need for a central reserve and note issue system.

1908

No recommendation for amendments designed to prevent bank failures.

1909

No recommendation for amendments designed to prevent bank failures, but reference is made to suggestions made by Comptroller of the Currency to the National Monetary Commission. (Report of 1909, page 94.)

1910

No recommendation for amendments designed to prevent bank failures.

1911

(1) An amendment to provide that any corporation which purchases stock of a national bank shall be liable for assessment on such shares. It appears that corporations which have purchased national bank stock without having authority under their charter to do so, are not, in view of certain court decisions, subject to an assessment on such stock. This amendment was suggested to take care of this situation. (Report of 1911, page 80.)

(2) An amendment to provide that criminal offenses arising under the provisions of the National Bank Act may be prosecuted at any time within ten years after the commission of the offence. (Report of 1911, page 82.)

1912-1913

No recommendation for amendments designed to prevent bank failures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1914

(1) An amendment to authorize the Comptroller of the Currency to penalize by imposition of appropriate fines all infractions and violations of law and the Comptroller's regulations, such fines to be imposed upon the offending officials, as well as upon the bank by which they are employed. The Comptroller also suggested that certain violations of the law and regulations should be punishable by imprisonment as well as by fines. (Report of 1914, page 17.)

(2) An amendment fixing a limit upon the aggregate amount which a national bank may lawfully loan to or discount for, directly or indirectly, a single borrower, such limit to be either a percentage of the bank's capital and surplus or of its total loans. (Report of 1914, page 17.)

(3) A specific amendment authorizing the Comptroller of the Currency to impose appropriate fines for disregard of the Comptroller's instructions with reference to overdrafts. (Report of 1914, page 18.)

(4) An amendment authorizing the Comptroller of the Currency to enforce the adoption by each national bank of a standard set of by-laws covering certain essential rules and elementary regulations. (Report of 1914, page 19.)

(5) An amendment authorizing the Comptroller of the Currency, with the approval of the Secretary of the Treasury, to require the removal of any director or officer of a national bank guilty of a violation of any of the more important provisions of the National Bank Act and to direct that suit be brought in the name of the bank against such director or officer for losses sustained by malfeasance or misfeasance in office. (Report of 1914, page 19.)

(6) An amendment providing that if a director of a national bank does not qualify and forward his oath to the Comptroller of the Currency within thirty days after his election, a vacancy shall be immediately declared and shall be filled by the remaining directors and the derelict director be made ineligible for reelection during that year. (Report of 1914, page 19.)

(7) An amendment to provide that no national bank shall be permitted to hold deposits in excess of ten times its unimpaired capital and surplus. (Report of 1914, page 21.)

1915

(1) An amendment to prohibit officers of a national bank from borrowing funds of the bank by which they are employed. (Report of 1915, page 32.)

(2) An amendment to prohibit a national bank from making any loan to a director or a firm in which a director may be a partner without formal authority of the board of directors of the bank. (Report of 1915, page 32.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(3) An amendment to require all officers or employees of a national bank having custody of its funds or securities or engaged in the handling of its money to furnish surety bonds. (Report of 1915, page 32.)

(4) An amendment placing a conservative and proper limitation upon the aggregate amount of money any one person, company, corporation, or firm may obtain from a national bank through the discounting of commercial paper and bills of exchange and providing a specific penalty enforceable against the officers and directors of the national bank responsible for any violation of the provisions of Section 5200 of the Revised Statutes. (Report of 1915, page 32.)

(5) An amendment limiting overdrafts and making the directors personally liable for any violation of such limitations and also requiring the officers of the bank to present at each directors' meeting a list of all overdrafts made since the previous meeting. (Report of 1915, page 33.)

(6) An amendment requiring all certificates of deposit to be signed by two officers of the bank and providing a penalty for the issue of any such certificate not signed by two officers. (Report of 1915, page 33.)

(7) An amendment to prohibit any officer or employee of a national bank from erasing or causing to be erased any entries on the books of a national bank and requiring any erroneous entries to be canceled in such a manner that it is not impossible to decipher the original entry. (Report of 1915, page 33.)

(8) An amendment limiting the amount of interest a national bank may pay on its deposits to 4%, the rediscount rate of the Federal reserve bank of the district or the maximum rate allowed by State law. (Report of 1915, page 33.)

(9) An amendment authorizing the Comptroller of the Currency to bring proceedings against directors of a national bank for losses sustained by the bank through violations of the provisions of the National Bank Act or the Federal Reserve Act. (Report of 1915, page 34.)

(10) The Comptroller called attention to the fact that all directors of a national bank should be required to serve by turn for a stated period on the executive committee of the bank, but he did not make a specific recommendation for legislation on this point. (Report of 1915, page 38.)

The Comptroller also renewed numerous recommendations for legislation which had previously been made by his office. (Report of 1915, pages 39-42.)

1916

(1) An amendment to provide that any person, firm or corporation obtaining a loan or credit from a national bank based on a false statement, wilfully made, of the financial condition of the borrower, shall be guilty of a felony punishable by appropriate penalties. (Report of 1916, page 19.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(2) An amendment providing that the breaking or entering of a National Bank for the purpose of theft or robbery shall be a crime punishable under the laws of the United States. (Report of 1916, p. 19.)

(3) An amendment providing that no National Bank shall be permitted to tie up by investment in any office or bank building an amount in excess of the paid-in capital of the bank. (Report of 1916, p. 20.)

The Comptroller repeated numerous recommendations for legislation contained in his previous reports. (Report of 1916, pp. 14-19.)

1917

(1) An amendment to authorize the Comptroller's Office to require National banks to shift their bookkeepers and other employees from time to time from one desk or service to another so as to make it difficult for employees to hide defalcations or manipulate books. (Report of 1917, p. 23.)

(2) An amendment providing for the Federal insurance or guarantee of deposits in National banks where the credit to any one individual amounts to a sum not exceeding $5,000. (Report of 1917, p. 24.)

(3) An amendment prohibiting any national bank from making any charge against the account of a depositor except on a charge ticket order signed by at least two officers of the bank. (Report of 1917, p. 27.)

The Comptroller also repeated numerous recommendations for legislation made by his office in previous reports. (Report of 1917, pages 18-22.)

1918

No new recommendation or amendment designed to prevent bank failures but numerous recommendations of previous years are repeated in this report of the Comptroller.

1919

No new recommendation for amendments to prevent bank failures but numerous recommendations of previous years are repeated in this report of the Comptroller.

1920

(1) An amendment to enable a national bank to obtain relief in emergency from a Federal reserve bank by use of securities other than eligible paper or United States bonds. (Report of 1920, page 52.)

(2) An amendment to broaden and strengthen the provision of law which prohibits an officer of a national bank from profiting personally through control and use or misuse of the funds of the bank. (Report of 1920, page 55.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(3) The Comptroller called attention to the growing practice of establishing "securities companies" as adjuncts to national banks and recommended that Congress enact such protective legislation as the facts, obvious tendencies and equally obvious perils of the future so clearly demand. In this connection the Comptroller suggested that such securities companies should be operated separate and apart from the national banks. The certificates of stock in such corporations should not be tied up with the stock certificates of national banks and the management of the bank and securities corporation should be entirely distinct, even when the stockholders of one are the stockholders of the others. (Report of 1920, pages 55-57.)

(4) An amendment to prevent the active and salaried executive officers of a national bank with resources in excess of a prescribed amount ($3,000,000 or $5,000,000 suggested as such prescribed amount) from holding positions as directors, trustees, or officers of other business, industrial, railroad or other commercial corporations, or associations. (Report of 1920, page 57.)

(5) An amendment requiring directors to furnish to stockholders at each annual meeting a statement of the assets and resources of the bank, the profit and loss for the year, statement as to the salaries paid to their principal officers, and the average salary paid to all employees. (Report of 1920, pages 57-60.)

The Comptroller in this report also calls attention to numerous recommendations for legislation which had previously been made. (Report of 1920, pages 60-68.)

1921

The Comptroller in this report called attention to numerous recommendations for enactment of legislation previously made by his office. (Report of 1921, page 11.)

1922

(1) An amendment to require an increase in capital of national banks commensurate with an increase in deposit liabilities. (Report of 1922, page 5.)

(2) An amendment to require the oath of a director of a national bank to be filed with the Comptroller within thirty days succeeding his election and making any director who becomes disqualified by hypothecation of his stock ineligible to reappointment during the remainder of the year. (Report of 1922, page 6.)

The Comptroller in this report also called attention to recommendations for enactment of legislation previously made by his office. (Report of 1922, page 5.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1923

No recommendation for amendments designed to prevent bank failures.

1924

A recommendation for the passage of provisions contained in the McFadden Bill. It does not appear, however, that any of the provisions of this bill were primarily designed to prevent bank failures except possibly the recommendation that thereafter thefts by bank examiners and certain other offences be made punishable under the Federal Law.

1925

Comptroller renewed his recommendation that the McFadden Bill be enacted.

1926

Comptroller renewed his recommendation for the enactment of the McFadden Bill.

1927

No recommendation for amendments designed to prevent bank failures.

1928

(1) An amendment to provide for restrictions on trust companies located outside of the District of Columbia, but doing a fiduciary business within the District of Columbia, and to provide for supervision of such trust institutions. (Report of 1928, page 6.)

1929

(1) An amendment to permit national banks with the approval of the Comptroller of the Currency to establish branches within the trade areas of the cities within which such banks may be situated. (Report of 1929, page 5.)

(2) An amendment which would bring bank stock holding companies under some degree of Federal supervision where they own the majority of the stock of more than one national bank and a further amendment to safeguard the shareholders' liability in cases where the stock of a national bank is held by a holding company. (Report of 1929, page 9.)

(3) An amendment making it a criminal offence to circulate any false report concerning any member of the Federal Reserve System indicating insolvency or unsound financial condition or which may tend

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to cause the withdrawal of deposits from such bank. (Report of 1929, page 10.)

(4) An amendment to empower the Comptroller of the Currency to make regulations governing savings banks or trust companies doing a banking business in the District of Columbia. (Report of 1929, page 10.)

(5) An amendment prohibiting building and loan associations from doing business in the District of Columbia except with the permission of the Comptroller. (Report of 1929, page 10.)

1930

(1) An amendment to authorize a committee composed of the Secretary of the Treasury, the Governor of the Federal Reserve Board, and the Comptroller of the Currency, to select cities which are commercial centers in the United States and to map out their trade areas; to define the term "trade area"; to authorize national banks situated in any such cities, with the approval of the Comptroller of the Currency, to establish branches within the trade area of the city; and to require that the paid-in capital stock of any national bank so establishing branches shall not be less than $1,000,000, and that the ratio of its capital and surplus to deposits shall be maintained at not less than 1 to 10. (Report of 1930, page 5.)

(2) An amendment to permit any banks situated within a trade area to consolidate, with the approval of the Comptroller of the Currency, under a national charter and to specifically authorize the Comptroller to disapprove any such consolidation upon the ground that it might result in an undue concentration of banking capital within the trade area. (Report of 1930, page 5.)

(3) An amendment conferring upon the Comptroller of the Currency such visitorial powers as may enable him to examine into the affairs of any corporation which owns or controls a majority of the stock of any national bank. (Report of 1930, page 6.)

(4) An amendment prohibiting any corporation from owning the majority of the stock of any national bank if at the same time it owns the majority of the stock of a State bank. (Report of 1930, page 6.)

(5) An amendment to prohibit a national bank from loaning upon the security of the stock of a corporation which may own the majority of the stock of such national bank. (Report of 1930, page 6.)

(6) An amendment to authorize the Comptroller of the Currency to examine security or investment companies affiliated with a national bank. (Report of 1930, page 10.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Comptroller of the Currency in his report for 1930 also renewed a number of recommendations for legislation which were contained in his previous Annual Reports.

Respectfully,

B. Magruder Wingfield
Assistant Counsel.

BMW-omc-sad

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6799

January 16, 1931.

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

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6799-a and X-6799-b, covering in detail operations of the main line, Leased Wire System, during the month of December, 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF December, 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	30,517	4,629	35,146	3.41
New York	150,834	-	150,834	14.65
Philadelphia	38,593	2,787	41,380	4.02
Cleveland	91,929	4,413	96,342	9.36
Richmond	66,032	4,076	70,108	6.81
Atlanta	70,065	10,025	80,090	7.78
Chicago	111,590	5,162	116,752	11.34
St. Louis	102,726	4,172	106,898	10.39
Minneapolis	38,559	4,756	43,315	4.21
Kansas City	88,278	4,289	92,567	8.99
Dallas	71,775	12,841	84,616	8.22
San Francisco	105,599	5,775	111,374	10.82
Total	966,497	62,925	1,029,422	100.00

F. R. Board business . . . . 320,905 . . . 1,350,327

Treasury Department business Incoming and Outgoing 166,126

Total words transmitted over main lines. 1,516,453

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6799-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6799-b

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, DECEMBER, 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	$ 711.86	$ 260.00	$ 451.86
New York	1,129.46	-	-	1,129.46	3,058.27	1,129.46	1,928.81
Philadelphia	225.00	-	-	225.00	839.20	225.00	614.20
Cleveland	306.66	-	-	306.66	1,953.95	306.66	1,647.29
Richmond	225.00	-	230.00(&)	455.00	1,421.63	455.00	966.63
Atlanta	270.00	-	-	270.00	1,624.12	270.00	1,354.12
Chicago	3,690.00(#)	6.00	-	3,696.00	2,367.29	3,696.00	1,328.71(*)
St. Louis	195.00	4.00	-	199.00	2,168.97	199.00	1,969.97
Minneapolis	200.00	-	-	200.00	878.86	200.00	678.86
Kansas City	287.50	-	-	287.50	1,876.71	287.50	1,589.21
Dallas	251.00	.75	-	251.75	1,715.97	251.75	1,464.22
San Francisco	380.00	-	-	380.00	2,258.74	380.00	1,878.74
Federal Reserve Board	-	-	15,783.44	15,783.44	-	-	-
Total	$ 7,419.62	$ 10.75	$ 16,013.44	$ 23,443.81	$ 20,875.57	$ 7,660.37	$ 14,543.91
				2,568.24(a)			1,328.71(b)
				$ 20,875.57			$ 13,215.20

(&) Main Line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $2,568.24 from Treasury Department covering business for the month of December, 1930.
(b) Amount reimbursable to Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6800

January 19, 1931.

SUBJECT: Holidays during February, 1931.

Dear Sir:

On Thursday, February 12th, Lincoln's Birthday, 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 Board and the following Federal reserve banks and branches will be open for business on February 12th:

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

On Tuesday, February 17th, Mardi Gras Day, the New Orleans and Birmingham Branches of the Federal Reserve Bank of Atlanta will be closed. Please include credits of February 17th for New Orleans Branch in the Gold Fund clearing of February 18th.

On Monday, February 23rd, in observance of Washington's birthday, the offices of the Board and all Federal reserve banks and branches will be closed.

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

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6802

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928

December 1 to 31, 1930.

	$5	$10	$20	$50	$100	$500
Boston	30,000	-	-	8,000	9,000	1,400
New York	94,000	-	-	18,000	43,000	4,200
Philadelphia	55,000	40,000	18,000	-	8,000	800
Cleveland	82,000	40,000	-	-	-	1,700
Richmond	158,000	66,000	76,000	24,000	12,000	3,300
Atlanta	-	16,000	-	-	-	-
Chicago	-	-	-	30,000	-	2,000
St. Louis	170,000	85,000	-	16,000	2,000	1,000
Minneapolis	8,000	13,000	-	1,000	1,000	500
Kansas City	35,000	64,000	-	-	-	400
Dallas	35,000	14,000	-	1,000	1,000	500
San Francisco	137,000	116,000	72,000	19,000	12,000	1,800
	804,000	454,000	166,000	117,000	88,000	17,600

	$1000	$5000	$10000	Total Sheets	Amount
Boston	700	-	-	49,100	$4,539.30
New York	2,100	-	-	161,300	14,912.18
Philadelphia	800	-	-	122,600	11,334.37
Cleveland	450	-	-	124,150	11,477.67
Richmond	800	50	50	340,200	31,451.49
Atlanta	-	-	-	16,000	1,479.20
Chicago	1,000	-	-	33,000	3,050.85
St. Louis	500	-	-	274,500	25,377.52
Minneapolis	250	-	-	23,750	2,195.69
Kansas City	-	-	-	99,400	9,189.53
Dallas	-	-	-	51,500	4,761.17
San Francisco	1,150	-	-	358,950	33,184.93
	7,750	50	50	1,654,450	$152,953.90

1,654,450 sheets, @ $92.45 per M, ... $152,953.90

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6806

January 24, 1931.

SUBJECT: Form 160.

Dear Sir:

Beginning with January, 1931 it will not be necessary for the Federal reserve banks and branches to report operations in Federal reserve bank notes separately on Form 160. There will be no objection on the part of the Federal Reserve Board or the Treasury Department to combining the report of any such transactions with the report of operations in National bank notes.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 1 X-6808

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS, 1931.

OFFICERS

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

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
Frederick S. Chamberlain	Pres., New Britain Nat'l. Bank, New Britain, Conn.	1931
Alfred L. Ripley	Chrm., The Merchants Nat'l. Bank, Boston, Mass.	1932
Edward S. Kennard	V. P. & Cash., Rumford Nat'l. Bank, Rumford, Me.	1933
Class B:		
Albert C. Bowman	Pres., The John T. Slack Corp'n., Springfield, Vt.	1931
Philip R. Allen	Pres., Bird and Son, Inc., East Walpole, Mass.	1932
A. F. Bemis	Chrm., Bemis Brothers Bag Co., Boston, Mass.	1933
Class C:		
Charles H. Merriman	Retired merchant, Providence, R. I.	1931
Frederic H. Curtiss	Boston, Mass.	1932
Allen Hollis	Lawyer, Concord, New Hampshire	1933

MEMBER FEDERAL ADVISORY COUNCIL

Herbert K. Hallett

COUNSEL

A. H. Weed

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 2

FEDERAL RESERVE BANK OF NEW YORK

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

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

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

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

DIRECTORS

		Term Expires Dec. 31
Class A.		
Chas. E. Mitchell	Chrm., National City Bank, New York, N.Y.	1931
Thos. W. Stephens	Pres., The Bank of Montclair, Montclair, N.J.	1932
David C. Warner	Pres., Endicott Trust Company, Endicott, N.Y.	1933
Class B:		
Wm. H. Woodin	Pres., American Car & Foundry Co., NewYork, N.Y.	1931
Theodore F. Whitmarsh	Chrm., Francis H. Leggett & Co., New York, N.Y.	1932
Samuel W. Reyburn	Pres., Lord & Taylor, New York, N. Y.	1933
Class C:		
J. H. Case	New York, N. Y.	1931
Owen D. Young	Chrm., General Electric Co., New York, N. Y.	1932
Clarence M. Woolley	Chrm., American Radiator & Standard Sanitary Corporation, Greenwich, Conn.	1933

MEMBER FEDERAL ADVISORY COUNCIL

Robert H. Treman

ASSISTANT COUNSEL

Theodore M. Crisp
H. S. Schultz

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 3

X-6808

FEDERAL RESERVE BANK OF PHILADELPHIA

OFFICERS AND DIRECTORS, 1931

OFFICERS

Geo. W. Norris,	Governor	Richard L. Austin, Chairman of the Board and Federal Reserve Agent
William H. Hutt,	Deputy Governor	Alba B. Johnson, Deputy Chairman of the Board
C. A. McIlhenny,	Cashier & Secretary	Arthur E. Post, Assistant Federal Reserve Agent
		Ernest C. Hill, Assistant Federal Reserve Agent
		William G. McCreedy, Comptroller

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
John C. Cosgrove	Banker and Coal Operator, Johnstown, Pa.	1931
Joseph Wayne, Jr.,	Pres., Phila. National Bank, Philadelphia, Pa.	1932
George W. Reily	Pres., Harrisburg National Bank, Harrisburg, Pa.	1933
Class B:		
C. F. C. Stout	John R. Evans & Company, Philadelphia, Pa.	1931
Arthur W. Sewall	Pres., General Asphalt Company, Philadelphia, Pa.	1932
Arthur C. Dorrance	Pres., Campbell Soup Company, Camden, New Jersey	1933
Class C:		
Harry L. Cannon	Farmer and Packer, Bridgeville, Delaware	1931
Richard L. Austin	Philadelphia, Pa.	1932
Alba B. Johnson	Chrm., Southwark Fndry.&Machine Co., Philadelphia, Pa.	1933

MEMBER FEDERAL ADVISORY COUNCIL

Howard A. Loeb

COUNSEL

Williams, Brittain and Sinclair

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 4 X-6808

FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1931

OFFICERS

E. R. Fancher, Governor

M. J. Fleming, Deputy Governor

F. J. Zurlinden, Deputy Governor

H. F. Strater, Cashier and Secretary

George DeCamp, Chairman of the Board and Federal Reserve Agent

L. B. Williams, Deputy Chairman of the Board

J. B. Anderson, Assistant Federal Reserve Agent

W. H. Fletcher, Assistant Federal Reserve Agent

F. V. Grayson, Auditor

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
Chess Lamberton	V. P., Lamberton National Bank, Franklin, Pa.	1931
Robert Wardrop	Chrm., First National Bank, Pittsburgh, Pa.	1932
O. N. Sams	Pres., Merchants National Bank, Hillsboro, Ohio	1933
Class B:		
R. P. Wright	Reed Manufacturing Company, Erie, Pa.	1931
Geo. D. Crabbs	Pres., Philip Carey Mfg. Co., Cincinnati, Ohio	1932
John E. Galvin	Pres., Ohio Steel Foundry Co., Lima, Ohio	1933
Class C:		
L. B. Williams	Hayden, Miller & Company, Cleveland, Ohio	1931
George DeCamp	Cleveland, Ohio	1932
W. W. Knight	V. P., Bostwick-Braun Company, Toledo, Ohio	1933

MEMBER FEDERAL ADVISORY COUNCIL

J. A. House

COUNSEL

Squire, Sanders & Dempsey

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 5 X-6808

FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

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

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
Jas. C. Braswell	Pres., Planters National Bank, Rocky Mount, N.C.	1931
L. E. Johnson	Pres., First National Bank, Alderson, W. Va.	1932
Chas. E. Rieman	Pres., Western National Bank, Baltimore, Md.	1933
Class B:		
Edwin C. Graham	Pres., National Elec. Supply Co., Washington, D.C.	1931
D. R. Coker	Merchant, Hartsville, South Carolina.	1932
Junius P. Fishburn	Pres., Times-World Corporation, Roanoke, Va.	1933
Class C:		
Robert Lassiter	Textiles, Charlotte, North Carolina	1931
Wm. W. Hoxton	Richmond, Virginia	1932
Frederic A. Delano	Receiver, Washington, D. C.	1933

MEMBER FEDERAL ADVISORY COUNCIL

John Poole

COUNSEL

M. G. Wallace

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 6

FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1931

OFFICERS

E. R. Black, Governor

W. S. Johns, Deputy Governor

H. F. Conniff, Deputy Governor

W. S. McLarin, Jr., Asst. Deputy Governor

M. W. Bell, Cashier

Oscar Newton, Chairman of the Board and Federal Reserve Agent

W. H. Kettig, Deputy Chairman of the Board

Ward Albertson, Assistant Federal Reserve Agent and Secretary

E. P. Paris, General Auditor

J. W. Honour, Assistant Auditor

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
E. C. Melvin	Pres., Selma National Bank, Selma, Alabama	1931
G. G. Ware	Pres., First National Bank, Leesburg, Florida	1932
H. Lane Young	V. P., Citizens & Southern Nat. Bank, Atlanta, Ga.	1933
Class B:		
J. B. Hill	Pres., Nashville,Chattanooga & St.Louis R.R.,Nashville,Tenn.	1931
Leon C. Simon	V. P., Kohn, Weil & Simon, Inc., New Orleans, La.	1932
J. A. McCrary	Pres., J. B. McCrary Company, Decatur, Georgia	1933
Class C:		
W. H. Kettig	Southern Representative, Crane Co., Birmingham, Ala.	1931
Oscar Newton	Atlanta, Georgia	1932
George S. Harris	Hunter Mfg.& Commission Co.of N.Y., Atlanta, Ga.	1933

MEMBER FEDERAL ADVISORY COUNCIL

J. P. Butler

COUNSEL

Robert S. Parker

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 7 X-6808

FEDERAL RESERVE BANK OF CHICAGO

OFFICERS AND DIRECTORS, 1931

OFFICERS

J. B. McDougal, Governor
J. H. Blair, Deputy Governor
C. R. McKay, Deputy Governor
J. H. Dillard, Deputy Governor
W. C. Bachman, Asst. Deputy Governor
E. A. Delaney, Asst. Deputy Governor
D. A. Jones, Asst. Deputy Governor
O. J. Netterstrom, Asst. Deputy Governor

Eugene M. Stevens, Chairman of the Board and Federal Reserve Agent
James Simpson, Deputy Chairman of the Board
W. H. White, Assistant Federal Reserve Agent
C. S. Young, Assistant Federal Reserve Agent
F. R. Burgess, Auditor
W. A. Hopkins, Assistant Auditor

F. Bateman, Manager
J. C. Callahan, Manager
R. E. Coulter, Manager
A. W. Dazey, Manager
Irving Fischer, Manager
R. J. Hargreaves, Manager
F. A. Lindsten, Manager

L. G. Meyer, Manager
A. L. Olson, Manager & Asst. Secretary
L. G. Pavey, Manager
H. G. Pett, Manager
F. L. Purrington, Manager
Geo. L. Prugh, Manager

J. G. Roberts, Manager

DIRECTORS

		Term Expires Dec. 31
Class A:		
Edward R. Estberg	Pres., Waukesha Nat'l. Bank, Waukesha, Wis.	1931
George J. Schaller	Pres., Citizens First National Bank, Storm Lake, Iowa	1932
Geo. M. Reynolds	Chrm., Continental Nat.Bk.& Tr.Co., Chicago, Ill.	1933
Class B:		
S. T. Crapo	Sec.& Treas., Huron Portland Cement Co., Detroit, Mich.	1931
Robert M. Feustel	Pres., Indiana Service Corp., Fort Wayne, Indiana	1932
Max W. Babb	V. P., Allis-Chalmers Mfg. Co., Milwaukee, Wis.	1933
Class C:		
F. C. Ball	Pres., Ball Brothers Company, Muncie, Indiana	1931
James Simpson	Pres., Marshall Field & Company, Chicago, Ill.	1932
Eugene M. Stevens	Chicago, Illinois	1933

MEMBER FEDERAL ADVISORY COUNCIL

Melvin A. Traylor

COUNSEL

Carl Meyer

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 8 X-6808

FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1931

OFFICERS

Wm. McC. Martin, Governor

C. M. Attebery, Deputy Governor

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

John S. Wood, Chairman of the Board and Federal Reserve Agent

John W. Boehne, Deputy Chairman of the Board

C. M. Stewart, Assistant Federal Reserve Agent

E. J. Nowy, Auditor

A. E. Debrecht, Assistant Auditor

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
John C. Martin	V. P., Cashier, Salem Nat'l. Bank, Salem, Ill.	1931
John G. Lonsdale	Pres., Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.	1932
Max B. Nahm	V. P., Citizens National Bank, Bowling Green, Ky.	1933
Class B:		
W. B. Plunkett	Pres., Plunkett-Jarrell Grocery Co., Little Rock, Ark.	1931
M. P. Sturdivant	Planter, Glendora, Mississippi	1932
Jas. W. Harris	Pres., Harris-Polk Hat Company, St. Louis, Mo.	1933
Class C:		
Paul Dillard	Dillard & Coffin Company, Memphis, Tennessee	1931
John W. Boehne	Retired, Evansville, Indiana	1932
John S. Wood	St. Louis, Missouri	1933

MEMBER FEDERAL ADVISORY COUNCIL

Walter W. Smith

COUNSEL

Jas. G. McConkey

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 9 X-6808

FEDERAL RESERVE BANK OF MINNEAPOLIS

OFFICERS AND DIRECTORS, 1931

OFFICERS

W. B. Geery, Governor

Harry Yeager, Deputy Governor

H. I. Ziemer, Deputy Governor & Cashier

F. C. Dunlop, Controller

John R. Mitchell, Chairman of the Board and Federal Reserve Agent

Homer P. Clark, Deputy Chairman of the Board

Curtis L. Mosher, Assistant Federal Reserve Agent

Fred M. Bailey, Assistant Federal Reserve Agent

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
Paul J. Leeman	V.P., First Nat'l. Bank, Minneapolis, Minn.	1931
J. C. Bassett	Pres., Aberdeen Nat'l. Bank, Aberdeen, S. D.	1932
H. C. Hansen	Pres., First National Bank, Churchs Ferry, N. D.	1933
Class B:		
W. O. Washburn	A. J. Frank Manufacturing Co., St. Paul, Minn.	1931
J. E. O'Connell	Manufacturer of Bakery Products, Helena, Mont.	1932
John S. Owen	John S. Owen Lumber Company, Eau Claire, Wis.	1933
Class C:		
Geo. W. McCormick	Pres., Menominee River Sugar Co., Menominee, Mich.	1931
John R. Mitchell	Minneapolis, Minnesota	1932
Homer P. Clark	Pres., West Publishing Company, St. Paul, Minnesota	1933

MEMBER FEDERAL ADVISORY COUNCIL

George H. Prince

COUNSEL

Andreas Ueland

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 10 X-6808

FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1931

OFFICERS

W. J. Bailey, Governor

C. A. Worthington, Deputy Governor

J. W. Helm, Deputy Governor & Cashier

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

Wm. L. Petrikin, Deputy Chairman of the Board

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

S. A. Wardell, Auditor

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
Frank W. Sponable	Pres., Miami County Nat'l. Bank, Paola, Kansas	1931
E. E. Mullaney	Pres., Farmers & Merchants Bank, Hill City, Kansas	1932
C. C. Parks	V. P., First National Bank, Denver, Colorado	1933
Class B:		
J. M. Bernardin	J. M. Bernardin Lumber Co., Kansas City, Missouri	1931
L. E. Phillips	V. P., Phillips Petroleum Co., Bartlesville, Okla.	1932
W. D. Hosford	John Deere Plow Company, Omaha, Nebraska	1933
Class C:		
Wm. L. Petrikin	Pres., Great Western Sugar Co., Denver, Colorado	1931
M. L. McClure	Kansas City, Missouri	1932
W. W. Magee	Farmer - Stockman, Bennington, Nebraska	1933

MEMBER FEDERAL ADVISORY COUNCIL

Walter S. McLucas

COUNSEL

H. G. Leedy

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 11 X-6808

FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1931

OFFICERS

Lynn P. Talley, Governor

R. R. Gilbert, Deputy Governor

R. B. Coleman, Deputy Governor

Fred Harris, Cashier

W. O. Ford, Assistant Deputy Governor

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

S. B. Perkins, Deputy Chairman of the Board

C. C. Hall, Assistant Federal Reserve Agent

W. J. Evans, Assistant Federal Reserve Agent

W. P. Clarke, General Auditor

C. C. True, Assistant Auditor

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
W. H. Patrick	Pres., First National Bank, Clarendon, Texas	1931
J. P. Williams	Pres., First National Bank, Mineral Wells, Texas	1932
R. E. Harding	Pres., Fort Worth National Bank, Fort Worth, Texas	1933
Class B:		
A. S. Cleveland	W. D. Cleveland & Sons, Houston, Texas	1931
J. J. Culbertson	V. P., Southland Cotton Oil Co., Paris, Texas	1932
J. R. Milam	Wholesale Grocer, Waco, Texas	1933
Class C:		
C. C. Walsh	Dallas, Texas	1931
E. R. Brown	Pres., Magnolia Petroleum Co., Dallas, Texas	1932
S. B. Perkins	Pres., Perkins Dry Goods Company, Dallas, Texas	1933

MEMBER FEDERAL ADVISORY COUNCIL

B. A. McKinney

COUNSEL

Charles C. Huff
Locke, Locke, Stroud & Randolph

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 12 X-6808

FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1931

OFFICERS

Jno. U. Calkins, Governor

W. A. Day, Deputy Governor

Ira Clerk, Deputy Governor

W. M. Hale, Cashier

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

Walton N. Moore, Deputy Chairman of the Board

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

O. P. Wheeler, Assistant Federal Reserve Agent

F. H. Holman, General Auditor

R. T. Hardy, Auditor

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

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

DIRECTORS

		Term Expires Dec. 31
Class A:		
C. K. McIntosh	Pres., Bank of California N.A., San Francisco, Cal.	1931
T. H. Ramsay	Pres., Pacific Nat'l.Agri.Credit Corp., San Francisco	1932
Keith Powell	Pres., Bank of Woodburn & First Nat'l.Bank, Woodburn, Ore.	1933
Class B:		
E. H. Cox,	V. P., Madera Sugar Pine Co., Madera, California	1931
A. B. C. Dohrmann	Chrm., Dohrmann Comm'l.Co., San Francisco, Calif.	1932
Malcolm McNaghten	Pres., Broadway Dept. Store, Los Angeles, Calif.	1933
Class C:		
Wm. Sproule	Southern Pacific Railway, San Francisco, Calif.	1931
Isaac B. Newton	San Francisco, California	1932
Walton N. Moore	Chrm., Walton N. Moore Dry Goods Co., San Francisco, Cal.	1933

MEMBER FEDERAL ADVISORY COUNCIL

Henry M. Robinson

COUNSEL

A. C. Agnew

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6808-a

DISTRICT NO. 2

BUFFALO BRANCH of the FEDERAL RESERVE BANK OF NEW YORK

OFFICERS AND DIRECTORS, 1931

OFFICERS

Robt. M. O'Hara, Managing Director
R. B. Wiltse, Assistant Manager

H. W. Snow, Jr., Cashier
C. L. Blakeslee, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Robt. M. O'Hara	Buffalo, New York	1931
Geo. G. Kleindinst # Chrm.	Pres., Liberty Bank, Buffalo, New York	1931
John T. Symes	Pres., Niagara Co.Nat.Bk.& Tr.Co.,Lockport,N.Y.	1931
F. B. Cooley #	Pres., New York Car Wheel Co., Buffalo, N.Y.	1932
Lewis G. Harriman	Pres., M. & T. Trust Company, Buffalo, N. Y.	1932
Edward G. Miner #	Pres., Pfaudler Company, Rochester, New York	1933
Geo. F. Rand	Pres., Marine Trust Company, Buffalo, New York	1933

#Appointed by the Board.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 4 X-6808-a

CINCINNATI BRANCH of the FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1931

OFFICERS

C. F. McCombs, Managing Director
B. J. Lazar, Cashier

Bruce Kennelly, Assistant Cashier
H. N. Ott, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
C. F. McCombs	Cincinnati, Ohio	1931
Fred A. Geier # Chrm.	Pres., Cincinnati Milling Machine Co., Cincinnati, O.	1931
E. S. Lee	Pres., First Nat. Bank & Trust Co., Covington, Ky.	1931
John Omwake #	Pres., U. S. Playing Card Co., Cincinnati, Ohio	1932
T. J. Davis	Chrm., First National Bank, Cincinnati, Ohio	1932
Geo. M. Verity #	Pres., American Rolling Mill Co., Middletown, O.	1933
B. H. Kroger	Chrm., Provident Savings & Trust Co., Cincinnati, O.	1933

PITTSBURGH BRANCH of the FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1931

OFFICERS

J. C. Nevin, Managing Director
T. C. Griggs, Cashier

P. A. Brown, Assistant Cashier
F. E. Cobun, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
J. C. Nevin	Pittsburgh, Pennsylvania	1931
James Rae # Chrm.	Sec.-Treas., Arbuthnot Stephenson Co., Pittsburgh, Pa.	1931
A. E. Braun	Pres., Farmers Deposit Nat. Bank, Pittsburgh, Pa.	1931
A. L. Humphrey #	Pres., Westinghouse Air Brake Co., Pittsburgh, Pa.	1932
Jos. R. Eisaman	Dir., Atlantic Crushed Coke Co., Greensburg, Pa.	1932
J. S. Jones #	Sec-Treas., Stone & Thomas, Wheeling, W. Va.	1933
R. B. Mellon	Pres., Mellon National Bank, Pittsburgh, Pa.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 5 X-6808-a

BALTIMORE BRANCH of the FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1931

OFFICERS

A. H. Dudley, Managing Director
J. R. Cupit, Cashier
J. A. Johnston, Assistant Cashier
F. W. Wrightson, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
A. H. Dudley	Baltimore, Maryland	1931
Wm. H. Matthai # Chrm.	Pres., Beaver Dam Marble Company, Baltimore, Md.	1931
Levi Phillips	Pres., National Bank of Cambridge, Cambridge, Md.	1931
E. P. Cohill #	Pres., Tonoloway Orchard Company, Hancock, Md.	1932
L. S. Zimmerman	V. P., Maryland Trust Company, Baltimore, Md.	1932
Norman James #	James Lumber Company, Baltimore, Md.	1933
H. B. Wilcox	V. P., Merchants National Bank, Baltimore, Md.	1933

CHARLOTTE BRANCH of the FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
Hugh Leach	Charlotte, North Carolina	1931
John L. Moorhead # Chrm.	Manufacturer, Charlotte, North Carolina	1931
W. H. Wood	Pres., American Trust Company, Charlotte, N. C.	1931
Chas. A. Cannon #	Pres., Cannon Manufacturing Co., Kannapolis, N. C.	1932
C. L. Cobb	Cashier, Peoples National Bank, Rockhill, S. C.	1932
John A. Law #	Manufacturer - Banker, Spartansburg, S. C.	1933
Robert Gage	V. P. & Cashier, Commercial Bank, Chester, S. C.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 6 X-6808-a

NEW ORLEANS BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

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

DIRECTORS

		Term Expires Dec. 31
Marcus Walker	New Orleans, Louisiana	1931
P. H. Saunders #	V. P., Newman, Saunders & Co.,Inc.,New Orleans, La.	1931
R. S. Hecht	Pres., Hibernia Bank & Trust Co., New Orleans, La.	1931
L. C. Simon # Chrm.	V. P., Kohn, Weil & Simon, Inc., New Orleans, La.	1932
F. W. Foote	Pres., First National Bank, Hattiesburg, Miss.	1932
Albert P. Bush #	V. P., T. G. Bush Grocery Co., Mobile, Alabama	1933
J. D. O'Keefe	Pres., Whitney National Bank, New Orleans, La.	1933

BIRMINGHAM BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1931

OFFICERS

A. E. Walker, Managing Director

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

DIRECTORS

		Term Expires Dec. 31
A. E. Walker	Birmingham, Alabama	1931
W. H. Kettig # Chrm.	Southern Representative, Crane Co., Birmingham, Ala.	1931
John H. Frye	Pres., Central Investment Company, Birmingham, Ala.	1931
Oscar Wells #	Pres., First National Bank, Birmingham, Alabama	1932
W. W. Crawford	Chrm. American Traders National Bank, Birmingham, Ala.	1932
E. F. Allison #	Pres., Allison Lumber Company, Bellamy, Alabama	1933
W. E. Henley	Pres., Birmingham Trust & Savings Co.,Birmingham, Ala.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

JACKSONVILLE BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1931

OFFICERS

Hugh Foster, Managing Director

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

DIRECTORS

		Term Expires Dec. 31
Hugh Foster,	Jacksonville, Florida	1931
J. C. Cooper # Chrm.	Attorney at Law, Jacksonville, Florida	1931
G. G. Ware,	Pres., First National Bank, Leesburg, Florida	1931
Fulton Saussy #	Saussy and Common, Jacksonville, Florida	1932
Edw. W. Lane	Chrm., Atlantic National Bank, Jacksonville, Florida	1932
S. O. Chase #	Chase and Company, Sanford, Florida	1933
A. F. Perry	Pres., Florida National Bank, Jacksonville, Florida	1933

NASHVILLE BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1931

OFFICERS

Joel B. Fort, Jr., Managing Director

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

DIRECTORS

		Term Expires Dec. 31
Joel B. Fort, Jr.,	Nashville, Tennessee	1931
J. B. Hill # Chrm.	Pres., Nashville, Chattanooga & St.Louis R.R., Nashville	1931
Frank J. Harle	Cashier, Cleveland National Bank, Cleveland, Tenn.	1931
P. M. Davis #	V. P., American National Bank, Nashville, Tennessee	1932
C. W. Bailey	Pres., First National Bank, Clarksville, Tennessee	1932
Wm. P. Ridley #	Farmer, Columbia, Tennessee	1933
C. A. Craig	Pres., National Life & Accident Ins.Co., Nashville, Tenn.	1933

SAVANNAH AGENCY of the FEDERAL RESERVE BANK OF ATLANTA

J. H. Bowden, Manager

James A. Goethe, Assistant Manager

HAVANA AGENCY of the FEDERAL RESERVE BANK OF ATLANTA

H. C. Frazer, Manager

A. H. Alston, Assistant Manager

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 7 X-6808-a

DETROIT BRANCH of the FEDERAL RESERVE BANK OF CHICAGO

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

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

Isadore Levin, Assistant Counsel

DIRECTORS

		Term Expires Dec. 31
W. R. Cation	Detroit, Michigan	1931
James Inglis # Chrm.	Pres., American Blower Company, Detroit, Michigan	1931
Wm. J. Gray	V.Chrm., First National Bank, Detroit, Michigan	1931
N. P. Hull #	Pres., Grange Life Insurance Co., Lansing, Michigan	1932
Julius H. Haass	Pres., Peoples-Wayne County Bank, Detroit, Michigan	1932
David McMorran #	Pres., Heinr. Franck Sons, Inc., Bay City, Michigan	1933
George B. Morley	Pres., Second National Bank, Saginaw, Michigan	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 8 X-6808-a

LOUISVILLE BRANCH of the FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
W. P. Kincheloe	Louisville, Kentucky	1931
E. L. Swearingen # Chrm.	Pres., First Nat'l. Bank, Louisville, Ky.	1931
John T. Reynolds	Pres., First National Bank, Greenville, Ky.	1931
W. R. Cole #	Pres., Louisville-Nashville R.R., Louisville, Ky.	1932
Eugene E. Hoge	Pres., State National Bank, Frankfort, Ky.	1932
E. H. Woods #	Planter, Lucas, Kentucky	1933
W. F. Huthsteiner	Pres., Tell City Nat'l. Bank, Tell City, Indiana	1933

MEMPHIS BRANCH of the FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
W. H. Glasgow	Memphis, Tennessee	1931
S. E. Ragland # Chrm.	Pres., First National Bank, Memphis, Tennessee	1931
J. W. Alderson	V. P., Bank of East Arkansas, Forrest City, Ark.	1931
Wm. Orgill #	Pres., Orgill Brothers & Co., Memphis, Tenn.	1932
J. M. Tarrant	Pres., First - Citizens Nat'l. Bank, Dyersburg, Tenn.	1932
E. L. Anderson #	Pres., King & Anderson, Clarksdale, Mississippi	1933
R. B. Snowden	V. P., Bank of Commerce & Trust Co., Memphis, Tenn.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 8 X-6808-a

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

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
A. F. Bailey	Little Rock, Arkansas	1931
Moorhead Wright # Chrm.	Chrm., Union Trust Co., Little Rock, Arkansas	1931
Jo Nichol	Pres., Simmons National Bank, Pine Bluff, Ark.	1931
G. H. Campbell #	Insurance, Little Rock, Arkansas	1932
Stuart Wilson	Pres., State National Bank, Texarkana, Ark.	1932
Hamp Williams #	Pres., Hamp Williams Hardware Co., Hot Springs, Ark.	1933
W. A. Hicks	Pres., Peoples Trust Co., Little Rock, Arkansas	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 9 X-6808-a

HELENA BRANCH of the FEDERAL RESERVE BANK OF MINNEAPOLIS

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

T. B. Weir, Counsel

DIRECTORS

		Term Expires Dec. 31
R. E. Towle	Helena, Montana	1931
Henry Sieben # Chrm.	Pres., Sieben Livestock Co., Helena, Mont.	1931
T. A. Marlow	Pres., National Bank of Montana, Helena, Mont.	1931
W. R. Strain #	Pres., Strain Brothers, Inc., Great Falls, Mont.	1932
S. McKennan	Pres., Union Bank & Trust Co., Helena, Mont.	1932

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 10 X-6808-a

DENVER BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
J. E. Olson	Denver, Colorado	1931
Murdo MacKenzie # Chrm.	The Matador Land & Cattle Co.,Ltd.,Denver,Colo.	1931
Harry W. Farr	Livestock & Farming, Greeley, Colorado	1931
R. H. Davis #	Wholesale Drug Business, Denver, Colorado	1932
Henry Swan	V.P., U. S. National Bank, Denver, Colorado	1932
Merrit W. Gano #	The Gano-Downs Company, Denver, Colorado	1933
Harold Kountze	Chrm., Colorado National Bank, Denver, Colo.	1933

OMAHA BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
L. H. Earhart	Omaha, Nebraska	1931
Wm. Diesing # Chrm.	Cudahy Packing Company, Omaha, Nebraska	1931
A. H. Marble	Pres., Stock Growers Nat'l. Bank, Cheyenne,Wyoming	1931
William E. Hardy #	Hardy Furniture Company, Lincoln, Nebraska	1932
T. L. Davis	V. P., First National Bank, Omaha, Nebr.	1932
D. M. Hildebrand #	Farmer and Stockman, Seward, Nebraska	1933
R. O. Marnell	Cashier, Merchants Nat'l. Bank, Nebraska City, Nebr.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 10

OKLAHOMA CITY BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
C. E. Daniel	Oklahoma City, Oklahoma	1931
W. F. Nichols # Chrm.	Merchandising and Livestock, Tulsa, Oklahoma	1931
Ned Holman	Chrm.&Director,Liberty Nat'l. Bank,Oklahoma City,Okla.	1931
Austin Miller #	Pres., Oklahoma Furniture Mfg.Co.,Oklahoma City,Okla.	1932
H. H. Ogden	Pres., First Nat'l.Bank & Trust Co.,Muskogee, Okla.	1932
J. B. Doolin #	Pres., Schaefer-Doolin Mortgage Co., Alva, Okla.	1933
William Mee	Chrm., Ex.Com.,Am. First Nat'l.Bank,Oklahoma City,Okla.	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 11 X-6808-a

EL PASO BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1931

OFFICERS

J. L. Hermann, Managing Director — Allen Sayles, Cashier

DIRECTORS

		Term Expires Dec. 31
J. L. Hermann	El Paso, Texas	1931
C. M. Newman # Chrm.	Pres., Newman Investment Co., El Paso, Texas	1931
E. M. Hurd	Pres., H. Lesinsky Company, El Paso, Texas	1931
A. P. Coles #	Investments, El Paso, Texas	1932
A. F. Jones	Cashier, First Nat'l. Bank, Portales, New Mexico	1932
S. P. Applewhite #	Investments, Douglas, Arizona	1933
Geo. D. Flory	V. P., State National Bank, El Paso, Texas	1933

HOUSTON BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1931

OFFICERS

W. D. Gentry, Managing Director — H. R. DeMoss, Assistant Cashier
C. B. Mendel, Cashier

DIRECTORS

		Term Expires Dec. 31
W. D. Gentry	Houston, Texas	1931
R. M. Farrar # Chrm.	Pres., Farrar Lumber Co., Houston, Texas	1931
Guy M. Bryan	Pres., Second National Bank, Houston, Texas	1931
J. Cooke Wilson #	Pres., The Wilson-Broach Oil Co., Beaumont, Texas	1932
N. E. Meador	Pres., National Bank of Commerce, Houston, Texas	1932
E. A. Peden #	Pres., Peden Iron & Steel Co., Houston, Texas	1933
A. A. Horne	V. P., City National Bank, Galveston, Texas	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6808-a

DISTRICT NO. 11

SAN ANTONIO BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1931

OFFICERS

M. Crump, Managing Director
W. E. Eagle, Cashier
T. E. Parks, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
M. Crump	San Antonio, Texas	1931
Reagan Houston # Chrm.	Pres., A. B. Frank Co., San Antonio, Texas	1931
Walter P. Napier	Pres., Alamo Nat'l. Bank, San Antonio, Texas	1931
Frank G. Crow #	V. P., State Bank & Trust Co., McAllen, Texas	1932
Franz C. Groos	Pres., Groos Nat'l. Bank, San Antonio, Texas	1932
John M. Bennett #	Pres., Standard Trust Co.,San Antonio, Texas	1933
R. T. Hunnicutt	V. P., First Nat'l Bank, Del Rio, Texas	1933

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 12 X-6808-a

LOS ANGELES BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1931

OFFICERS

W. N. Ambrose, Managing Director
M. McRitchie, Assistant Manager

A. J. Dumm, Assistant Cashier
L. C. Meyer, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. N. Ambrose	Los Angeles, California	1931
C. B. Voorhis # Chrm.	Pasadena, California	1931
F. J. Belcher, Jr.	Chrm., First Nat'l. Tr.& Sav.Bk., San Diego, Cal.	1931
J. B. Alexander #	V. P., Globe Grain & Milling Co., Los Angeles, Cal.	1932
A. J. Cruickshank	Pres., First National Bank, Santa Ana, Cal.	1932

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

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

W. M. Smoot, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. L. Partner	Salt Lake City, Utah	1931
Lafayette Hanchett # Chrm.	Chrm., Utah Power & Light Co., Salt Lake City, Utah	1931
H. E. Hemingway	Pres., Commercial Security Bank, Ogden, Utah	1931
G. G. Wright #	V. P., Consol.Wagon & Machine Co., Salt Lake City, Utah	1932
E. O. Howard	Pres., Walker Brothers, Bankers, Salt Lake City, Utah	1932

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 12 X-6808-a

PORTLAND BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
R. B. West	Portland, Oregon	1931
Nathan Strauss # Chrm.	Fleischner, Mayer & Co., Portland, Oregon	1931
J. C. Ainsworth	Pres., U. S. National Bank, Portland, Oregon	1931
Edward C. Pease #	Pres., Edw. C. Pease Co.,Inc., The Dalles,Oregon	1932
John F. Daly	Pres.,Hibernia Com.& Savgs.Bk.,Portland,Oregon	1932

- -

SPOKANE BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1931

OFFICERS

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

DIRECTORS

		Term Expires Dec. 31
D. L. Davis	Spokane, Washington	1931
G. I. Toevs # Chrm.	V. P., Centennial Mill Co., Spokane, Washington	1931
D. W. Twohy	Chrm., Old Nat'l. Bank & Union Tr.Co.,Spokane,	1931
Peter McGregor #	McGregor Land & Livestock Co., Hooper, Washington	1932
R. M. Hardy	Pres., Yakima First Nat'l. Bank, Yakima, Washington	1932

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DISTRICT NO. 12

SEATTLE BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1931

OFFICERS

C. R. Shaw, Managing Director
B. A. Russell, Assistant Manager

G. W. Relf, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
C. R. Shaw	Seattle, Washington	1931
Chas. H. Clarke # Chrm.	General Casualty Co. of America, Seattle, Wash.	1931
M. A. Arnold	Pres., First Seattle Dexter Horton National Bank, Seattle, Washington	1931
Henry A. Rhodes #	Pres., Rhodes Brothers Investment Company, Tacoma, Washington	1932
M. F. Backus	Pres., National Bank of Commerce, Seattle, Wash.	1932

Appointed by the Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6809

February 2, 1931.

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:

"NOXAIDER" Series dated February 3, 1931 and maturing May 4, 1931.

"NOXAIMING" Series dated February 4, 1931 and maturing May 5, 1931.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXAGO" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DIGEST OF STATE LAWS RELATING TO PRIVATE BANKS OR BANKERS.

The following is a digest of the laws of the several States having reference to the organization and operation of private banks or bankers, which was prepared in the office of the General Counsel to the Federal Reserve Board with the assistance of the Counsel for the various Federal reserve banks.

Only the provisions of State laws pertaining to the organization and operation of private banks or bankers and the nature and scope of the supervision of them exercised by the State banking authorities have been covered in the digest; and no attempt has been made to digest in detail any provisions pertaining to liquidation. The laws of some States require private banks or bankers to conduct their business in accordance with the provisions covering incorporated banks. In such cases, this general requirement has been digested, but no attempt has been made to digest the provisions covering incorporated banks.

In preparing this digest, it has been assumed that the terms "private bank" and "private banker" are generally understood to embrace all persons, firms, partnerships, associations or other organizations engaged in one or more of the generally recognized phases of the banking business without being incorporated. Where, however, the term "private bank" or "private banker" is defined in the State laws, such definition is summarized in the digest.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ALABAMA.

Private banks subject to same general provisions as incorporated banks and to certain additional specific provisions.

The laws of this State create a banking department which is "charged with the execution of all laws relating to *** individuals doing or carrying on a banking business in the State of Alabama." The laws also provide that "The word 'bank' as herein used means any person, firm, partnership or corporation doing or carrying on a banking business, * * *, unless used in such connection and so as to express a different meaning", indicating that so-called private bankers are subject to the same general provisions as are made applicable to incorporated banks. (Civil Code, Sec. 6275; Banking Laws, 1928, sec. 6275, p. 3). In addition, the laws also contain provisions specifically covering the organization, operation and liquidation of private bankers, and these provisions are set forth below.

Organization; notice of intention to commence business; publication of.

"No individual or individuals or partnership shall commence the carrying on of the banking business without first giving notice of intention to organize and carry on such business by publication at least once a week for four successive weeks in a newspaper to be designated by the superintendent of banks published in the city or town or county where such bank is proposed to be located. Such notice shall specify the name or names of the individual or individuals proposed to be interested in such bank, what interest each will have, the amount of the capital proposed to be used in the proposed banking business, the name under which and the place where the business will be carried on, and the bona fide cash value of the assets and property of each individual to be interested in the bank, over and above all indebtedness. Copy of such published notice * * * shall be made and filed with the superintendent of banks." (Civil Code, sec. 6349; Banking Laws, 1928, sec. 6349, p. 24.)

Investigation by superintendent of banks.

"The superintendent of banks shall investigate and ascertain whether the character and general fitness of the individuals named are such as to command the confidence of the community in which said bank is proposed to be located, and that there is public necessity for said bank, and sufficient business to support the same in said community, the same as is required preliminary to the incorporation of a bank under the provisions of this article." If, after such investigation, the superintendent is of the opinion that the facts do not warrant the establishment of such bank, "he shall issue under his hand and official seal, in duplicate, a refusal to permit the individuals proposed to be interested in the proposed bank from operating the bank, and shall **** transmit to the probate judge of the county in which the bank is proposed

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to be located and do business, one of the duplicates of his refusal, which the probate judge shall file and record in his office, and the other duplicate of his refusal the superintendent shall file in his office." (Civil Code, sec. 6350; Banking Laws, 1928, sec. 6350, p. 24.)

Application for permit to commence business.

"Before any *** individual banker shall transact any business as a bank, such *** individual shall file with the superintendent request for a permit to commence business." (Civil Code, sec. 6351; Banking Laws, 1928, sec. 6351, p. 24.)

Written approval of superintendent of banks required.

"No *** individual or individuals shall transact any business as a bank in this State other than such as relates to the formation of such bank without the written approval of the superintendent of banks and without his written certificate stating that such *** individual banker has complied with all the requirements of law and is authorized to transact business within this State as a bank and that such business can be safely entrusted to it, which certificate shall be recorded in the office of the superintendent in a book to be kept by him for that purpose, and a certified copy thereof under the hand and official seal of the superintendent shall be filed and recorded in the office of the probate judge of the county wherein the *** individual is to have its, his or their principal place of business, at the expense of the bank". (Civil Code, sec. 6352; Banking Laws, 1928, sec. 6352, p. 25.)

Examination by superintendent as to payment of capital.

"The superintendent shall, before issuing his permit to any *** individual banker to commence business, examine or cause an examination to be made in order to ascertain whether the requisite capital of such bank has been paid in in cash. The superintendent shall not authorize such *** individual banker to commence business unless it appears to his satisfaction from such examination, or other evidence satisfactory to him, that the requisite capital has, in good faith, been subscribed, and paid in cash." (Civil Code, sec. 6353; Banking Laws, 1928, sec. 6353, p. 25.)

Transacting business without permit; penalty.

"Any person who shall hereafter transact any business as an officer or agent *** of an individual banker hereafter commencing business, before such *** individual banker is authorized to transact business as a bank by the permit of the superintendent of banks, shall be guilty of a misdemeanor and, upon conviction, shall be fined not less than one hundred nor more than one thousand dollars." (Criminal Code, sec. 3400; Banking Laws, 1928, sec. 3400, p. 63.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Individual may appeal from decision of superintendent refusing permit.

An individual may appeal to the State Banking Board and a court of competent jurisdiction from a decision refusing him the right to establish an individual bank. (Civil Code, sec. 6356; Banking Laws, 1928, sec. 6356, p. 26.)

Annual assessments for expenses of banking department.

Each private banker on the call of the superintendent of banks, is required to pay a certain amount into the treasury of the State, between the first day of January and the first day of April of each year, or at such other time as the superintendent may designate, to be used as an aid in defraying the expenses of the banking department. (Civil Code, sec. 6287; Banking Laws, 1928, sec. 6287, p. 6). Each bank failing to pay this assessment "shall forfeit to the State five ($5.00) dollars for each day after it is (in) default, ***". (Civil Code, sec. 6288; Banking Laws, 1928, sec. 6288, p. 7).

Examinations; number and nature of.

"The superintendent of banks shall either personally, or by competent examiner appointed by him, visit and examine *** every individual banker doing a banking business, in and under the laws of the State of Alabama, at least twice in each year. On every such examination, inquiry shall be made as to the condition and resources of the corporation (or the individual or individuals in case of individual bankers), the mode of conducting and managing the affairs of the bank, ***, the investment of the funds of the bank, the safety and prudence of the management of the bank, and whether the requirements of its charter and of law have been complied with in the administration of the affairs of the bank, and as to such other matters as the superintendent of banks may prescribe. In addition, the superintendent of banks shall in like manner examine or cause to be examined into the affairs of every *** individual banker doing a banking business whenever in the judgment of the superintendent the management and condition of the bank is such as to render an examination of its affairs necessary or expedient, or whenever in the opinion of the superintendent the interest of the public demands an examination." (Civil Code, sec. 6289; Banking Laws, 1928, sec. 6289, pp. 7 and 8).

Reserve requirements.

"No bank, firm, person or corporation doing a banking business shall reduce, or be allowed to reduce the cash of the bank on hand below fifteen per cent of demand deposits, provided that three-fifths of said fifteen per cent reserve may consist of the balance due by banks and bankers to said bank when payable on demand." (Civil Code, sec. 6337; Banking Laws, 1928, sec. 6337, p. 19).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Failure of private banker to pay over money on demand.

Any private banker who sells or disposes of property for another, and refuses for three days after demand made by the person entitled to make such demand or his agent or attorney, to pay the amount to which such person is entitled, must on conviction, be fined not more than one thousand dollars, and may also be imprisoned in the county jail, or sentenced to hard labor for the county for not more than six months. (Code of Alabama, 1923, sec. 3976.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Impairment of capital; power and duty of superintendent.

"Whenever the superintendent of banks shall have reason to believe that the *** capital of any individual banker is reduced by impairment or otherwise below the amount of its paid-up capital stock, he shall require such *** individual banker to make good the deficit within thirty days after the date of the requirement by him, which requirement shall be in writing. The superintendent may examine or cause to be examined into the affairs of any such bank to ascertain the amount of such impairment or reduction of capital and whether the deficiency has been made good as required by him". (Civil Code, sec. 6297; Banking Laws, 1928, sec. 6297, p. 9).

Superintendent must request correction of unsafe practices.

"The superintendent of banks shall submit to the *** governing body of any individual banker, and request a correction of any matter in the conduct of the affairs of the bank which, in his opinion, is unsafe." (Civil Code, sec. 6298; Banking Laws, 1928, sec. 6298, p. 9).

Unsafe or unsound condition or other matters of default or misconduct; superintendent may take possession.

"Whenever it shall appear to the superintendent of banks that any *** individual banker has violated its charter or any law of the State, or is conducting business in any unauthorized manner, or if the capital of *** any individual banker is impaired and not made good under the requirement of the superintendent within the required time, or if any such *** individual banker shall refuse to submit its papers, books and concerns to the inspection of the superintendent or any examiner, or if any officer thereof shall refuse to be examined on oath touching the conduct of any such *** individual banker or if any such *** individual banker shall suspend payment of its obligations or if from any examination the superintendent shall have reason to conclude that such *** individual banker is in an unsound or unsafe condition to transact the business for which it was organized, or that it is unsafe for it to continue business, or if any such *** individual banker shall neglect or refuse to observe any order of the superintendent directing or requiring the doing of any particular thing required to be done by law, the superintendent may call a meeting of the banking board and submit to said board matters of default or misconduct in the affairs of the banks of which the bank shall have notice and upon which the bank may be heard in person or by counsel, and if said board or a majority of said board, so directs, the superintendent shall forthwith take possession of the property and business of such *** individual banker and retain such possession until such *** individual banker shall resume business or its affairs be finally liquidated, as herein provided". (Civil Code, sec. 6299; Banking Laws, 1928, sec. 6299, pp. 9 and 10).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Superintendent not to take charge of individual banker unless directed to do so by banking board.

"The superintendent of banks shall not take possession of the property and business of any bank under the provisions of this article unless *** directed so to do by the banking board. On taking possession of the property and business of any such *** individual banker, the superintendent shall give notice of such fact to all banks and other parties or corporations holding or in possession of any assets of such *** individual banker." (Civil Code, sec. 6303; Banking Laws, 1928, sec. 6303, p. 11).

When business may be resumed.

"After the superintendent has taken possession of *** (the) business of an individual banker, the superintendent may permit such *** individual banker to resume business upon such condition as may be approved by him including an observance of all the requirements of law, and making good all deficits in the previous observances of law." (Civil Code, sec. 6305; Banking Laws, 1928, sec. 6305, p. 11).

Liquidation of affairs by superintendent.

"Upon taking possession of any of the property and business of any *** individual banker, the superintendent may collect moneys due to such *** individual banker and do such other acts as are necessary to conserve its assets and business, and shall proceed to liquidate the affairs thereof as hereinafter provided. The superintendent shall collect all debts due and claims belonging to the bank." (Civil Code, sec. 6306; Banking Laws, 1928, sec. 6306, p. 11). The laws also contain detailed provisions relating to the powers and duties of, and the procedure to be followed by, the superintendent of banks in the actual liquidation of the affairs of an individual banker. (Civil Code, sec. 6304, 6307-6319 and 6325; Banking Laws, 1928, secs. 6304, 6307-6319 and 6325, pp. 11-14 and 16).

ARIZONA.

Private or partnership banks expressly prohibited.

The laws of this State provide that "The establishing or maintenance of private or partnership banks is hereby expressly prohibited; PROVIDED, that all such banks now in operation shall retire from business or incorporate under the provisions of this Chapter within a period of five years from and after the approval of this Chapter". (Banking Laws, 1922, sec. 30, p. 24; Senate Bill No. 26, First Special Session of the Fifth Legislature of Arizona, sec. 30).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ARKANSAS.

Private banks permitted, but subject to same provisions as incorporated banks.

The laws of this State, in defining the word "bank", recognize a private banking business but indicate that such business is subject generally to the same provisions as those which cover incorporated banks. This definition reads in part as follows:

"Wherever the word 'bank' appears in this (bank) act, it shall be deemed to apply alike to any incorporated bank, trust company, or savings bank, *** and also to any partnership or individual transacting a banking business." (Acts of 1913, Act 113, sec. 10, as amended by Acts of 1923, Act 627, sec. 17; Banking Law Pamphlet, 1929, sec. 20, p. 14).

The following provisions are specifically made applicable to private banks.

Organization; application to bank commissioner.

The laws provide that persons desiring to organize a corporation for the purpose of transacting a banking or trust business "may apply to the (bank) Commissioner to be incorporated and shall submit their proposed articles of agreement" which shall set out certain information. (Acts of 1913, Act 113, sec. 11; C. & M. Digest, sec. 675; Banking Law Pamphlet, 1929, sec. 12, p. 8). If an application to engage in the business of banking is made by a private bank, "it shall be in such form as the Commissioner shall prescribe, and he shall make the same inquiry as is required in cases of incorporation before issuing to such firm or individual his permit of any kind of a bank." (Acts of 1913, Act 113, sec. 14; C & M. Dig., sec. 678; Banking Law Pamphlet, 1929, sec. 15, p. 11).

With reference to the "same inquiry" which the bank commissioner institutes in the case of an incorporated bank, the laws provide that "the Commissioner shall ascertain, from the best source of information at his command, the character and general fitness of the persons named as stockholders (owners), and their standing in the community in which the proposed institution is to be located, and whether the requisite capital has been in good faith subscribed and paid." (Acts of 1913, Act 113, sec. 12; C. & M. Dig., sec. 676; Banking Law Pamphlet, 1929, sec. 13, p. 9).

Fee required for organization, increase of capital and amendment of charter.

"No corporation, firm or individual shall be allowed to do a banking business of any kind unless it, they, he, or she, shall pay to the Bank Commissioner a fee of one-fifth of one per cent on the authorized capital stock. Fees at the same rate shall be charged for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

an increase of capital stock." For each amendment or supplement to the charter, except for an increase of capital stock, a fee of ten dollars shall be charged. (Acts of 1913, Act 113, sec. 16; C. & M. Dig., sec. 680; Banking Law Pamphlet, 1929, sec. 17, p. 11).

Title must show that institution is not incorporated.

Any individual or firm doing business as a private bank shall designate a name for such bank, which shall show that it is not incorporated. (Acts of 1913, Act 113, sec. 15; C. & M. Dig., sec. 679; Banking Law Pamphlet, 1929, sec. 16, p. 11).

Property must be held in name of bank.

All real and personal property owned by a private bank must be held in its name and not in the name of the owner or owners of the bank. (Acts of 1913, Act 113, sec. 15; C. & M. Dig., sec. 679; Banking Law Pamphlet, 1929, sec. 16, p. 11).

When creditor of owner may attach bank's assets.

All of the assets of a private bank are exempt from attachment or execution by any creditor of an owner until all of the liabilities of the bank have been paid in full. (Acts of 1913, Act 113, sec. 15; C. & M. Dig., sec. 679; Banking Law Pamphlet, 1929, sec. 16, p. 11).

Owner may not use bank's funds for private business; note of owner as asset.

"No private banker shall use any of the funds of his bank for private business, and the note of the owner or owners of any private bank shall not be considered or accepted as a part of its assets." (Acts of 1913, Act 113, sec. 15; C. & M. Dig., sec. 679; Banking Law Pamphlet, 1929, sec. 16, p. 11).

When owner's widow can be endowed of bank's property.

"In case of the death of an individual banker, his widow shall not be endowed of any of the property of the bank, except such as remains after the payment of all depositors and other creditors." (Acts of 1913, Act 113, sec. 15; C. & M. Dig., sec. 679; Banking Law Pamphlet, 1929, sec. 16, p. 11).

Acceptances and letters of credit; limit of liability.

"Any *** private bank, *** may accept for payment at a future date drafts drawn upon it by its customers and to issue letters of credit authorizing the holders thereof to draw drafts upon it or upon its correspondents at sight or on time not exceeding six months; provided, that no bank shall incur liabilities under this subdivision to an amount equal at any time in the aggregate to more than its paid-up and unimpaired capital stock and certified surplus fund." (Act of March 22, 1919, p. 251, sec. 4; C. & M. Dig., sec. 741; Banking Law Pamphlet, 1929, sec. 30, p. 21).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CALIFORNIA.

Banking business may only be transacted by corporations.

The laws of this State provide that the business of banking may only be transacted by corporations duly organized for that purpose. The provisions in this connection read as follows:

"The word 'bank' as used in this act shall be construed to mean any incorporated banking institution which shall have been incorporated to conduct the business of receiving money on deposit, ***. *** It shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking business within this state except by means of a corporation duly organized for such purpose. ***" (California Bank Act, 1929, sec. 2, p. 3).

COLORADO.

Private banking business permitted, but made subject to same provisions as incorporated banks.

The laws of this State provide that where the business of banking is engaged in by persons or copartnerships such business is subject to the same requirements as are made applicable to incorporated banks. The laws in this connection read as follows:

"The word 'Bank,' as used in this Act, shall include every person, co-partnership and corporation, except National Banks, engaged in the business of banking in the State of Colorado". (Laws of 1913, sec. 1, p. 116; Compiled Laws of 1921, sec. 2653; Banking Laws, 1928, sec. 1 p. 3).

"When by the provisions hereof anything is required to be done by any incorporated bank or its board of directors, or any officer, director or employee thereof, or their right or power to do a specified act is denied, the same act shall be done, or not, as the case may be, by individuals or co-partners engaged in the banking business." (Laws of 1913, sec. 2, p. 116; Compiled Laws of 1921, sec. 2654; Banking Laws, 1928, sec. 2, p. 3).

In addition to the provisions applicable to incorporated banks, persons or co-partnerships are subject to the following specific provisions:

Word "State" may not be used as part of title.

"Individuals or co-partnerships engaged in banking shall not use the word 'State' as a part of the bank or firm name." (Laws of 1913, sec. 9, p. 118; Compiled Laws of 1921, sec. 2661; Banking Laws, 1928, sec. 9, p. 7).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Ownership of capital stock by copartners.

"Co-partners conducting a bank shall each own at least two per cent thereof (capital stock) in no wise pledged or incumbered." (Laws of 1919, sec. 1, p. 299, amending Laws of 1913, sec. 12, p. 119; Compiled Laws of 1921, sec. 2664; Banking Laws, 1928, sec. 12, p. 9).

Oath required of owner of unincorporated bank.

"Every owner of any portion of an unincorporated bank actually engaged in the management thereof, shall take and subscribe to an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the bank; that he will not knowingly violate, nor willingly permit to be violated, any provision of the law; that he is the owner in good faith of at least that part of the capital stock of said bank or that portion of the capital employed therein" specified by the provision last above quoted. (Laws of 1913, sec. 14, p. 119; Compiled Laws of 1921, sec. 2666; Banking Laws, 1928, sec. 14, p. 9).

Loans to co-owners prohibited.

"No unincorporated bank shall loan to any person or co-partner owning an interest therein. No individual or co-partner owning an interest in an unincorporated bank shall become endorser for any person, firm or corporation borrowing money therefrom, nor shall any note or obligation of such individual or co-partner be considered an asset of such bank." (Laws of 1913, sec. 33, p. 124; Compiled Laws of 1921, sec. 2687; Banking Laws, 1928, sec. 37, p. 21).

CONNECTICUT.

Private banking business prohibited; exceptions.

The laws of this state provide that "No person, firm, corporation or unincorporated association of persons, other than a private banker who, on May 29, 1925, was engaged in business as a private banker, and, prior thereto, qualified as such by the filing of the bond or securities required by the general statutes, or a person, firm, corporation, or unincorporated association of persons succeeding in ownership to the business of a private banker qualified as above provided, and who shall, upon succeeding to such business, comply with the provisions of law relating to private bankers, shall engage in the business of a private banker, provided nothing herein contained shall prevent any firm, partnership or unincorporated association of persons carrying on the business of a private banker from changing or increasing the membership of such firm, partnership or unincorporated association of persons or from reorganizing into a new firm, partnership or unincorporated association of persons". (General Statutes of Connecticut, Revision of 1930, sec. 3958).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"No private banker shall use, as a part of his name or as a prefix or suffix thereto or as a designation of the business carried on by him, the word 'banker', 'bank', 'banking', 'trust' or 'savings' but he may do so if he qualifies it by the word 'private'". (General Statutes of Connecticut, Revision of 1930, sec. 3950).

Definition of term "private banker".

"The term 'private banker' shall mean any person, corporation, firm, partnership or unincorporated association of persons, engaged in whole or in part in the business of receiving deposits subject to check or for repayment upon the presentation of a passbook, certificate of deposit or other evidence of debt, or for repayment upon request of the depositor, or engaged in the business of receiving money for transmission, other than a bank, trust company or building and loan association organized under the laws of this State or of the United States or express companies having a contract or contracts with a railway or railways covering express transportation." (General Statutes of Connecticut, Revision of 1930, sec. 3949).

Bond must be filed with State Treasurer; purpose of.

Every private banker must deposit with the treasurer of the State a bond executed by the private banker and by a surety company or the owner or owners of real estate within the State, approved by the bank commissioner. This bond shall be conditioned upon the repayment of any money which may be deposited with the private banker and upon the faithful transmission of any money which may be delivered to such banker for transmission to another, "and upon the payment, in the event of the insolvency or bankruptcy of such private banker, of the full amount recoverable under the conditions of such bond to the assignee, receiver or trustee of such private banker for the benefit (1) of the persons making such deposits or delivering money to such private banker for transmission to another and (2) the satisfaction of the general debts and obligations of such private banker". (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Amount of bond dependent upon population.

"The amount of the bond required of each private banker engaged in business in any city or town having a population of twenty thousand or less shall be twenty thousand dollars, and of each private banker engaged in business in any city or town having a population in excess of twenty thousand shall be forty thousand dollars." (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Securities may be deposited in lieu of bonds.

"Any private banker may, at his option, deposit with the treasurer in lieu of such bond, in whole or in part, securities owned by him of a sufficient actual value to aggregate, with any bond so filed, the required amount of such bond, which securities shall be such as shall have been approved by the bank commissioner." (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Release of bond and securities.

Any bond or securities deposited with the treasurer may be released and delivered to the private banker upon the substitution of another bond or securities aggregating the required amount and approved by the bank commissioner. Any bond or securities shall also be released and delivered to a private banker upon the discontinuance of his business and upon delivery by him to the treasurer of the state of a certificate issued by the bank commissioner that all depositors and creditors have been paid in full and all outstanding liabilities have been satisfied. (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Securities and money paid under bond because of default constitute trust fund.

Any security deposited with the State treasurer, and any money which, in case of default, is paid under any bond filed by any private banker "shall constitute a trust fund (1) for the benefit of the depositors of such private banker and the persons who shall deliver money to such private banker for transmission to others, which depositors or persons shall be preferred as to such money and securities so deposited or recovered in proportion to the obligations of such private banker to them arising out of such deposits or receipt of money for transmission and (2) for the benefit of the general creditors of such private banker." (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Real estate of person acting as surety on bond must be described and is subject to a lien.

Whenever the treasurer accepts as surety on any bond any person owning real estate "he shall require such real estate to be described in such bond, and such real estate shall thereupon be subject to a lien to the amount of the obligation of such bond, which lien shall take precedence over any subsequent incumbrance, except liens for taxes or municipal assessments." A certified copy of the bond must be filed and recorded in the office of the town clerk in each town where such real estate is located, and a recording fee therefor must be paid by the private banker. (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Provisions not applicable to certain persons, firms, etc.

The provisions relating to the deposit of a bond with the State "shall not apply to any person, firm, partnership, or unincorporated association of persons engaged solely in the business of forwarding or transmitting money." (General Statutes of Connecticut, Revision of 1930, sec. 3951).

Statement of assets and liabilities must be filed with the bank commissioner.

Every private bank shall "annually, on the first day of November or oftener if required by the commissioner, file with the bank commissioner a statement, under oath, in such form as may be required by the commissioner, showing his assets and liabilities, and giving such other information as may be required by the commissioner. (General Statutes of Connecticut, Revision of 1930, sec. 3954).

Examinations; insolvency or possibility of loss to depositors; bank commissioner may suspend operations.

"The commissioner may cause an examination to be made of the affairs of any private banker at any time at the expense of such private banker, and, if after appraising all the assets of such private banker, including loans on real estate and any real estate owned by such banker, he shall find that such private banker is insolvent, or that the depositors or persons delivering money to him for transmission are liable to suffer any loss, he may deliver to such private banker a written notice to discontinue receiving money from depositors or money for transmission and to discontinue paying depositors or other creditors.*** The written order of the commissioner authorized hereby shall be in effect a temporary injunction restraining such private banker and his employees from receiving money from depositors, or for transmission, and from paying depositors or other creditors until the same shall be vacated by any order of the superior court or a judge thereof." (General Statutes of Connecticut, Revision of 1930, sec. 3955).

Procedure to restrain continuance in business or to obtain appointment of receiver; liquidation.

If the bank commissioner finds that the private banker is insolvent or that the depositors are liable to suffer a loss, he must then make an application to the superior court for the county in which such banker is located setting forth the facts and circumstances and praying for the appointment of a receiver or an injunction restraining such private banker from continuing in business. If it appears to the court, after a hearing on the application, that such private banker is insolvent or can not resume business with safety to the public, such court may issue an injunction restraining the private banker from further carrying on business, and, "if insolvent, from collecting

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"or receiving any debts or from paying out, selling, assigning or transferring any of the assets, moneys, funds or lands belonging to him until the court shall otherwise order." The court at the time of ordering the injunction, or at any time during the continuance of such injunction, may appoint a receiver for the insolvent private banker. The receiver has the powers conferred by law upon receivers of insolvent banks and trust companies. The court may limit the time for filing claims against such receiver and the winding up of the business of the private banker, "the liquidation of his property and assets and the distribution of the avails thereof among the creditors of such private banker". (General Statutes of Connecticut, Revision of 1930, section 3955).

Distribution of assets.

The "avails" shall be applied as follows: (1) To the expenses of settling the affairs of the private banker; (2) to the payment of the deposits and the money entrusted to the banker for transmission; (3) to the payment of all other liabilities of the banker. The balance of such avails shall be paid to such banker. (General Statutes of Connecticut, Revision of 1930, sec. 3955).

Receiver required to file bond.

The receiver must file a bond in such form and in such amount as the court may direct before taking control of the assets of any private banker. (General Statutes of Connecticut, Revision of 1930, sec. 3955).

Additional provisions regarding power of bank commissioner and superior court to suspend business in order to preserve assets or protect depositors.

"The commissioner may issue a temporary order restraining any *** private banker *** from paying out any funds *** or receiving deposits, or may take possession of *** such private banker's business until such time as a hearing may be arranged before a judge of the superior court, who may, upon application of the commissioner, *** or private banker, whenever, in the opinion of such commissioner, *** or private banker, it may be necessary to preserve assets or protect depositors, make an order restraining any *** private banker from paying out the funds of such *** private banker, or any portion thereof, or from declaring or paying dividends on any deposits or capital stock for such time as such judge shall deem necessary. Such order shall be in writing directed to the *** private banker to be affected thereby, and a copy of the order attested and left by the commissioner *** with such private banker shall be sufficient notice thereof. Before issuing such restraining order, the judge shall cause reasonable notice to be given to the *** private banker to be affected thereby. *** notice to an agent of any private banker shall be notice to such private banker. Notice may be waived by any such *** private banker or agent. Before *** any private banker shall apply to any judge for such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"restraining order, notice shall be given in writing to the bank commissioner of intention to so apply at least ten days before such application shall be made. If, in the opinion of the bank commissioner, (or) private banker *** such order should be revoked or modified, any judge of the superior court may, on application of such commissioner, (or) private banker *** revoke or modify the original order, and notice of such revocation or modification shall be given to the *** private banker affected thereby in the same manner as in the case of the original order." (General Statutes of Connecticut, Revision of 1930, sec. 3870).

Annual fee must be paid bank commissioner.

Every private banker is required to pay annually to the bank commissioner a fee of fifty dollars. (General Statutes of Connecticut, Revision of 1930, sec. 3957).

Purchase of real estate without approval of bank commissioner prohibited.

"No private banker doing business in this state *** shall purchase any real estate without first obtaining the approval of the bank commissioner." (General Statutes of Connecticut, Revision of 1930, sec. 3952).

Reserve fund required.

"Each such private banker shall maintain a reserve fund of twelve per centum of the demand deposits and five per centum of the time deposits held by him." (General Statutes of Connecticut, Revision of 1930, section 3953).

What reserve fund shall consist of.

"Such reserve fund shall consist of gold and silver coin, the demand obligations of the United States or national bank currency or federal reserve notes and federal reserve bank notes and be held by such private banker in his place of business and of balances with reserve agents, subject to demand draft or bonds which are legal investments for savings banks of this state, provided each such reserve agent shall be a depository approved by the bank commissioner; and the bonds, held as a part of such reserve, shall, at no time, exceed at par value one-sixth of the total reserve fund." (General Statutes of Connecticut Revision of 1930, sec. 3953).

Dividends or new loans, discounts, etc., prohibited while reserve is impaired.

Whenever the reserve fund of any private banker falls below the requirements, such banker is prohibited from making any new loans, discounts or investments, or any dividend or distribution of profits

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

until the reserve fund is restored to the required amount. (General Statutes, of Connecticut, Revision of 1930, sec. 3953).

Duty of bank commissioner in case of impaired reserve fund.

"The bank commissioner shall notify any private banker whose reserve fund shall fall below said required amount, and, if such private banker shall fail for thirty days thereafter to make good such reserve fund, the bank commissioner may apply for the appointment of a receiver to wind up his business." (General Statutes of Connecticut, Revision of 1930, sec. 3953).

Definition of permanent capital.

"Any real estate, security, personal property or evidence of ownership of property acquired by any unincorporated private banker, with the capital of such banker and cash received on deposit in excess of the total liabilities of such banker, shall be construed and designated as permanent capital." (General Statutes of Connecticut, Revision of 1930, sec. 3960).

Investment of permanent capital.

"Each such banker may, subject to the restrictions provided for herein, invest his permanent capital and the deposits received in such real and personal property, as he may deem advisable, provided the security afforded depositors shall not be imperiled by any such investment." (General Statutes of Connecticut, Revision of 1930, sec. 3960).

Restriction upon lending permanent capital to certain corporations.

"No private banker shall lend, directly or indirectly, to any corporation of which he is the legal or equitable owner of more than twenty-five per centum of the issued capital stock, any part of his permanent capital or capital stock or the deposits received by him." (General Statutes of Connecticut, Revision of 1930, sec. 3961).

Location of property upon which loans are made.

All real property and mortgage loans held by any private banker on May 29, 1925, or acquired with capital or deposits, or to which title has been taken in connection with the business of the private banker, must be located in the State of Connecticut, or in certain counties of the States of Rhode Island, Massachusetts or New York. (General Statutes of Connecticut, Revision of 1930, sec. 3962).

Real estate loans prohibited if aggregate amount exceeds 80% of appraised value of property.

"No private banker shall make a loan, directly or indirectly,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"upon the security of real estate if the total amount of mortgages, liens and encumbrances upon such real estate, including the mortgage loan to be made by such private banker, shall, in the aggregate amount, exceed eighty per centum of the appraised value of such real estate." (General Statutes of Connecticut, Revision of 1930, sec. 3963).

Branch or new place of business prohibited, but location in same town may be changed.

"No private banker shall establish any branch or open any new place of business, provided nothing herein contained shall prevent the change of location of the place of business of any private banker within the town in which such business is located, but nothing herein contained shall permit the change of location of such business from one town to another." (General Statutes of Connecticut, Revision of 1930, sec. 3959).

Penalties for violations.

Any person violating any of the above provisions "or of any other statute concerning the regulation of private bankers or concerning persons engaged in the business of receiving money for forwarding or transmission, shall be fined not more than two thousand dollars or imprisoned not more than one year or both." (General Statutes of Connecticut, Revision of 1930, sec. 3967).

Private bankers may incorporate; conditions precedent.

"Any person, firm or unincorporated association of persons, engaged on May 29, 1925, in the business of private banker ***, may incorporate, for the purpose of conducting such business, in the manner provided by law for the organization of joint stock corporations, except as provided herein. The by-laws of any private banker incorporating *** shall be submitted to the bank commissioner for approval, and no by-laws shall be adopted unless the same shall have been approved by him. Any such person, firm or association intending to incorporate for the purpose of transacting such business shall serve notice upon the commissioner of his intention to incorporate, and shall furnish evidence to the commissioner that the capital stock of such corporation to the amount of at least twenty-five thousand dollars shall have beensubscribed for, with capital stock shall not be invested in securities deposited with the state treasurer in lieu of a bond to the state." (General Statutes of Connecticut, Revision of 1930, sec. 3964).

DELAWARE

Banking business must be conducted under corporate charter.

"It shall be unlawful to conduct a banking business or the business of a trust company within this State except under a corporate

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"charter valid in this State authorizing the conduct of such business in this State." (Act approved March 31, 1921, Laws of 1921, sec. 2; Banking Laws, 1929, sec. 2, p. 15). "No bank or trust company not actively engaged in business in this State at the time of the adoption of this Act shall open a place of business in this State without having first secured from the State Bank Commissioner a certificate that it has complied with all the requirements of law and that it is authorized to conduct the business specified therein." (Act approved March 31, 1921, Laws of 1921, sec. 3; Banking Laws, 1929, sec. 3, p. 15).

Forming banking company without incorporation; penalty.

"It is unlawful for any persons to associate in forming a banking company without incorporation; and any persons who shall receive subscriptions to the capital stock of such company, or shall subscribe for shares therein, shall forfeit and pay five hundred dollars to anyone who will sue for the same; one-half thereof for the use of the State." (Rev. Code of Del., 1915, sec. 2102; Banking Laws, 1929, sec. 2102, p. 31.)

Unauthorized banking operations or advertising; penalties.

"If any persons, members, or agents, of such (unincorporated banking) association, shall issue any bills, or notes, in the nature of bank notes, payable to bearer or order, or loan money upon actual or accommodation notes, or receive money on deposit, every such person shall forfeit and pay five hundred dollars, to be recovered and applied" as provided in the provision last above quoted. (Rev. Code of Del., 1915, sec. 2103; Banking Laws, 1929, sec. 2103, p. 31). "Any person, firm, or association of individuals * * *, who shall in any manner represent or hold out him, her, themselves or itself, whether by public advertisement, placard, hand bill or otherwise, as engaged in the receipt of deposits of money as a savings fund, bank or trust company or any business substantially similar thereto within the boundaries of the State of Delaware, not being authorized under the laws of this State to engage in such business or any business substantially similar thereto, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined in a sum not exceeding two hundred dollars or imprisoned for a term not exceeding one year, or both, at the discretion of the Court." (Rev. Code of Del., 1915, sec. 3507; Banking Laws, 1929, sec. 3507, p. 39.)

DISTRICT OF COLUMBIA.

No prohibition against private banking business, and, except for taxation provisions, no other provisions applicable.

The laws of the District of Columbia do not contain any provisions prohibiting the transaction of a banking business by a private bank; nor do such laws contain any provisions covering the operation or supervision of such a bank. The laws, however, do contain provisions

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

defining a private bank and subjecting it to "a tax of five hundred dollars per annum". These provisions are given below.

Rate of taxation; "private bank or banker" defined.

"Private banks or bankers not incorporated shall pay a tax of five hundred dollars per annum. Every person, firm, company, or association not incorporated having a place of business where credits are opened by the deposit or collection of moneys or currency subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bills of exchange or promissory notes are received for discount or for sale, shall be regarded as a private bank or banker." (Act of July 1, 1902, 32 Stats. 621, ch. 1352, sec. 6, par. 14; Code of the District of Columbia, Title 20, sec. 765, p. 253.)

When tax must be paid.

"The taxes for said private banks and bankers, and note brokers shall be paid to the collector of taxes of the District of Columbia, and shall date from the first day of July in each year and expire on the thirtieth day of June following. Said taxes shall date from the first day of the month in which the liability begins, and payment shall be made for a proportionate amount." (Act of July 1, 1902, 32 Stats. 622, ch. 1352, sec. 6, par. 17; Code of the District of Columbia, Title 20, sec. 768, p. 253).

FLORIDA.

Private banking business prohibited.

Under the terms of a statute of this State enacted in 1915, it is provided that, except for persons, firms or companies which were conducting a private banking business on or before June 4, 1915, "no person, firm or company shall be allowed to conduct a banking business in this State without being incorporated under the banking laws of this State." (Acts of 1915, ch. 6812, sec. 1; Banking Laws, 1930, Article 14, sec. 4202, p. 55).

Persons, firms or companies conducting a private banking business as of June 4, 1915, could have been permitted by the Comptroller of the State, up to November 1, 1915, to continue such business if they had a capital of $15,000; but if authority to continue in business had not been obtained prior to November 1, 1915, the laws required that a receiver be appointed for such private banks. For private banks which were authorized to continue in business, the laws provide that they "shall be governed and controlled by the Banking Laws of this State, in so far as the same may be applicable, as fully and completely as if incorporated as a banking company, and shall be subject to all the penalties of said laws, and to the supervision, control and direction of the Comptroller." (Acts of 1915, ch. 6812, secs., 2,3,4 and 5; Banking Laws, 1930, Article 14, secs. 4203,4205 and 4206, pp.55 and 56).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

GEORGIA

No provisions covering operation except restrictions against using certain advertising or banking terms.

"No private person, firm, or voluntary association engaged in the business of banking in this State not subject to the supervision of the Superintendent of Banks, and no private corporation except a bank duly chartered and organized under the laws of this State or under the Acts of Congress" shall make use of any advertising importing a corporation or indicating that the business engaged in is that of regularly chartered bank. Private banks are also prohibited from using the words "bank", "banker", "banking company", "banking house", or any other similar words indicating that the business done is that of a bank, without also using therewith the words "plainly written or printed, so that the same may be readily read, 'Private Bank, Not Incorporated', and every person, firm, association, or private corporation other than a regularly chartered bank, advertising to receive, or receiving deposits, shall at the window or desk at which such deposits are received place, a conspicuous sign with letters not less than one inch in height, upon which shall be printed the words, 'Private Banker, Not Incorporated'." Private bankers engaged in business at the time of the passage of the act containing these provisions (August 16, 1919) are not required to change the names in use by them and "may continue to use, without further qualification or restriction, the word 'Banker' or 'Bankers', where the use of their names conveys unmistakably that they are not incorporated." (Banking Law Pamphlet, with amendments to August 26, 1925, Article 1, sec. 4, pp. 3 and 4.) A violation of these provisions constitutes a misdemeanor. (Banking Law Pamphlet, with amendments to August 26, 1925, Article 20, sec. 35, p. 95).

Private bank may be converted into a bank.

The laws of this State also contain provisions permitting a private bank to convert into a bank upon complying with the laws covering the incorporation of banks. (Banking Law Pamphlet, with amendments to August 26, 1925, Article 11, secs. 1 to 3 inclusive, pp. 47 and 48.)

IDAHO

Private banking prohibited; but certain private bankers may continue in business.

The laws of this State provide that "it shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking or banking and trust business within this state except by means of a corporation duly organized for such purpose, except that any individual, co-partnership or unincorporated association actually transacting a banking or banking and trust business as herein defined within this state on the date this act becomes effective, may continue in such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"business at the places where they are then located, under and subject to the provisions of this act." (Banking Laws, 1925, sec. 2, p. 5; Idaho Banking Code, 1925, ch. 133, sec. 2.) The word "bank", as used in these laws, "shall be construed to include any individual, co-partnership, or unincorporated association engaged in the banking business as herein defined." (Banking Laws, 1925, sec. 2, p. 5; Idaho Banking Code, 1925, ch. 133, sec. 2).

Definition of banking business.

"The soliciting, receiving or accepting of money or its equivalent on deposit as a regular business shall be deemed to be doing a banking business, whether such deposit is made subject to check, or is evidenced by a certificate of deposit, a passbook, a note, a receipt, or other writing; Provided, that nothing herein shall apply to or include money or its equivalent left in escrow or left with the agent pending investment in real estate or securities for or on account of his principal. (Banking Laws, 1925, sec. 2, p. 5; Idaho Banking Code, 1925, ch. 133, sec. 2.)

Banking business must be authorized by law; penalty.

"It shall be unlawful for any individual, copartnership, association, firm or corporation to receive money upon deposit or transact any other form of banking business except as authorized by this act. Any person violating any provision of this section, either individually or as an interested party in any co-partnership, association, firm or corporation, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in the sum of not less than $300 nor more than $1,000, or by imprisonment in the county jail not less than thirty days nor more than one year, or by both fine and imprisonment." (Banking Laws, 1925, sec. 102, p. 47; Idaho Banking Code, 1925, ch. 133, sec. 102).

Advertising banking business not authorized by law; penalty.

"Any person, firm, or corporation, other than a national bank, not authorized to do a banking or trust business under this act, that uses or advertises as part of his or its firm or corporate name the word 'bank', 'banker', 'trust company', 'savings bank', or any other word or words of similar import, is guilty of a felony. Provided, however, this section shall not apply to title or trust companies incorporated under Chapter 194 of the Idaho Compiled Statutes 1919, nor to any company which prior to the passage of this act has lawfully assumed and used as a part of its name the word 'trust' or 'trust company'". (Banking Laws, 1925, sec. 103, p. 47; Idaho Banking Code, 1925, ch. 133, sec. 103.)

ILLINOIS

Banking business forbidden to natural persons, firms or partnerships.

"After January 1, 1921 no natural person or natural persons, firm or partnership shall transact the business of banking or the business of receiving money upon deposit, or shall use the word 'Bank' or 'Banker' in connection with said business; provided, that nothing herein

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

contained shall be construed to prohibit banks incorporated under the laws of this State or of the United States from appointing natural persons as agents to receive deposits of savings in and through the public schools." (Act of June 4, 1929, sec. 15½; Laws of 1929, sec. 15½, p. 188, made effective by popular vote as of December 2, 1930.)

Penalty for violation.

"Any person or persons violating this section shall be deemed guilty of a misdemeanor and shall, upon conviction thereof, be punished by a fine of not more than one thousand dollars ($1,000) or by imprisonment in the county jail for not more than one (1) year, or by both such fine and imprisonment, and the Attorney General or State's attorney of the county in which any such violation occurs may restrain such violation by a bill in equity to be filed in the Circuit Court of such county." (Act of June 4, 1929, sec. 15½; Laws of 1929, sec. 15½, p. 188, made effective by popular vote as of December 2, 1930.)

(Note: -- Sec. 15½ of the Illinois Laws of 1929, as it appeared in the laws of 1919, p. 235, prohibited the transacting of the business of transmitting money to foreign countries and buying and selling foreign money or receiving money on deposit to be transmitted to foreign countries (express, steamship and telegraph companies excepted).

The Supreme Court of Illinois in the case of Wedesweiler vs. Brundage, 297 Ill. 228, 130 N.E. 520, (April 5, 1921) held that these restrictions rendered the section unconstitutional on the grounds that it embraced a subject not mentioned in the title of the act, that it granted a special privilege in violation of sec. 22 of Art. IV of the Illinois Constitution, that it deprived the Appellees of the right to continue the business in which they were engaged without due process of law, and that it deprived them of equal protection of the laws in violation of Sec. 2, Art. II of the State Constitution and of Sec. 1 of the 14th Amendment to the Federal Constitution. The court further held that, in the absence of a statute, the right of an individual to engage in the banking business in all or any of its departments is unrestricted, but that the business is of a public character and is properly subject to statutory regulations for the protection of the public; and, that an individual is not engaged in the banking business because he does some of the things which are frequently or usually done by banks, such as loaning money and taking bonds and mortgages therefor and in transmitting money to foreign countries or buying and selling foreign exchange. This case is cited for the purpose of showing that the scope of the present section appears to be somewhat limited.)

INDIANA

Private banks must be authorized to transact banking business.

"It shall be unlawful for any individual, (or) firm *** to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

hereafter engage in a banking business after the enactment of this act (1915) without first receiving from the (State) charter board the approval of their application ***. When in the judgment of said charter board it is advisable to make a personal investigation as to the need and necessity of establishing (a) * * * private bank, * * * , then the board may appoint some person to make a thorough investigation, and said person shall make a written report of his findings and file same with the charter board; *** ". (Acts of 1915, sec. 3, p. 550; Banking Laws, 1929, sec. 3, p. 77.)

Penalty for violation of above provision.

"Any person violating the provision of this (above quoted) section either individually or as an interest (ed) party, shall be guilty of a misdemeanor, and upon conviction thereof", shall be subject to certain prescribed penalties. (Acts of 1915, sec. 3, p. 550; Banking Laws, 1929, sec. 3, p. 77).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Applicability of provisions of act of 1907.

The Act of 1907, provides "That every partnership, firm or individual transacting a banking business within this state, or using the word bank, banker, or banking in connection with his or its business, shall be subject to the provisions of this act." (Acts of 1907, sec. 1, p. 174; Banking Laws, 1929, sec. 1, p. 43.)

Capital required; investment of; segregation of

"It shall be unlawful for any partnership, firm or individual to transact a banking business in this state, or to advertise as a banker unless said partnership, firm or individual has at least ten thousand ($10,000) dollars of cash capital invested in well secured notes in state or municipal bonds, or in bank building, furniture or fixtures, and shall be set apart for the security of the creditors of said bank; * * *". (Acts of 1907, p. 174, sec. 2; Banking Laws, 1929, sec. 2, p. 43.)

Real estate investments; restrictions upon and conditions regarding.

" * * * not more than one-third of the capital * * * fixed in the detailed statement of such partnership, firm, or individual shall be invested in real estate: * * *". If any part is invested in real estate, the real estate must be conveyed to the private bank in its own name by a deed signed and acknowledged by the members of the bank and their wives. The deed must give a description of the real estate and its value, must convey a good fee simple title, shall be recorded in the recorder's office of the county where the land is located and "a copy thereof filed with the bank commissioner: Provided, That no part of the capital, surplus or undivided profits of said bank, except as aforesaid, may be invested in real estate except it be taken in settlement of a doubtful claim, or purchased at judicial sale on a judgment or a decree of foreclosure in favor of said bank; and when so taken, it must be by deed made to such; and the president and cashier of such bank are hereby empowered and authorized to execute good and sufficient deed or deeds therefor, in the name of such bank, upon proper order made therefor by the board of directors of such bank. All mortgages held by or to secure money loaned by the bank shall be satisfied of record upon the payment thereof, by a release or satisfaction of mortgage executed in the name of the bank by its president, vice president or cashier." (Acts of 1907, p. 174, sec. 2; Banking Laws, 1929, sec. 2, pp. 43 and 44.)

Increase or decrease of capital stock.

The capital stock of any private banker may be increased by an agreement in writing signed by the partners or owners holding two thirds of the capital stock and paying into the bank in money the amount of the increase. This amount and a certificate by the cashier or manager of the bank of its payment, shall, within five days thereafter, be filed with the bank commissioner. The capital stock may be decreased but at no time below $10,000, upon a written petition of the partners or owners

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

holding two-thirds of the capital stock to the bank commissioner. The bank commissioner, after an examination of the bank may approve or refuse the reduction. If approved, that fact must be indorsed upon the petition, and notice of such reduction must immediately be published for thirty days in some newspaper published in the town where the bank is located, or, if no newspaper is published in the town, then in one published at the county seat. (Acts of 1907, p. 174, sec. 2; Banking Laws, 1929, sec. 2, p. 44).

Statement required to be filed.

Every private banker is required to file with the bank commissioner a detailed sworn statement of:

First. The name of the bank.

Second. A copy of the articles of copartnership or agreement under which the business is being, or is to be conducted, which shall be executed and acknowledged by all the parties interested in the bank, and at least one of whom shall be a resident of the State of Indiana. If a bank business is being or is to be transacted or carried on by an individual, such individual must be a resident of the State of Indiana, and the statement must so show.

Third. The county and city or town in which the bank is to be located, and the business carried on.

Fourth. The amount of the capital paid into the business and to be kept and maintained at all times in the business.

Fifth. That the aggregate responsibility and net worth of the individual members of such firm, partnership or individual is equal to an amount at least double the amount of the capital paid into the bank.

Sixth. The names of the officers who are to manage the business. (Acts of 1907, p. 174, sec. 3; Banking Laws, 1929, sec. 3, p. 44).

Certificates of stock must be issued to individuals forming bank and deemed capital stock.

Each private bank shall issue certificates of stock to the individual or individuals forming the bank "in an amount equal to the capital of said bank, which certificates of stock shall be deemed and considered the capital stock of such bank, * * * ". (Acts of 1907, p. 174, sec. 4; Banking Laws, 1929, sec. 4, p. 45.)

Certificate from bank commissioner to transact banking business; when issued; fee required.

After the filing of the statement referred to above and the "payment to the bank commissioner (of) a fee of one-tenth of 1 per cent,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of such capital stock; and the filing with the bank commissioner, (of) the oath of some member of the partnership, firm or individual, that the capital has been paid in as provided for and in compliance * * * (with) this act, then the bank commissioner shall, without unnecessary delay, issue to such partnership, firm or individual, a certificate authorizing such partnership, firm or individual to transact a banking business." (Acts of 1907, p. 174; sec. 5; Banking Laws, 1929, sec. 5, p. 45.)

List of owners must be posted and changes must be reported to bank commissioner.

A list of the owners of any private bank, and a statement to the effect that the institution is a private bank, must be posted in the room of every such bank. Any subsequent changes in the owners must be shown on the list and a report of all such changes must be made to the bank commissioner. (Acts of 1907, p. 174, sec. 6; Banking Laws, 1929, sec. 6, p. 45.)

Report showing resources and liabilities must be made to bank commissioner; number required and contents of.

Every private banker "shall make to the bank commissioner two reports during each and every year, according to the form which may be prescribed by him, verified by the oath or affirmation of the president, cashier or other managing agent of such bank, which report shall exhibit in detail the resources and liabilities of the bank at the close of business on any past day to be by him specified; * * * ". These reports must be made within five days after they have been called for by the bank commissioner and a verified copy must be published in a newspaper. (Acts of 1907, p. 174, sec. 7; Banking Laws, 1929, sec. 7, p. 46.)

Commissioner may call for special reports.

The commissioner is empowered to call for special reports "whenever, in his judgment, the same shall be necessary, in order to arrive at a full and complete knowledge of its (the private bank's) condition". (Acts of 1907, p. 174, sec. 7; Banking Laws, 1929, sec. 7, p. 46.)

Capital stock, surplus and undivided profits must be given as items.

Each private bank "in making any statement of the liabilities and assets of said bank, shall give the amount of its capital stock, its surplus and undivided profits as items thereof." (Acts of 1907, p. 174, sec. 4; Banking Laws, 1927, sec. 4, p. 45). "In no reports filed * * * shall real or personal property of an individual or individuals owning said bank, except the title is in the bank, be permitted as an asset." (Acts of 1907, p. 174, sec. 7; Banking Laws, 1929, sec. 7, p. 46.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Penalty for failure to transmit or publish reports of condition.

Any private bank failing to make and publish any report of condition within five days after a request is made therefor is subject to a penalty of not less than one hundred dollars nor more than five hundred dollars. (Acts of 1907, p. 174, sec. 7; Banking Laws, 1929, sec. 7, p. 46).

Additional penalties prescribed for violations.

"Any person, firm or copartnership violating any of the provisions of this (1907) act shall be fined in any sum not exceeding one thousand dollars, to which may be added for the second offense imprisonment for any term not exceeding two years." (Acts of 1907, p. 174, sec. 9; Banking Laws, 1929, sec. 9, p. 46.)

Property held in trust.

If property is held in trust by a private banker, complete information regarding the trust must be set forth in an instrument which must be recorded in the recorder's office of the county in which the private bank is located and the instrument together with a certificate showing that it has been recorded must be filed with the bank commissioner. If the instrument is not recorded and filed, the property held in trust "shall be considered a part of the assets" of the private bank in case the affairs of the bank are wound up and the "remaining assets are not sufficient to pay in full the bona fide claims of all depositors." (Acts of 1907, p. 174, sec. 10; Banking Laws, 1929, sec. 10, p. 47)

Depositors have lien on assets.

The depositors in any private bank "shall have a first lien on the assets of such bank in case it is wound up, to the amount of their several deposits. And for any balance remaining unpaid, such depositors shall share in the general assets of the owner or owners, alike, with general creditors." (Acts of 1907, p. 174, sec. 11; Banking Laws, 1929, sec. 11, p. 47)

Private banks may sue and be sued; service of process; effect of judgments.

Any private banker "shall have the right to sue, and be sued, under the name under which such bank is authorized to transact its business. Service of summons or other process of court upon the officer or agent in charge of the business of such bank shall be good and sufficient service to give the court jurisdiction, and any judgment obtained against such bank shall be valid and binding against all the persons interested therein." (Acts of 1907, p. 174, sec. 12; Banking Laws, 1929, sec. 12, p. 47.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Loans to officers restricted.

No private banker nor any of its officers "shall loan any of the funds of said bank in any amount exceeding thirty (30) per cent of the capital stock of said bank to any officer or officers thereof". (Acts of 1907, p. 174, sec. 13; Banking Laws, 1929, sec. 13, p. 48.)

Branch offices prohibited.

It is unlawful for any private banker "to open, or establish a branch bank or branch office: Provided, That the provisionsof this section shall not apply to branch banks or branch offices for which charters have heretofore been granted." (Acts of 1921, p. 367, sec. 1; Banking Laws, 1929, p. 139.)

Trust powers may be executed.

Private banks may "accept and execute trusts of any and every description which may be committed or transferred to them, under the same rules and regulations as now govern like powers in loan and trust companies." (Acts of 1915, p. 310; Banking Laws, 1929, p. 81.)

Examinations; number and character of.

The affairs of every private bank shall be examined by one of the examiners appointed by the bank commissioner "as often as shall be deemed necessary", and a thorough examination into all the affairs of the bank is required. The examiner may examine under oath any of the bank's officers and agents, has the power to administer oaths to such officers and agents, and must make a detailed report of the condition of the bank to the bank commissioner. Each bank is charged a fee for such examinations according to the amount of its assets. (Acts of 1911, p. 30, sec. 2, as amended by Acts of 1921, p. 816 and by Acts of 1929, p. 495; Banking Laws, 1929, sec. 2, pp. 83-85)

Insolvent or failing condition; receiver may be appointed; duties of examiner and bank commissioner.

If a private bank is in an insolvent or failing condition, or if the assets are being wasted or improperly used, at the time the State bank examiner makes an examination, the examiner is required immediately to notify the bank commissioner. If the commissioner then deems it "necessary and expedient" he may direct the examiner or some other person to take charge and control of the private bank; and the commissioner shall, if he finds it to be to the best interests of the depositors and creditors of the bank, make application to the circuit or superior court of the county where the bank is situated for the appointment of a receiver for it. Notice of such application shall be given to the stockholders and depositors of the bank by publication as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

directed by the court. If any private bank becomes in a failing or insolvent condition or fails or suspends between periods of examination, it shall be the duty of its officers immediately to notify the commissioner of such condition, failure or suspension, and the commissioner shall thereupon appoint some proper person to take charge of its assets, pending application for and the appointment of a receiver. Any of the officers failing to so report the suspension or failure of his bank shall be deemed guilty of a misdemeanor and on conviction may be fined not less than one hundred dollars nor more than five hundred dollars. The person appointed to take charge of the assets of any private bank shall receive reasonable compensation to be recommended by the bank commissioner and allowed him by the court having jurisdiction over the receiver, and immediately paid out of the assets before any distribution thereof is made. (Acts of 1911, p. 30, sec. 2, as amended by Acts of 1921, p. 816, and by Acts of 1929, p. 495; Banking Laws, 1929, sec. 2, pp. 83-85).

Failure of bank commissioner to discharge duties with reference to failing or insolvent private banks.

If the bank commissioner fails, neglects or refuses for fifteen days to discharge any duty imposed upon him with reference to failing or insolvent private banks, the depositors and creditors representing 25 per cent of the total deposits and obligations, except stock liability, have the right to petition the Attorney General who shall thereupon perform the duties of the bank commissioner in the particular case and apply for a receiver. (Acts of 1911, p. 30, sec. 2, as amended by Acts of 1921, p. 816, and by Acts of 1929, p. 495; Banking Laws, 1929, sec. 2, p. 85.)

Voluntary liquidation; commissioner may petition for receiver.

When a private bank has been in voluntary liquidation for eighteen or more months, the bank commissioner may petition the court for the appointment of a receiver if he considers that the affairs are not being administered to the best interests of the depositors and stockholders. Upon the appointment of the receiver, he "shall take charge and proceed to administer and terminate the affairs of the institution." (Acts of 1915, p. 546, sec. 1; Banking Laws, 1929, p. 82).

Failure to pay examination fee also cause for appointment of receiver.

A failure to pay any examination fee is also cause for the appointment of a receiver of a private bank. (Acts of 1911, p. 30, sec. 2, as amended by Acts of 1921, p. 816, and Acts of 1929, p. 495; Banking Laws, 1929, sec. 2, p. 85)

Owners may stay or abate appointment of receiver.

Upon the filing of a bond before the court which appointed a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

receiver for a private bank, or before which the commissioner's application for the appointment of a receiver is pending, the owners of a private bank may abate or stay the appointment of a receiver. (Acts of 1907, p. 174, sec. 14; Banking Laws, 1929, sec. 14, p. 48.)

Voluntary liquidation.

The laws of this state contain provisions outlining the procedure and the conditions under which a private bank may go into voluntary liquidation. (Acts of 1907, p. 174, sec. 15; Banking Laws, 1929, sec. 15, p. 48.)

Reports and examination of private banks in voluntary liquidation.

Private banks in voluntary liquidation are subject to the same examinations and must, at the discretion of the bank commissioner, make the same reports as solvent private bankers. (Acts of 1911, p. 30, sec. 2, as amended by Acts of 1921, p. 816, and Acts of 1929, p. 495; Banking Laws, 1929, sec. 2, p. 85.)

Taxation of private banks.

There are also provisions covering the taxation of membership shares or certificates of stock of private banks. (Acts of 1919, p. 198; Banking Laws, 1929, pp. 101-108.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

IOWA.

No provisions covering operation except restrictions on the use of certain advertising or banking terms.

The laws of this State provide that "It shall be unlawful for any individual, partnership, or unincorporated association * * * not subject to supervision or examination of the banking department" to make use of the words "bank", "banking", "banker" or any derivative of the word "banking", or to make use of any sign or advertising indicating that the place of business or the business carried on is that of a bank. (Banking Laws, 1929, ch. 412, sec. 9151.) It is also provided that a violation of these provisions constitutes a misdemeanor (Banking Laws, 1929, ch. 412, sec. 9152); but that neither the penalties prescribed for the commission of this misdemeanor nor the above restriction on the use of certain advertising or banking terms "shall be construed as affecting or in any wise interfering with any private bank or private banker that may be engaged in lawful business previous to April 16, 1919." (Banking Laws, 1929, ch. 412, sec. 9153). An additional penalty is prescribed in case "any * * * private banker, or person, not incorporated under the provisions" of law covering savings banks," or any officer, agent, servant, or employee thereof" advertises or exhibits any sign as a savings bank. (Banking Laws, 1929, ch. 413, sec. 9200). The laws also require corporations organized under the general incorporation laws to transact a banking business to have the word "State" as a part of their titles, but these laws specifically deny the right to use this word as a part of its title to any "partnership, individual, or unincorporated association engaged in buying or selling exchange, receiving deposits, discounting notes and bills, or other banking business." (Banking Laws, 1929, ch. 414, secs. 9202 and 9203.)

KANSAS

Corporate charter required to engage in banking business.

"From and after the passage and taking effect of this act, it shall be unlawful for an individual, firm or association to engage in the banking business in the State of Kansas without first making application to and receiving a corporate charter therefor from the State charter board, and procuring a certificate to transact such business from the bank commissioner, as provided by law: Provided, That this act shall not apply to any individual, firm or association now engaged in the transaction of banking business in the State of Kansas as a private bank." (Laws of 1929, ch. 90, sec. 1; Banking Laws, 1929, sec. 95, p. 29). Private bankers engaged in business at the time of the enactment of the above provision of law "shall be amenable to all the provisions" of the so-called bank act. (Laws of 1897, ch. 47, sec. 36, as amended by Laws of 1907, ch. 64, sec. 1; Revised Statutes of Kansas, 1923, sec. 9-138; Banking Laws, 1929, sec. 36, p. 14.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

KENTUCKY

Private banking business expressly prohibited.

The laws of this State provide "That it shall be unlawful for any person or persons, either as individuals or co-partners, to engage in or conduct the business of private banking in this Commonwealth." (Acts of 1906, Ch. 44, p. 278, sec. 1; Carroll's Ky. Stats., 1930, sec. 602a-1).

Penalty for transacting private banking business.

"Any person or persons who shall engage in such business after this law shall become effective shall be deemed guilty of a misdemeanor, and, upon conviction, shall be fined not less than twenty nor more than fifty dollars for each day he or they shall be engaged in said business; after April 15, 1906, to be recovered under indictment in the circuit court of the country where the offense shall be committed." (Acts of 1906, ch. 44, p. 278, sec. 2; Carroll's Ky. Stats., 1930, sec. 602a-2).

Private banking provisions repealed; incorporation required.

"Sections 599, 600, 601 and 602, Kentucky Statutes, relating to private banking are hereby repealed, and persons hereafter conducting or engaging in the banking business in this Commonwealth are required to become incorporated as now provided by law." (Acts of 1906, ch. 44, p. 278, sec. 3; Carroll's Ky. Stats., 1930, sec. 602a-3).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

LOUISIANA.

Private banking of doubtful legality.

Section 275 of the Revised Statutes of Louisiana (Act 166 of 1855) provides that -

> "Any person or association of persons, or corporation formed in compliance with the following provisions, may transact the business of banking in this state, and establish offices of discount, deposits, and circulation for that purpose, upon the terms and conditions, and subject to all the liabilities and penalties herein described."

Section 1 of Act 179 of 1902, as amended by Act 140 of 1906, (Banking Law Pamphlet, 1928, sec. 1, p. 4) provides -

> "*** that the business of banking shall be carried on only by such incorporated associations as shall have been organized under the laws of this state, and of the United States, by individual citizens of the state and by firms domiciled in the state where active members shall be citizens of this state, provided that no private banker or other person or persons not incorporated under this act shall be permitted to use the title Bank, Banking Association or Savings Bank in connection with its name."

Section 1 of Act 137 of 1918 (Banking Law Pamphlet, 1928, sec. 1, p. 105), provides in part that -

> "***No person, firm, association, company or corporation, either domestic or foreign, excepting only banks organized under the laws of the United States, not subject to the supervision of the Examiner of State banks, and not required by the laws of the State of Louisiana to report to him, and which has not received from the Examiner of State banks a certificate of authority to do a banking business, *** shall engage in the business of banking, or the business of receiving money on deposit, *** or solicit or receive deposits or transact business in the way or manner of a bank, savings bank or trust company ***"

Section 4 of this Act (Banking Law Pamphlet, 1928, sec. 4, p. 108), also provides that "all laws or parts of laws in conflict herewith be, and the same are hereby repealed."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The provisions of Section 275 of the Revised Statutes and Section 1 of Act 179 of 1902, as amended by Act 140 of 1906, above quoted authorized private bankers to carry on the "business of banking"; but whether private banking can now be transacted lawfully is a doubtful question in view of the fact that the laws do not appear to contain any provisions providing for the supervision of, or the issuance of a certificate of authority to do a banking business to, private bankers by the "Examiner of State banks", which is required by the above quoted provision of Section 1 of Act 137 of 1918, as a condition precedent to the transaction of a banking business by any person or corporation. Furthermore, the Examiner of State banks advises that he will not issue a certificate of authority to a private banker to engage in the banking business. Additional provisions of Act 137 of 1918 affecting the private banking situation are set forth below.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Prohibition against advertising or transacting business as bank, savings bank or trust company.

No person, firm, association, company or corporation, except banks organized under the laws of the United States, not authorized to do business by the State Bank Examiner or reporting to or under his supervision, can "advertise that he or it is accepting money, savings and issuing notes or certificates of deposit or investment therefor * * * or transact business in such a way or manner as to lead the public to believe that its business is that of a bank, savings bank, or trust company, * * * , or use the word, 'Bank', 'Banker', 'Banking', 'Savings Bank', 'Savings', 'Trust', 'Trustee', 'Trust Company', * * * or any other word or words of similar import as part of its name or title, " or make use of any sign or other advertising indicating that the place of business or the business carried on is in any way that of a bank, savings bank, or trust company. (Act 137 of 1918, sec. 1; Banking Law Pamphlet, 1928, sec. 1. pp. 105 and 106.)

Penalty for violation of above provisions; procedure to restrain violation.

The laws prescribe that a penalty of $100 a day must be paid to the State for each day that a violation of any of the above provisions continues. Upon an action brought by the Attorney General the District Court may issue an injunction restraining the use of words or from further transacting business in violation of the above provisions, and may make such other order as equity and justice may require. (Act 137 of 1918, sec. 1; Banking Law Pamphlet, 1928, sec. 1, pp. 106 and 107.)

Examiner must examine persons or firms suspected of violating above provisions; fees.

Whenever it comes to the notice of the State Bank Examiner that any person, firm, or corporation, is violating the above provisions or is conducting the business of banking, it is his duty to make an immediate examination of the affairs of any such person, firm, or corporation. For the purpose of making such examination, the examiner is given free access to all the books, papers and accounts and has power to administer oaths to any officer, agent, employee, etc., of such person, firm, or corporation, and to any other person whose testimony may be required. The examiner is authorized in his discretion, to assess the same fee for such examination as is assessed for the examination of incorporated banks and trust companies. (Act 137 of 1918, sec. 2; Banking Law Pamphlet, 1928, sec. 2. pp. 107 and 108.)

Refusal to permit examination or answer inquiries.

A refusal to exhibit or turn over any books, accounts and papers for examination or to answer any inquiries of the examiner, constitutes a misdemeanor which, upon conviction, is punishable by a fine of not less than $100 nor more than $500. (Act 137 of 1918, sec. 2; Banking Law Pamphlet, 1928, sec. 2, p. 107.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Examiner to report violations to Attorney General.

Where the State Bank Examiner has duly ascertained that any person, firm, or corporation is engaging in the business of banking or otherwise violating the provisions above referred to, it is his duty to report such violation or violations to the Attorney General, "who shall institute the necessary proceedings to enforce the penalties" above provided for. (Act 137 of 1918, sec. 3; Banking Law Pamphlet, 1928, sec. 3, p. 108.)

MAINE

Private banking prohibited; some exceptions.

General rule:

" No person, copartnership, association, or corporation shall do a banking business unless duly authorized under the laws of this state or the United States, except as provided by section four. The soliciting, receiving, or accepting of money or its equivalent on deposit as a regular business by any person, copartnership, association, or corporation, or a corporation intended to derive profit from the loan of money except as a reasonable incident to the transaction of other corporate business or when necessary to prevent corporate funds from being unproductive, shall be deemed to be doing a banking business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass-book, a note, a receipt, or other writing; provided that nothing herein shall apply to or include money left with an agent, pending investment in real estate or securities for or on account of his principal.

Whoever violates this section, either individually or as an interested party in any copartnership, association, or corporation, shall be punished by a fine of not less than three hundred dollars nor more than one thousand dollars, or by imprisonment for not less than sixty days nor more than eleven months, or by both such fine and imprisonment." (R.S. of 1930, ch. 57, sec. 3.)

Exceptions:

(a) Corporations which desire to encourage thrift among their employees may secure right to receive from such employees deposits subject to interest at a specified rate, upon application to the bank commissioner and compliance with certain conditions. (R.S. of 1930, ch. 57, sec. 4.)

(b) Apparently a foreign person or association may carry on the business of accumulating and loaning or investing the savings of its members or of other persons in the manner of loan or building associations upon compliance with certain conditions.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"The bank commissioner may authorize any such association or corporation duly established under the laws of another state to carry on such business in this state, but said association or corporation shall not transact such business in this state unless it shall first deposit with the treasurer of state, the sum of twenty-five thousand dollars and thereafter a sum equal to fifteen per cent of the deposits made in such association or corporation by citizens of the state, the amount of percentage of deposits so required to be determined from time to time by the bank commissioner; or in lieu thereof the whole or any part of said sum may consist of any of the securities in which savings banks may invest, as regulated in section twenty-seven at their par value, and the said deposit shall be held in trust by said treasurer for the protection and indemnity of the residents of the state with whom such associations or corporations respectively have done or may transact business. Said moneys or property shall be paid out or disposed of only on the order of some court of competent jurisdiction, made on due notice to the attorney-general of the state, and upon such notice to the creditors and shareholders of such association or corporation as the court shall prescribe. For the purpose of ascertaining the business and financial condition of any such association or corporation doing or desiring to do such business, the bank commissioner may make examinations of such associations or corporations, at such times and at such places as he may desire, the expense of such examinations being paid by the association or corporation examined, and may also require returns to be made in such form and at such times as he may elect. Whenever, upon examination or otherwise, it is the opinion of the bank commissioner that any such association or corporation is transacting business in such manner as to be hazardous to the public, or its condition is such as to render further proceedings by it hazardous to the public, said bank commissioner shall revoke or suspend the authority given to said association or corporation; but this section shall not prevent such association, corporation, or institution incorporated under the laws of another state, from loaning money upon mortgages of real estate located within the state." (R.S. of 1930, ch. 57, sec. 122.)

Prohibition of use of words "bank," "savings," "trust" and related words.

"No person or partnership and no association or corporation unless duly authorized under the laws of this state or of the United States to conduct the business of a bank or trust company shall use as a part of the name or title under which such business is conducted, or as designating such business, the word or words 'bank,' 'banker,' 'trust,' 'trust company,' 'banking,' or 'trust and banking company,' or the plural of any such word or words or any abbreviation thereof in or in con-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

nection with any other business than that of a bank or trust company duly authorized as aforesaid. Provided, however, that this restriction shall not apply to any such person, partnership, association, or corporation, conducting business under such name or style prior to the twenty-third day of April, nineteen hundred five. No person, partnership, association, or corporation, bank or trust company, except a mutual savings bank organized under the laws of this state, shall use as a part of its name or title the word or words 'saving,' 'savings,' or 'savings bank.' Provided, however, that this restriction shall not apply to any business being conducted under such name or style prior to the twenty-third day of April, nineteen hundred five, nor to any bank or trust company using such word or words prior to the first day of January, nineteen hundred twenty-nine.

Any person, partnership, association, or corporation violating any of the provisions of this section may be enjoined therefrom by any court having general equity jurisdiction, on application of the bank commissioner or any person, corporation, or association injured or affected by such use; and any such court may further enjoin any attempt on the part of any person, firm, or corporation to mislead or give a false impression to the public that such person, firm or corporation is authorized under the laws of this state to conduct the business of a trust company. Any person or persons violating any of the provisions of this section, either individually, as members of any association or copartnership, or as interested in any such corporation, shall be punished by a fine of not more than one thousand dollars, or by imprisonment for not less than sixty days nor more than eleven months, or by both such fine and imprisonment." (R.S. of 1930, ch. 57, sec. 5.)

MARYLAND.

No provisions covering operation except restrictions against using certain advertising.

Except for the following provisions, which appear to be applicable to private banks, the laws of this State contain no provisions covering the organization or operation of private banks:

"No person, co-partnership or corporation not subject to the supervision and examinations of the Bank Commissioner, and not required to make reports to him * * *, shall make use of any sign at the place where such business is transacted, having thereon any artificial or corporate name or other words indicating that such place or office is the place or office of a banking institution as defined in this Article"; nor shall such person or persons, make use of or circulate any advertising "indicating that such business is the business of a banking institution." A violation of these provisions constitutes a misdemeanor and subjects the person or persons committing such viola-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

tion to certain prescribed penalties. "The provisions of this section shall not apply to persons, copartnerships, or corporations which, at the time this Act takes effect, (June 1, 1918), are engaged in business in incorporated towns or cities of the State of less than ten thousand inhabitants." (Annotated Code of Maryland, 1924, Vol. 1, Article Eleven sec. 78; Laws of 1910, ch. 219, sec. 74, as amended by Laws of 1912, ch. 194, sec. 74 and Laws of 1918, ch. 33, sec. 75; Banking Laws, 1927, sec. 78, p. 36.)

Definition of "Banking Institution."

"the words 'Banking Institutions', as used in this Article, shall be held to mean incorporated Banks, Savings Institutions and Trust Companies, * * * ". (Annotated Code of Maryland, 1924, Vol. 1, Article Eleven Sec. 52; Laws of 1910, ch. 219, sec. 51; Banking Laws, 1927, sec. 52, p. 27.)

MASSACHUSETTS.

No provisions prohibiting private banking business; but certain advertising, and receiving deposits as savings bank or trust company prohibited.

The laws of this State do not contain any provisions with reference to the organization or establishment of private banks or bankers, except as indicated in last paragraph hereof, and except for the prohibitions embraced in the following provisions, the laws are silent with regard to the operation of such banks or bankers. The following provisions prohibit the receipt of deposits as a savings bank or trust company, and the use of any advertising or banking terms indicating that the place of business or the business carried on is that of a savings bank or trust company, by any person, partnership or association other than savings banks and trust companies incorporated under the laws of Massachusetts.

Prohibition against receipt of certain deposits and use of specific banking terms and other advertising.

" * * * no person, partnership or association except savings banks and trust companies incorporated under the laws of this commonwealth", and certain foreign banking corporations, shall hereafter make use of any signs or other advertising indicating that the place of business or business transacted is that of a savings bank; "nor shall any such * * * person, partnership or association, * * * solicit or receive deposits or transact business in the way or manner of a savings bank, or in such a way or manner as to lead the public to believe, or as in the opinion of the commissioner might lead the public to believe, that its business is that of a savings bank; nor shall any person, partnership, * * * or association, (excepting certain institutions not connected with or related to private banks or bankers) * * *

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

hereafter transact business under any name or title which contains the word 'bank' or 'banking', or any word in a foreign language having the same or similar meaning, as descriptive of said business, or, if he or it does a banking business or makes a business of receiving money on deposit, under any name or title containing the word 'trust', or any word in a foreign language having the same or similar meaning, as descriptive of said business." (General Laws, ch. 167, sec. 12; as amended Act 1921, ch. 78, sec. 1; Act 1922, ch. 114; Banking Law Pamphlet Relating to Savings Banks, 1929, ch. 167, sec. 12, p. 4.)

Bank Commissioner may examine books, accounts, etc. to ascertain whether law is being violated.

"The commissioner or his examiners may examine the accounts, books and papers of any * * * person, partnership or association making a business of receiving money on deposit, or which has the word 'bank', 'banking', 'banker', 'bankers', or 'trust', or any word in a foreign language having the same or similar meaning, in the name under which its business is conducted, in order to ascertain whether such * * *, person, partnership or association has violated or is violating any provision of the preceding section; and any * * *, person, partnership or association refusing to allow such examination or violating any provision of said section shall forfeit to the commonwealth one hundred dollars a day for every day or part thereof during which such refusal or violation continues." (General Laws, ch. 167, sec. 13; as amended Acts 1921, ch. 78, sec. 2; Banking Law Pamphlet Relating to Savings Banks, 1929, ch. 167, sec. 13, p. 4.)

Commissioner shall report violations to Attorney General; procedure to restrain violation.

Any refusal to permit such an examination, or any violation of the provisions first above quoted "shall forthwith be reported by the commissioner to the Attorney General. The said forfeiture may be recovered by an information or other appropriate proceeding brought in the Supreme Judicial or Superior Court in the name of the Attorney General. Upon such information or other proceeding the court may issue an injunction restraining such * * * , person, partnership or association from further prosecution of its business within the commonwealth during the pendency of such proceeding or for all time, and may make such other orders or decrees as equity and justice may require." (General Laws, ch. 167, sec. 13; as amended Acts 1921, ch. 78, sec. 2; Banking Law Pamphlet Relating to Savings Banks, ch. 167, sec. 13, p. 4.)

Further prohibition against use of term "Trust Company" or receiving deposits as trust company.

"No person or association and no bank or corporation, except trust companies, shall use in the name or title under which his or its business is transacted the words 'Trust Company' even though said words

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

may be separated in such name or title by one or more other words, or advertise or put forth a sign as a trust company or in any way solicit or receive deposits as such. Whoever violates this section shall forfeit one hundred dollars for each day during which such violation continues." Certain foreign corporations are excepted from the provisions of this section. (General Laws, ch. 172, sec. 4; as amended Acts 1923, ch. 41; Trust Company Law Pamphlet, ch. 172, sec. 4, p. 15.)

Persons engaged in the receipt and transmission of funds to foreign countries.

Persons engaged in the business principally or in conjunction with that of selling railroad or steamship tickets or in the supplying of laborers, receiving deposits for safe keeping or transmitting the same or equivalents to foreign countries shall, "before engaging or becoming financially interested or continuing to engage or be financially interested in the business of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries, make, execute and deliver to the state treasurer a bond in a sum equal to twice the amount of money or equivalents thereof transmitted to foreign countries by such person in any one week, as determined by the commissioner of banks, in this chapter called the commissioner, but in no event shall the sum of the bond be less than fifteen thousand dollars; provided, that the sum of such bond shall be increased on order of the commissioner at any time to such amount as shall be shown by examination to be necessary. Said bond shall be conditioned upon the faithful holding and transmission of any money or equivalents thereof which shall have been delivered to such person for transmission to a foreign country, and, in the event of the insolvency or bankruptcy of the principal, upon the payment of the full amount of such bond to the assignee, receiver or trustee of the principal, as the case may require for the benefit of such persons as shall have been delivered money or equivalents thereof to said principal for the purpose of transmitting the same to a foreign country." (Acts 1923, ch. 473, sec. 2; Acts 1929, ch. 182, sec. 2.)

MICHIGAN.

Private banks expressly prohibited; exception.

"On and after the effective date of this act (1925), it shall be unlawful for any individual person, or unincorporated association of individual persons, to engage in the business of banking, * * *: Provided, That this act shall not apply to any individual person or unincorporated association of individual persons engaged in the business of banking at the time of the passage of this act." (Public Acts of 1925, Act No. 284, sec. 1; Banking Laws, 1929, sec. 364, p. 105.)

Penalty for establishment of private bank.

"From and after the passage of this act, no person or association of persons, not incorporated under the banking laws of this State

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and not now engaged in the private banking business, shall open up or attempt to operate any private bank, and any such operation or attempt shall be deemed a violation of this act, and the persons so operating or attempting to operate shall be deemed guilty of a felony, and on conviction thereof shall be punished by a fine not exceeding one thousand dollars or by imprisonment in the State prison for not more than five years, or by both such fine and imprisonment in the discretion of the court: Provided, That nothing in this act contained shall be construed to prohibit the surviving partner or partners of a copartnership from continuing the operation of any private bank operated by such copartnership at the time this act shall take effect." (Public Acts of 1925, Act No. 284, sec. 2; Banking Laws, 1929, sec. 365, p. 105.)

MINNESOTA.

"Individual or co-partnership" prohibited from transacting business of savings bank, safe deposit company or trust company.

From the following provisions, it appears that "a person, firm, individual or copartnership" is prohibited from advertising or engaging in business in any way as a savings bank, safe deposit company or trust company.

Provisions prohibiting business as savings bank, etc.

"No individual, co-partnership or corporation other than a savings bank or safe deposit and trust company subject to and complying with all the provisions of law relating to such bank or safe deposit and trust companies respectively, shall in any manner display or make use of any sign, symbol, token, letterhead, card, circular, advertisement stating, representing or indicating that he, it, or they, are authorized to transact the business which a savings bank, safe deposit or trust company usually does, or under said provision are authorized to do; nor shall any such individual, co-partnership or corporation use the words 'savings' or 'trust' or 'safe deposit' alone or in combination in title or name or otherwise or in any manner solicit business or make loans or solicit or receive deposits or transact business as a savings bank or safe deposit or trust company. * * . Every individual, co-partnership or corporation which shall violate any of the provisions of this section shall forfeit to the State the sum of one hundred dollars for every day such violation shall continue." (Act approved March 21, 1929, Laws of 1929, ch. 77, sec. 1; Banking Laws, 1929, sec. 1, p. 18.)

"Bank", "savings bank", "trust company" and "banking" defined.

"A bank is a corporation under public control, having a place of business where credits are opened by the deposit or collection of money and currency, subject to be paid or remitted upon draft, check, or order, and where money is advanced, loaned on stocks, bonds, bullion, bills of exchange, and promissory notes, and where the same are received for discount or sale; and all persons and co-partnerships, respectively, so operating, are bankers.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"A savings bank is an institution under like control, managed by disinterested trustees solely authorized to receive and safely invest the savings of small depositors.

"A trust company is a corporation under like control, authorized, within prescribed limitations, to act as a safe deposit company, trustee or representative for or under any court, public or private corporation, or individual, and as surety or guarantor." (General Statutes, 1923, sec. 7635; Banking Laws, 1929, p. 7)

"A 'bank' is a corporation having a place of business in this State, where credits are opened by the deposit of money or currency, or the collection of the same, subject to be paid or remitted on draft, check or order; and where money is loaned or advanced on stocks, bonds, bullion, bills of exchange or promissory notes, and where the same are received for discount or sale. A 'savings bank' is a corporation managed by disinterested trustees, solely authorized to receive and safely invest the savings of small depositors. Every 'bank' or 'savings bank' in this State shall at all times be under the supervision and subject to the control of the public examiner, (superintendent of banks) * * * and when so conducted said business shall be known as 'banking'." (General Statutes, 1923, sec. 7636; Banking Laws, 1929, p. 8).

Restriction against use of word "bank".

"Any person, firm or corporation carrying on in this State the business, or any part thereof, defined as 'banking' in the preceding section, who refuses to permit the public examiner (superintendent of banks) to inspect and superintend said business, and to see that the same is carried on in accordance with the banking laws of this State shall not be permitted to use the word 'bank' as the whole or any part of the business name of the place where said business is carried on, nor shall the word 'bank' be used on any stationery or in any advertisement of said business, as the whole or any part of the name or description of said business." (General Statutes, 1923, sec. 7637; Banking Laws, 1929, p. 8.)

MISSISSIPPI.

Banking business may only be transacted by corporations.

The laws of this State provide that "any person or firm now engaged in the banking business" as described below, "shall incorporate within six months after this (banking) act goes into effect. This section shall not apply except when such corporations keep the actual money on deposit or solicit outside deposits, but any person or association of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"persons now engaged in the banking business in this State shall be subject to all the provisions of this (banking) act until such person, persons or associations of persons shall be or become incorporated as provided in this section". Any person or firm is doing a banking business, under the Mississippi laws, when he or it has "a place of business within this state, where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check or order, or sale of drafts or exchange drawn on local or foreign banks, *** ". (Laws of 1914, ch. 124, sec. 27; Brown's Miss. and Fed. Stats., 1925, sec. 27, p. 43).

MISSOURI.

Private banks may not now be established.

By an act enacted in the year 1915, this state prohibited the establishment of new private banks, the pertinent provision stating "that hereafter no new private bank shall be established". This act also contains detailed provisions covering the organization, operation and supervision of banks and apparently permitted private banks who were engaged in a banking business at the time of its passage to continue the operation of such business upon complying with the provisions covering incorporated banks so far as the same are applicable." In addition, the act contains provisions specifically applicable to private banks, these provisions being set forth below.

Definition of "private bankers".

"Private bankers are declared to be those who carry on the business of banking by receiving money on deposit, with or without interest, by buying and selling bills of exchange, promissory notes, gold or silver coin, bullion, uncurrent money, bonds or stocks, or other securities, and of loaning money, without being incorporated." (Laws of 1915, p. 157; Rev. Stats. of Mo., 1929, sec. 5403; Banking Laws, 1919, sec. 11781, p. 88.)

Capital requirements.

A private banker could not engage in business "without a paid-up capital of not less than ten thousand dollars, and if said banking business is to be carried on in a city having a population of one hundred and fifty thousand inhabitants or more, then without a paid-up capital of not less than one hundred thousand dollars, * * * ". (Laws of 1915, p. 157; Rev. Stats. of Mo., 1929, sec. 5404; Banking Laws, 1919, sec. 11782, p. 88.)

Sworn statement necessary; contents of

Before engaging in business a private banker also had to file "a statement, subscribed and sworn to as correct and true before a notary public by each person connected with such business as owner or partner, setting forth: First, the names and places of residence of all

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"persons interested in the business, all of whom shall be residents of this state, the amount of capital invested; and second, the name in which the business is to be conducted and the place at which it is to be carried on; which statement shall be acknowledged, recorded in the office of the recorder of deeds of the county in which the bank is to be located, and a certified copy of such recorded instrument shall be filed in the office of the bank commissioner: * * *". (Laws of 1915, p. 157; Rev. Stats. of Mo., 1929, sec. 5404; Banking Laws, 1919, sec. 11782, pp. 88 and 89).

Cashier must give bond; condition of.

"The cashier of each private bank shall give bond to the state of Missouri, for such sum, and conditioned, as may be required by the commissioner, which shall be approved by the commissioner, and filed in his office." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5407; Banking Laws, 1919, sec. 11785, p. 90).

License fee or tax.

"No private banker * * *, after having made, recorded and filed the statement required by this article, shall be required to pay any license or tax not required of banks." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5408; Banking Laws, 1919, sec. 11786, p. 90.)

Provisions covering incorporated banks made applicable.

All of the provisions of law covering the organization, operation and supervision of incorporated banks "shall, so far as the same are applicable, apply to all private bankers doing business in this State; * * * " (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5407; Banking Laws, 1919, sec. 11785, p. 90)

Loan on personal security of owner in excess of 10% of capital prohibited; violation cause for appointment of receiver.

A private banker cannot make any loan or discount on the personal security or obligation of any owner in excess of ten per cent of the paid up capital and surplus of the bank. A violation of this prohibition empowers the bank commissioner "in his discretion, to make application for the appointment of a receiver for such private bank or banker, as now provided by law in case of insolvent banks and trust companies." (Laws of 1915, p. 157; Rev. Stats. of Mo., 1929, sec. 5405; Banking Laws, 1919, sec. 11783, p. 89).

Restriction upon use of funds.

"No private banker shall employ any part of his capital, or any funds deposited with or borrowed by him, in dealing or trading in, buying or selling lands, goods, chattels, wares or merchandise, but he may sell and dispose of all kinds of property which may necessarily come into his possession in the collection of his loans or discounts." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5406; Banking Laws, 1919, sec. 11784, p. 89.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Loans to one borrower and other use of funds.

A private banker may not "use or employ his capital or funds deposited with or borrowed by him in any other manner than banks are * * * permitted, or loan a greater amount to any person or loan any sum whatever, except upon like security as is required to be taken by banks." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5406; Banking Laws, 1919, sec. 11784, p. 89).

Surplus of 20% of capital required before profits may be distributed.

The profits of a private banker may not be distributed "without first setting apart to surplus accounts at least twenty per cent of the net profits each year until the surplus equals twenty per cent of the capital, and said surplus shall not be diminished except for the payment of any losses which may occur: Provided, if there are undivided profits, these shall first be used in payment of such losses." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5406; Banking Laws, 1919, sec. 11784, p. 89.)

Penalty for violation of provisions.

Any private banker who fails to make and file the statement required of incorporated banks or so much thereof as the bank commissioner may require "or shall fail or refuse to make or render any other report or statement required by the banking laws of this state, or who shall, wilfully and corruptly, make any such statement falsely, or who shall violate any of the provisions of this article (covering incorporated and private banks), he or they, and each of them shall be deemed guilty of a misdemeanor, and, upon conviction thereof, upon information or indictment, shall be punished by a fine, for each offense, not exceeding five thousand dollars nor less than five hundred dollars, or by imprisonment not less than one nor more than twelve months in the city or county jail, or by both such fine and imprisonment." (Laws of 1915, p. 158; Rev. Stats. of Mo., 1929, sec. 5407; Banking Laws, 1919, sec. 11785, p. 90.)

"If at any time the commissioner shall be satisfied that any private banker * to which has been issued an authorization certificate or license, is violating any of the provisions of this chapter, or is conducting its business in an unauthorized or unsafe manner, or is in an unsound or unsafe condition to transact its business, or cannot with safety and expediency continue business, the commissioner may, over his official signature and seal of office notify the holder of such authorizetion certificate or license that the same is revoked." (Rev. Stats. of Mo., 1929, sec. 5299).

MONTANA.

Banking business may only be transacted by corporations; exception.

The laws of this state provide that "It shall be unlawful for any corporation, partnership, firm, or individual to engage in or trans-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

act a banking business within this state, except by means of a corporation duly organized for such purpose. * * * this (bank) Act shall not apply to any person, firm or association now doing a private banking business; provided, however, that said private banks hereinabove referred to shall come under all of the provisions of this Act which may be fairly applicable thereto; * * * ". (Laws of 1927, ch. 89, sec. 2; Banking Laws, 1927, sec. 2, p. 8)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Advertising before issuance of charter; penalty

"It shall be unlawful for any individual, firm or corporation to advertise, publish or otherwise promulgate that it is engaged in the banking business without first having obtained authority from the Department of Banking, * * * . Any such individual, or member of such firm, or officer of any such corporation so offending, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be punished as provided by the laws of this State." (Laws of 1927, ch. 89, sec. 107; Banking Laws, 1927, sec. 107, p. 60)

As stated above, private bankers who were engaged in the transaction of a banking business as of the passage of the so-called bank act, March 8, 1927, are required to comply with such provisions of the bank act as "may be fairly applicable thereto". The bank act also contains other provisions which are specifically applicable to these private bankers, these provisions being set forth below.

Name of private bank.

The name of a private bank must contain the name of the individual conducting the business, or, if a copartnership or association, the name of at least one actual and responsible member thereof, "in addition to which name there shall be no other designation then the words 'bank of', 'Banking house of' 'banker', or 'bankers'. Nothing in this section shall apply to any person, firm or association now conducting a private banking business in this state, which bank is now authorized by the State Banking Department to do a banking business". (Laws of 1927, ch. 89, sec. 82; Banking Laws, 1927, sec. 82, p. 52).

"Approved property or assets" must be owned before deposits may be received.

Every private bank must before receiving any money on deposit "actually own and possess, within the State of Montana, approved property or assets not exempt from execution of the minimum value" of not less than $20,000; not less than $30,000 in cities and towns having a population of over 2,000 and up to 5,000; not less than $50,000 in cities having a population of 5,000 to 10,000; not less than $75,000 in cities having a population of 10,000 to 25,000; in all cities having a population of 25,000 or over the value of the property or assets must be $100,000. This financial condition must appear and be carried on the books of every private bank and these provisions "shall extend and be applicable separately to each and every private bank conducted by any person, co-partnership, or association, and no asset or assets shall appear on the books of more than one bank." (Laws of 1927, ch. 89, sec. 83; Banking Laws, 1927, sec. 83, p. 53).

Examinations; power of State Examiner.

Every private bank "shall be subject to examination and visitations of the State Examiner once each year, and oftener when deemed

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"necessary by said examiner, who shall have full power and authority to investigate and examine all books, papers, and effects of any such bank or banking house for the purpose of ascertaining the financial condition of any such bank or banks, and shall have the power in aid thereof to administer oaths to any person or persons, or the agent or employees of any person or persons conducting such bank or banking business." (Laws of 1927, ch. 89, sec. 84; Banking Laws, 1927, sec. 84, p. 53).

Reports of condition; number and nature of; publication required.

The cashier of every private bank is required, on call of the superintendent of banks, to make not less than three reports of condition during each year, anyone of which must be not less than two months apart. These reports must be verified by the cashier, must be made in such form as the superintendent may prescribe, and must contain a full abstract of the general accounts of the bank and show under appropriate heads the resources and liabilities of the bank. A condensed form of each report must be published in the newspapers and proof of such publication is required to be made to the superintendent. The superintendent also has power to call for special reports whenever he considers that such reports are necessary. (Laws of 1927, ch. 89, sec. 86; Banking Laws, 1927, sec. 86, p. 54).

Penalty for receiving deposits while bank is insolvent or for making false statements or entries.

Any person, or the members of any private bank, who receives deposits when such person or private bank is insolvent "or who subscribes or makes any false statement, or entries in the books of any such bank, or who knowingly subscribes or exhibits any false papers, with the intention of deceiving any person authorizing (authorized) to examine the condition of any bank provided for in this Act, or who wilfully subscribes or makes false reports to the Superintendent of Banks, shall be guilty of a felony, and shall be punishable by imprisonment in the State prison for a term not exceeding five (5) years." (Laws of 1927, ch. 89, sec. 87; Banking Laws, 1927, sec. 87, p. 55).

Pledging of assets.

"No * * * banker * * * shall, except as otherwise authorized by law, pledge or hypothecate as collateral security for money borrowed, its assets in a ratio exceeding one and one half times the amount borrowed (except as otherwise authorized by the Superintendent)." (Laws of 1927, ch. 89, sec. 99; Banking Laws, 1927, sec. 99, p. 58).

Taxation of private banks.

The laws of this state also contain detailed provisions covering the taxation of private banks. (Laws of 1927, ch. 64, sec. 1; Banking Laws, 1927, sec. 1 (2067), pp. 78 and 79).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NEBRASKA.

Banking business may only be transacted by corporations.

The laws of this State provide that the business of banking may only be transacted by corporations duly organized for that purpose. The provisions in this connection read as follows:

"The department of trade and commerce shall have general supervision and control of banks and banking under the laws of this state and no person or persons shall be permitted to engage in or transact a banking business save corporations having complied with the provisions of this article." (Comp. Stat. of Nebraska, 1922, sec. 7982; Banking Laws, 1929, sec. 7982, p. 3).

"It shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking business within this state, except by means of a corporation duly organized for such purpose under the laws of this state." (Comp. Stat. of Nebraska, 1922, sec. 7984; Banking Laws, 1929, sec. 7984, p. 3).

NEVADA.

Private banking business must be licensed; provisions of bank act applicable.

In order to engage in the business of banking in this State a private banker must obtain a license to do so and is subject "as far as may be" to the provisions of law covering incorporated banks.

Necessity for license.

"No individual, *** banking firm, *** company, *** shall engage in the banking business in this state without first obtaining from the bank examiner a license in the form presented by him, authorizing such individual, firm, *** company, *** to use the name and transact the business of a bank; ***" (Act of March 22, 1911, sec. 47; Banking Laws, 1930, sec. 47, p. 16).

Subject to supervision and control of State banking board and bank examiner; bank act made applicable.

"The state board of finance, sitting as the Nevada state banking board, shall have, in connection with the state bank examiner, supervision and control of banks and banking in this state, and no persons, firms, associations, or corporations shall be permitted to engage in the banking business in this state, save in compliance with this (bank) act." (Act of March 22, 1911, sec. 49, as amended by Laws of 1919, p. 285; Banking Laws, 1930, sec. 49, p. 16). The laws also

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

provide that "All of the provisions of this (bank) act shall be applicable as far as may be to individuals, firms, or associations, as well as to corporations." (Act of March 22, 1911, sec. 8; Banking Laws, 1930, sec. 8, p. 6).

Definition of words used in bank act.

"The words 'corporation,' 'banking corporation,' 'bank', 'trust company,' or 'banker', as used in this (bank) act, shall refer to and include banks, savings banks, and trust companies, individuals, firms, associations, and corporations of any character conducting the business of receiving money on deposit or otherwise carrying on a banking or trust company business, except as herein specially provided." (Act of March 22, 1911, sec. 75; Banking Laws, 1927, sec. 75, p. 23).

NEW HAMPSHIRE.

Private banks subject generally to banking and taxation laws.

The laws of this State provide that "Every association or partnership formed for the purpose of loaning money or dealing in money, receiving deposits, buying or selling exchange or transacting such other business as is usually transacted by banks, shall be a bank for the general purposes of this title and for taxation. The clerk or cashier of every such bank shall make the same returns to towns where its stockholders reside as the cashiers of other banks are by law required to make." (Public Stats., ch. 164, sec. 5; Public Laws, 1926, ch. 260, sec. 24; Banking Law Pamphlet, 1929, ch. 261, sec. 24, p. 9).

"This title" (XXVI) is that portion of the laws of New Hampshire relating to and covering the operation of banks, savings banks, and trust companies; and, apparently, the provision above quoted recognizes a private banking business, but requires such business to be conducted in accordance with the provisions of the laws relating to incorporated banking institutions and the taxation thereof, in so far as it is possible generally so to do. In addition, the laws contain certain provisions which are specifically applicable to private banks. These provisions are set out below.

Owners deemed stockholders; capital for taxation purposes.

"Every person owning any portion of the funds employed in any private bank shall be deemed a stockholder therein. The average amount of the capital of such private bank during the preceding year shall be the capital of such bank subject to taxation as stock." (Public Stats., ch. 164, sec. 6; Public Laws, 1926, ch. 260, sec. 25; Banking Law Pamphlet, 1929, ch. 260, sec. 25, p. 9).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Liability of stockholders.

"The stockholders of any private bank shall be liable as partners for all the debts and obligations of the bank." (Public Stats., ch. 164, sec. 7; Public Laws, 1926, ch. 260, sec. 26; Banking Law Pamphlet, 1929, ch. 260, sec. 26, p. 9).

Prohibition against advertising or transacting business as savings bank.

No person, partnership or association, "except savings institutions incorporated in this state", can make use of any sign or other form of advertising indicating that the place of business or business carried on is that of a savings bank, or "receive deposits and transact business in the way or manner of a savings bank, or in such a way or manner as to lead the public to believe, or, in the opinion of the commissioner, might lead the public to believe", that the business is that of a savings bank. (Laws of 1907, ch. 112, sec. 2; Public Laws, 1926, ch. 261, secs. 53-55; Banking Law Pamphlet, 1929, ch. 261, secs. 53-55, p. 18).

Examination to ascertain whether above provision is being violated.

"The commissioner shall have the authority to examine the accounts, books and papers of any ***, person, partnership or association which makes a business of receiving money on deposit in order to ascertain whether they have violated" the provisions last above referred to, and a penalty is prescribed for any such violation. (Laws of 1907, ch. 112, sec. 3; Public Laws, 1926, ch. 261, secs. 56 and 57; Banking Law Pamphlet, 1929, ch. 261, secs. 56 and 57, p. 19).

Recovery of penalty and injunction to restrain further prosecution of business.

"Any violation of *** (such) provisions *** shall forthwith be reported by the commissioner to the Attorney General; and the forfeiture may be recovered by an information or other appropriate proceeding brought in the superior court in his name. Upon such information or other proceeding the court may issue an injunction restraining such person, partnership, *** from further prosecution of its business within this state during the pendency of such proceeding or for all time, and may make such other order as justice may require." (Laws of 1907, ch. 112, sec. 3; Public Laws, 1926, ch. 261, secs. 58 and 59; Banking Law Pamphlet, 1929, ch. 261, secs. 58 and 59, p. 19).

Treasurer of savings bank shall not carry on private banking business.

"No treasurer or person acting as treasurer of a savings bank shall carry on or be engaged in the business of private banking, or shall suffer such business to be carried on in the office of the bank", and if any person violates these provisions "he shall be fined not more than one thousand dollars, or imprisoned not more

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

than one year or both". (Public Laws 1926, ch. 261, secs. 4 and 5.).

NEW JERSEY

Penalty for carrying on banking business without authority.

"No individual, association of individuals, partnership or joint stock association, shall engage in the business of banking, except under and in accordance with the provisions of this act, unless possessed of unencumbered assets of at least fifty thousand dollars, and that any such individual, association of individuals, partnership or joint stock association and the individual members thereof, who shall violate the provisions of this act and carry on the business of banking without authority, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding five thousand dollars, or by imprisonment at hard labor for a term not exceeding seven years, or both." (Laws of 1925, ch. 189, p. 454; Comp. Stat. of N. J., Supplement, 1925-1930, Sec. 17-44.).

Private banker must be a citizen of the United States and at least one member of the firm must reside in State.

"No individual or individuals shall engage in the business of banking who are not citizens of the United States, and no individual, association of individuals, partnership or joint stock association, shall engage in the business of banking within this State unless one or more of the persons so engaged shall be residents in and inhabitants of this State, and for every violation of the provisions of this section, the person or persons so offending shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be liable to a fine of not more than one thousand dollars, and in all reports that shall be made by such individual, association of individuals, partnership or joint stock association, the full names and places of residence of each of the persons so interested shall be fully set out." (Laws of 1925, ch. 189, p. 454; Comp. Stat. of N. J., Supplement, 1925-1930, Sec. 17-47.).

Insolvency, etc.; commissioner may apply for injunction or receiver.

In case it appears from any report made by or any examination of any private bank that such bank is insolvent or is unable to pay its obligations as they severally mature, or is unable to pay its depositors the money held by it on deposit whenever called upon so to do, or shall suspend its ordinary business for want of funds to carry on the same, or shall not be possessed of unencumbered assets of at least fifty thousand dollars in excess of its liabilities, the commissioner, or any creditor of the bank, may apply "to the chancellor" for an injunction or the appointment of a receiver. If after a hearing, it appears to the chancellor that the private bank is insolvent, or is not able to resume business

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with safety to the public and advantage to the creditors, or is not possessed of unencumbered assets of at least fifty thousand dollars in excess of its liabilities, the chancellor may issue an injunction to restrain such private bank from further carrying on business, and if insolvent, from collecting or receiving any debts, or from paying out, selling, assigning or transferring any of the assets, moneys, funds, lands, tenements or effects belonging to it, until the court otherwise orders. (Laws of 1925, ch. 189, p. 455; Comp. Stat. of N. J., Supplement, 1925-1930, Sec. 17-48.).

Certificate of authority necessary to engage in business; examination by commissioner.

"No individual, association of individuals, partnership or joint stock association shall engage in the business of banking in this State unless authorized thereunto by the commissioner of banking and insurance by his certificate to that effect, and such certificate shall not be made or issued by the said commissioner until after the said individual, association of individuals, partnership or joint stock association, shall have made to him the report or reports required by this act; and not until after the said commissioner of banking and insurance, or some person appointed by him, shall have made an examination of the affairs and financial condition of such individual, association of individuals, partnership or joint stock association, from which it shall appear to said commissioner that he or they are then solvent and able to pay his or their debts at maturity, and are possessed of unencumbered assets of at least fifty thousand dollars in excess of his or their liabilities; provided, the commissioner of banking and insurance may refuse to issue such certificates of authorization if in his judgment the interests of the public would be best subserved by such refusal;" (Banking Laws of 1925, ch. 189, p. 456; Comp. Stat. of N. J., Supplement, 1925-1930, Sec. 17-51.).

Advertisements indicating banking business.

"that no individual, association of individuals, partnership or joint stock association, not authorized under this act to do a banking business, shall make use of any office sign at the place where his or their business is transacted, having thereon any artificial or corporate name or other word or words indicating that such place or office is the place or office of a bank, nor in any manner advertise that he or they are engaged in a banking business, nor make use of or circulate any letterheads, billheads, blank notes, blank receipts, certificates, circulars or any written or printed or partly written and partly printed paper whatever, having thereon any artificial or corporate name or any other word or words indicating that his or their business is that of a bank." (Laws of 1925, ch. 189, p. 456, Comp. Stat. of N. J., Supplement 1925-1930, Sec. 17-51.).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NEW MEXICO.

Provisions of "bank act" made applicable to "individuals and copartnerships."

The laws of this State provide that "This act shall be known as the 'Bank Act' and shall be applicable to all corporations, individuals and copartnerships specified in the next section, except as hereinafter specifically excepted." (Laws of 1915, ch. 67, sec. 1; New Mexico Stats. Ann., 1929, sec. 13-101; New Mexico Bank Code, 1929, sec. 1, p. 5.). The "next section" referred to sets out that "The word 'Bank' as used in this (bank) act includes every person, firm, company, copartnership or corporation, except National Banks, engaged in the business of banking in the State of New Mexico." (Laws of 1915, ch. 67, sec. 2; New Mexico Stats. Ann., 1929, sec. 13-102; New Mexico Bank Code, 1929, sec. 2, p. 5). The bank act provides further that "When by the provisions hereof anything is required to be done by any incorporated bank, or other corporation, carrying on a banking business under any of the provisions of this act, or by the Board of Directors of any such incorporated bank or corporation, or any officer, director or employee thereof, or their right or power to do a specific act is denied, the same act shall be done, or not, as the case may be, by individuals or copartners engaged in the banking business." (Laws of 1915, ch. 67, sec. 7; New Mexico Stats. Ann., 1929, sec. 13-107; New Mexico Bank Code, 1929, sec. 7, pp. 5 and 6.).

It would appear, therefore, that these provisions have the effect of subjecting persons, firms, copartnerships and unincorporated banks to the same provisions as are made applicable to incorporated banks. In addition the bank act makes the following requirements specifically applicable to private banks:

Private bankers engaged in other business in addition to that of banking; capital required; separation of capital; payment of creditors; manner of keeping books; bank act requirements covering reserves, deposits, investments, etc., made applicable.

"All persons, (and) co-partnerships * * * engaged in business, a portion only of which is banking, shall set apart and keep separate so much capital for banking as may be necessary for conducting a bank * * *. The capital so set apart and the assets of said bank or banking department shall be first applicable to the payment of the creditors thereof, as distinguished from the general creditors of the persons, (or) co-partnerships * * * conducting the same. Every person, (or) co-partnership * * * so carrying on a banking business in connection with any other business shall keep separate books of account for each banking business, and shall be governed as to all deposits, reserves, investments and transactions relating to such banking business, by the provisions of this act provided for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the control of such banking business, and with respect to said banking business or banking department shall be subject to all the provisions of this act." (Laws of 1915, ch. 67, sec. 9; New Mexico Stats. Ann., 1929, sec. 13-109; New Mexico Bank Code, 1929, sec. 9, p. 6.).

Certified statement as to capital stock, names and residences of copartners, amount of capital owned by each.

The bank act provides that "any individual or co-partnership desiring to conduct a banking business shall file in the office of the State Bank Examiner and of the State Corporation Commission a similar statement" as that filed by a corporation. The laws with reference to the statement filed by a corporation provide that "As soon as ten per cent of the capital stock and surplus of the corporation shall be fully paid in cash, a copy of the by-laws of said bank and the oaths of its directors shall be filed in the office of the State Bank Examiner and of the State Corporation Commission, together with a statement executed on behalf of the corporation and sworn to by its president, and cashier or secretary, certifying: the full amount of the entire capital stock of said corporation subscribed; the names and residences of the officers, directors and stockholders of said corporation; the amount of stock owned by each, and the fact that such corporation will be fully prepared to transact the business for which it was organized, upon the payment in cash of the remaining ninety per cent of the capital stock and surplus." (Laws of 1929, ch. 131, sec. 5; New Mexico Stats. Ann., 1929, sec. 13-113; New Mexico Bank Code, 1929, sec. 13, p. 7).

Word "State" may not be used as part of title.

"Individuals and co-partners engaged in banking shall not use the word 'State' as part of the name of the banking business." (Laws of 1919, ch. 120, sec. 4; New Mexico Stats. Ann., 1929, sec. 13-114; New Mexico Bank Code, 1929, sec. 14, p. 8).

Ownership of stock by co-partners.

"Co-partners conducting a bank shall each own at least ten per cent" of the stock of the firm. (Laws of 1929, ch. 131, sec. 6; New Mexico Stats. Ann., 1929, sec. 13-117; New Mexico Bank Code, 1929, sec. 17, p. 9).

Oath required of owners.

Every owner of an unincorporated bank, actually engaged in its management, shall annually make an oath that he will diligently and honestly administer the affairs of the bank; that he will not knowingly violate, nor willingly permit to be violated, any provision of the law; and that he is the owner in good faith of the required amount of capital and that this capital is not pledged or incumbered.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The State Bank Examiner furnishes blanks for such oath and within twenty days after execution it must be filed with the State Bank Examiner. (Laws of 1919, ch. 120, sec. 8; New Mexico Stats. Ann., 1929, sec. 13-119; New Mexico Bank Code, 1929, sec. 19, p. 9.).

Penalty for failure to comply with provisions re oaths.

"Every bank failing to comply with the provisions of this section (regarding oaths) shall pay to the State Bank Examiner a penalty of Five Dollars for each day's delay." (Laws of 1919, ch. 120, sec. 8; New Mexico Stats. Ann., 1929, sec. 13-119; New Mexico Bank Code, 1929, sec. 19, p. 9).

Statement as to names and residences of owners and amount of stock held.

"Every bank shall, within twenty days after the first Tuesday in January of each year, upon a form to be furnished by the State Bank Examiner, file with the State Bank Examiner a statement sworn to by * * * at least two owners of an unincorporated bank, disclosing the names and residences of all *** owners thereof, together with the amount of stock or interest held by each. In the event of any change in the * * * owners of any unincorporated bank, such changes shall within twenty days be likewise certified to the State Bank Examiner." (Laws of 1919, ch. 120, sec. 9; New Mexico Stats. Ann., 1929, sec. 13-122; New Mexico Bank Code, 1929, sec. 22, p. 10).

Penalty for failure to comply with provisions re statement.

"Every bank failing to comply with the provisions of * * * (the) section (last above quoted) shall pay to the State Bank Examiner a penalty of Five Dollars for each day's delay." (Laws of 1919, ch. 120, sec. 9; New Mexico Stats. Ann., 1929, sec. 13-122; New Mexico Bank Code, 1929, sec. 22, p. 10).

Meetings of owners; examination of books, records, etc., required.

"The board of directors or owners of every bank shall hold regular meetings once each month. Failure on the part of any director without good cause to attend three consecutive meetings shall be ground for his removal by the State Bank Examiner. At not less than two of said meetings during each year, which meetings shall be at least five months apart, the board of directors or an auditing committee consisting of at least two members of the board of directors shall make a thorough examination of the books, records, funds, securities and other property held or owned by the bank, and shall enter upon their minutes the result of such examinations and a certified copy of such entry shall within twenty days from the date thereof be filed with the State Bank Examiner." (Laws of 1929, ch. 131, sec. 7; New Mexico Stats. Ann., 1929, sec. 13-123; New Mexico Bank Code, 1929, sec. 23, p. 10).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Penalty for failure to make such examination.

If the owners of any bank fail to make or cause to be made an examination of the books, records, funds, securities and other property held or owned by the bank, each of such owners is personally liable to a penalty of fifty dollars for every such failure. If this penalty is not paid within thirty days after demand therefor, the State Bank Examiner must institute civil proceedings to recover the same. No owner can be reimbursed out of the funds of the bank on account of any penalty paid, nor can any penalty be paid out of the funds of the bank. (Laws of 1929, ch. 131, sec. 7; New Mexico Stats. Ann., 1929, sec. 13-123; New Mexico Bank Code, 1929, sec. 23, p. 10).

Endorsement of paper of borrower by owner.

No owner in an unincorporated bank can become endorser for any person, firm or corporation borrowing money therefrom, nor can any note or obligation of such owner be considered as an asset of the bank. (Laws of 1919, ch. 120, sec. 20; New Mexico Stats. Ann., 1929, sec. 13-136; New Mexico Bank Code, 1929, sec. 35, p. 15).

Declaration of dividend; surplus fund required.

The owners may semi-annually declare a dividend of so much of the net profits of the bank as has been actually earned and collected; but every bank must before the declaration of a dividend, carry one-fifth of its net profits for the preceding half year to its surplus fund until it amounts to fifty per centum of its capital stock, and such surplus must thereafter be maintained unless impaired by unavoidable losses. (Laws of 1929, ch. 131, sec. 11; New Mexico Stats. Ann., 1929, sec. 13-146; New Mexico Bank Code, 1929, sec. 45, p. 17).

NEW YORK

The laws of this State provide that if a private banker executes and has accepted by the superintendent of banks a certain affidavit, the required contents of which are hereinafter set forth, such banker is exempted from certain other provisions of law. The provisions covering such banker are digested immediately below.

A private banker who has not executed and had accepted by the superintendent the so-called exemption affidavit is subject, in addition to the provisions set out immediately below, to certain other provisions. These additional provisions are digested separately and follow after the provisions covering private bankers of the class first above referred to.

Definition of private banker.

"The term, 'private banker', when used in this chapter,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"means an individual, who, by himself, or as a member of a partnership or unincorporated association other than an unincorporated express company having a contract with a railroad company or railroad companies for the operation of an express service upon the lines thereof, is engaged in the business of receiving deposits subject to check or for repayment upon the presentation of a pass book, certificate of deposit or other evidence of debt, or upon the request of the depositor, or in the discretion of such individual, partnership or unincorporated association; of receiving money for transmission; of discounting or negotiating promissory notes, drafts, bills of exchange or other evidences of debt; of buying or selling exchange, coin or bullion; or is engaged in the business of transacting any part of such business. The term, 'private banker', when so used, shall include the executor or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

administrator of a deceased private banker and a partnership or unincorporated association of private bankers." (Banking Law, sec. 2).

Classes of private bankers covered by provisions.

The laws of this State provide that the provisions applicable to private bankers, "except as hereinafter further limited, shall apply to every private banker engaged in the business of private banking in the State:

"1. Who makes use of the word 'bank,' 'banker,' 'banking' or any derivative or compound of any such word or any words in a foreign language having the same or similar meanings, in or on any sign or any passbook, check, receipt, note, stationery, billhead, certificate, blank, form, pamphlet, circular or newspaper or other advertising matter, or who solicits deposits by means of signs or other advertising; or

"2. Who pays or credits interest, or pays, credits or gives any bonus or gratuity or any thing of value, except on certificates of deposit actually outstanding at the time this act takes effect, to any depositor on any deposit balance of less than seven thousand five hundred dollars, if such deposit balance is that of any depositor resident in the United States who does not have with such banker during the period in respect of which interest is so paid or credited, an average daily credit balance or securities of an average daily market value, together exceeding seven thousand five hundred dollars; provided the aggregate amount of such deposit balances on which interest is so paid or credited exceeds two per centum of the total deposits of such private banker; or

"3. Who receives money on deposit for safekeeping or for any other purpose (other than for transmission to others) in such sums that the average of all the separate deposits so received by such private banker from all depositors during any twelve months' period (or for such period, if less than twelve months, that such private banker has been engaged in such business) is less than one thousand dollars. * * * ; or

"4. Who receives from any person at any one time money for transmission to others in any manner whatsoever in amounts of less than five hundred dollars, provided, however, that any private banker may, without thereby becoming subject to the provisions of this article, sell letters of credit, bankers' checks, travellers' checks, bills of exchange, drafts or other similar documents or may make cable transfers in amounts of less than five hundred dollars, if he has deposited and shall keep on deposit with the superintendent of banks interest bearing stocks or bonds of the United States or of this state or of any city, county, town, village or free school district in this state authorized by the legislature to issue the same, in a principal amount equal to one hundred thousand dollars. * * * ". (Banking Law, sec. 150).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Business not to be begun without authorization certificate of superintendent of banks.

None of the business comprised in the above definition of a private banker shall be carried on by any "individual, partnership or unincorporated association" unless an authorization certificate is granted by the superintendent of banks. (Banking Law, sec. 150-a).

Procedure to obtain authorization certificate.

Every private banker or other individual, partnership or unincorporated association seeking to engage in business as a private banker must submit to the superintendent of banks a verified certificate in duplicate which shall state:

"1. The full name, residence and post office address of such individual or of each member of such partnership or unincorporated association.

"2. The state, or country, of which each individual named in such affidavit is a citizen.

"3. The amount of permanent capital such individual, partnership or unincorporated association has kept invested in his business as a private banker or has deposited in cash to be invested in such business which shall be not less than the amounts hereinafter specified:

"(a) Fifteen thousand dollars if the place where the business is to be transacted is an incorporated or unincorporated village having a population which does not exceed two thousand;

"(b) Twenty-five thousand dollars if the place where the business is to be transacted is an incorporated or unincorporated village having a population of two thousand or more and less than ten thousand;

"(c) Fifty thousand dollars if the place where the business is to be transacted is an incorporated or unincorporated village or a city having a population of ten thousand or more and less than thirty thousand;

"(d) One hundred thousand dollars if the place where the business is to be transacted is a city having a population of thirty thousand or more.

"4. The place at which such business is to be transacted.

"5. If such private banker is engaged in business as a private banker in a city the population of which exceeds one hundred and seventy-five thousand, the amount of deposit balance upon which such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

private banker pays or credits interest or pays, credits or gives any bonus or gratuity or anything of value to a depositor and the average of the separate deposits of such private banker since January first, nineteen hundred thirty, or for a period of twelve months immediately preceding the date of such verified certificate, exclusive of dividend checks, coupons or other small collection items collected by such private banker for customers in the ordinary course of business in; or, if the applicant has not already engaged in such business, said certificate shall state the minimum deposit balance upon which such applicant proposes to pay or credit interest or to pay, credit or give such bonus or gratuity, or thing of value.

"Such certificate shall be verified by such individual or by one or more members of a partnership or unincorporated association, in the discretion of the superintendent, upon a form prepared by the superintendent of banks, which shall state that the affiant or affiants have read such certificate and that the facts therein stated are true." (Banking Law , sec. 151).

When the superintendent receives the verified certificate, he must ascertain whether the character, responsibility and general fitness of the person or persons named in such certificate are such that the business of the proposed private banker will be honestly and efficiently conducted and whether the public convenience and advantage will be promoted by allowing such proposed banker to engage or continue in business. The superintendent is also required to ascertain whether the facts stated in the certificate are true in case the private banker has not submitted with it the so-called exemption affidavit or such affidavit has been refused by the superintendent. After the superintendent has satisfied himself that it is expedient and desirable to permit such private banker to engage or continue in business, he may approve the certificate and must immediately give notice of the approval to the private banker. (Banking Law , sec. 23).

Revocation of authorization certificate or license by superintendent; effect of.

"If at any time the superintendent shall be satisfied that any private banker * * * is violating any of the provisions of this chapter, or is conducting its business in an unauthorized or unsafe manner, or is in an unsound or unsafe condition to transact its business, or can not with safety and expediency continue business, the superintendent may, * * * notify the holder of such authorization certificate or license that the same is revoked." (Banking Law, sec. 29) It is also provided that "Whenever the superintendent shall have revoked his authorization of any such private banker, and shall have taken the action to make such revocation effective specified in section twenty-six of this chapter (section twenty-six provides for the revocation of the superintendent's acceptance

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the affidavit entitling private bankers to certain exemptions, and this section and the section covering the exemption affidavit are set out hereinafter), all the rights and privileges of such banker, resulting from such preceding authorization, shall forthwith cease and determine." (Banking Law , sec. 158).

Conditions precedent to transacting business.

No private banker can engage or continue in business until (a) the amount of permanent capital required by law is invested in the business, or is deposited in cash to be so invested, and (b) the superintendent of banks has issued an authorization certificate and has filed such certificate in his office. (Banking Law , sec. 152.) When the authorization certificate has been issued and filed by the superintendent of banks, a private banker is subject to all of the provisions relating to private bankers. (Banking Law , sec. 152).

Permanent unimpaired capital must be maintained; if impaired, superintendent may issue order to make deficiency good.

Every private banker must keep unimpaired in his banking business the amount of permanent capital specified in the verified certificate. (Banking Laws, sec. 154). Whenever it appears to the superintendent that the capital has been reduced below the requirements of law, he may issue an order directing that such deficiency be made good immediately or within a time specified in such order. (Banking Law , sec. 56).

Capital may be increased or decreased.

"From time to time, with the written approval of the superintendent and upon good cause shown, such permanent capital may be increased or decreased." (Banking Law , sec. 154).

Segregation of investment of capital and deposits.

"All securities, property and the evidences of title thereto, in which the permanent capital of and the deposits with any such private banker have been invested shall be segregated and kept separate and apart from all other property and assets of such private banker." (Banking Law , sec. 155).

Reserves required against deposits.

Every private banker is required to maintain total reserves against deposits in the following amounts (Banking Law , sec. 157):

18 per cent of demand deposits if located in a borough having a population of 1,500,000 or over; and at least 12 per cent of such deposits shall be maintained as reserve on hand.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

15 per cent of demand deposits if located in a borough of 1,000,000 and less than 1,500,000 population and with no office in a borough of 1,500,000 or over; and at least 10 per cent of such deposits shall be maintained as reserves on hand.

12 per cent of demand deposits if located elsewhere in the state; and at least 4 per cent of such deposits shall be maintained as reserves on hand. (Banking Law , sec. 112).

Failure to maintain required reserves; penalties; superintendent may issue order to make deficiency good.

If any private banker fails to maintain the required reserves, "the superintendent shall levy an assessment upon it during such period as any encroachment upon its total reserves amounting to one per centum or more of its aggregate demand deposits shall continue", at certain prescribed rates. (Banking Law , secs. 30 and 157). The superintendent is given power, where a private banker refuses or fails to pay any such assessment or any penalty or forfeiture incurred under any provision of law, or where he violates any prohibition of law, to "report the facts to the Attorney General, who shall thereupon, in the name of the superintendent, institute such action or proceeding as the facts may warrant" against such private banker. (Banking Law , sec. 31). The superintendent is also given power, whenever it appears to him "that either the total reserves or reserves on hand of any such * * * private banker * * * are below the amount * * * required by law to be maintained, or that such * * * banker is not keeping its reserves on hand" to issue an order "directing that such * * * banker make good such reserves forthwith or within a time specified in such order, or that it keep its reserves on hand" as required by law. (Banking Law , sec. 56).

Reports of condition required.

"It shall be the duty of the superintendent to require all * * * private bankers * * * to make to him * * * regular periodical reports of their condition * * * and he shall prescribe the form and contents of all such reports. In addition to such regular reports he may require any such * * * banker * * * to make special reports to him at such times and in such form as he may prescribe, and may direct that such special reports be verified and prescribe the form of the verification.

"He shall at least once in every three months, designate some day therein in respect to which * * * every such private banker * * * (except such as have obtained certain exemptions through the filing of the affidavit hereinafter set forth) shall report to him, and he shall serve a notice designating such day." (Banking Law , sec. 42).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Examinations may be made by superintendent.

All private bankers engaged in business in cities or elsewhere in the State, from and after July 31, 1930, "shall be subject at all times to full and complete examinations by the superintendent or by his deputies, examiners or employees when duly authorized." (Banking Law , sec. 150-a).

Number of examinations required.

"The superintendent shall, either personally or by his deputies or examiners, at least twice in each year visit and examine * * * every private banker" subject to the provisions of law relating to private bankers, except such as have obtained certain exemptions through the acceptance by the superintendent of the affidavit hereinafter set forth. Private bankers who have had this affidavit accepted are only subject to examination once during each year. The superintendent is given power to examine private bankers "whenever, in his judgment, such examination is necessary or expedient.

"On every such examination inquiry shall be made as to the condition and resources of such * * * , banker * * * the mode of conducting and managing its affairs, * * *, the investment of its funds, the safety and prudence of its management, the security afforded to those by whom its engagements are held, and whether the requirements of its charter and of law have been complied with in the administration of its affairs; and as to such other matters as the superintendent may prescribe.

"The superintendent may also either personally or by his deputies or examiners, make such special investigations as he shall deem necessary to determine whether any individual, copartnership, unincorporated association * * * is violating, or has violated any of the provisions of this chapter; and to the extent necessary to make such determination the superintendent shall have the right to examine the relevant books, records, accounts, and documents." (Banking Law , sec. 39).

Penalty for refusal to permit examination.

A penalty is imposed for the refusal of a private banker to permit an examination or investigation of its affairs. (Banking Law , secs. 38 and 150-a).

Unlawful or unsafe practices; superintendent may issue order to discontinue.

"Whenever it shall appear to the superintendent that *** any private banker * * * has violated its charter or any law, or is conducting its business in an unauthorized or unsafe manner, he may issue an order directing the discontinuance of such unauthorized or unsafe practices and requiring the delinquent to appear before him,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"at a time and place fixed in said order, to present any explanation in defense of the practices directed in said order to be discontinued." (Banking Law , sec. 56).

Business of delinquent banker may be taken over by superintendent; and examinations may be made.

"The superintendent may forthwith take possession of the business and property of * * * any private banker * * * whenever it shall appear that such * * * banker:

1. Has violated its charter or any law;

2. Is conducting its business in an unauthorized or unsafe manner;

3. Is in an unsound or unsafe condition to transact its business;

4. Cannot with safety and expediency continue business;

5. Has an impairment of its capital;

6. Has suspended payment of its obligations;

7. Has neglected or refused to comply with the terms of a duly issued order of the superintendent;

8. Has refused, upon proper demand, to submit its records and affairs for inspection to an examiner of the banking department;

9. Has refused to be examined upon oath regarding its affairs." (Banking Law , sec. 57).

The superintendent, after he has taken possession of the property and business of a private banker, may make examinations and institute or continue inquiries until such banker resumes business or is finally liquidated in accordance with law. (Banking Law , sec. 39).

Circumstances under which possession of superintendent may terminate.

"When the superintendent shall have duly taken possession of such * * * private banker * * *, he may hold such possession until its affairs are finally liquidated by him, unless: (1) he shall have permitted such * * * banker to resume business * * *; (2) the superintendent shall have been directed by order of the supreme court to surrender such possession * * *; * * *; (4) the depositors and other creditors of such banker * * * and the expenses of such liquidation shall have been paid in full." (Banking Law , sec. 58).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Superintendent may permit resumption of business.

"The superintendent may, upon such conditions as may be approved by him, surrender possession for the purpose of permitting such * * * banker * * * to resume business; but the superintendent shall not authorize any reduction of capital stock or capital as one of the terms of such resumption." (Banking Law, sec. 61).

Liquidation; various provisions in relation thereto.

There are a number of detailed provisions with reference to the liquidation of the affairs of private bankers by the superintendent of banks. These provisions provide for the appointment of special deputies, assistants, etc., by the superintendent to assist him, the payment of expenses, the procedure to obtain possession of pleadings, etc., in actions in which attorneys' liens are asserted, the notification to those holding assets of the private bank of the fact that the superintendent has taken possession of such bank and the effect of such notification, the inventory of assets, the disposition by the superintendent of property held by the liquidating banker as bailee or as depositary, the liquidation and conservation of assets, the deposit of moneys collected by the superintendent, the appearance in suits, and the execution of instruments, etc., by the superintendent on behalf of the liquidating banker, the proof of claims by creditors, the listing of claims by the superintendent, the filing of objections to claims, the acceptance or refusal of claims by the superintendent, the effect of a lien on a judgment recovered by the superintendent after taking over a private banker, and the disposition of dividends to creditors. (Banking Law, secs. 62-75).

Change of location.

A private banker may change the location of his business with the permission of the superintendent of banks. (Banking Law, secs. 50 and 159).

Affidavit entitling private banker to certain exemptions; contents of; extent of exemptions.

"Any such private banker authorized by the superintendent to engage in such business, or who has applied for such authorization, may submit to the superintendent an affidavit executed in duplicate and verified in the same manner as the (verified) certificate * * * upon a form to be furnished by the superintendent containing a statment as follows:

"1. If such private banker is engaged in business elsewhere than in a city having a population of one hundred and seventy-five thousand or more, that such private banker has permanently invested

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"in this state in his banking business immediately preceding the date of such affidavit, a capital over and above all his liabilities as such private banker at least equal to the minimum required by" the verified certificate; or

"2. If such private banker is engaged in business as a private banker in a city having a population of one hundred and seventy-five thousand or more:

"(a) That such private banker has permanently invested in this state in his banking business immediately preceding the date of such affidavit a capital of at least one hundred thousand dollars over and above all his liabilities as such private banker.

"(b) That such private banker will not pay or credit or advertise to pay or credit any interest or pay, credit or give any bonus or gratuity whatever or anything of value to any depositor on a deposit balance with such private banker of less than five hundred dollars.

"(c) That the average of the separate deposits * * * received by such private banker during the twelve months immediately preceding the date of such affidavit, for safekeeping or for any other purpose, exclusive of dividend checks, coupons, or other small collection items collected by such private banker for customers in the ordinary course of business, and also the average of the separate deposits received during such period for transmission to others, is three hundred dollars or more."

After the date upon which the superintendent has accepted and filed in his office such affidavit, and until such acceptance is revoked by the superintendent, the provisions hereinafter set out do not apply to such private banker, but such banker is subject to all of the provisions above set out. "The superintendent may at any time in his discretion require any such private banker to file an affidavit containing a statement as above specified and as of a date fixed in said request."

"In the event of the failure of such private banker so to do, or of the refusal of the superintendent to accept and file said affidavit all of the subsequent sections of this article (i.e., sections 161-175, inclusive) shall be applicable to such private banker". (Banking Law, sec. 160).

Investigation by superintendent of statements made in affidavit; refusal or acceptance of affidavit.

If, upon receipt by the superintendent of the affidavit above referred to, it fails to comply in form and substance with the requirements set out above, "he shall refuse to file it for examination until the defect or defects therein shall have been remedied". If such affidavit complies, or has been so amended as to comply, in all respects

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with the requirements the superintendent shall, by such investigation as he may deem necessary, satisfy himself whether the facts stated in such affidavit are true. If the facts are found to be untrue, the superintendent shall refuse to accept the affidavit. If the superintendent shall be satisfied that the facts stated are true, he shall accept the affidavit and shall forthwith give notice of the acceptance to such private banker. (Banking Law , sec. 25).

Revocation of acceptance of affidavit; effect of revocation.

If at any time the superintendent has reason to believe that any private banker whose affidavit he has accepted "is not keeping permanently invested in this state in his banking business the amount of capital specified in such affidavit, or, that such banker is paying or crediting or advertising to pay or credit any interest, or is paying, crediting or giving any bonus or gratuity whatever or anything of value, on deposits of less than the amount stated in such affidavit, or that any material statement in such affidavit was in fact untrue, the superintendent shall forthwith institute such investigation as he shall deem necessary to ascertain the truth of such facts and may examine or cause an examination to be made into the books, papers and affairs of such private banker so far as may be necessary for such purposes. If from such investigation or otherwise the superintendent shall be satisfied that such banker is not keeping such capital so invested, or, that such banker is paying or crediting or advertising to pay or credit any interest, or is paying, crediting or giving any bonus or gratuity whatever or anything of value, on deposits of less than the amount stated in such affidavit, or that any material statement in such affidavit was in fact untrue, the superintendent may, over his official signature, notify such private banker that the acceptance of such affidavit is revoked. Such notice shall be executed in triplicate and the superintendent shall transmit one copy to such private banker, attach another to the duplicate of such affidavit on file in his own office and file the third copy thereof in the county clerk's office in which the other duplicate of such affidavit has been filed." (Banking Laws, sec. 26). It is also provided that "Whenever the superintendent shall have revoked his authorization of any such private banker, and shall have taken the action to make such revocation effective specified in section twenty-six of this chapter (this is the section last above quoted) all the rights and privileges of such banker, resulting from such preceding authorization, shall forthwith cease and determine." (Banking Law , sec. 158).

Additional Provisions Applicable To A Private Banker Who Has Not Executed The So-called Exemption Affidavit.

Investment of permanent capital and deposits.

"Every such private banker may, subject to the limitations and restrictions contained in this article, invest his permanent capital

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"and the deposits received by him in such real or personal securities, or real and personal property, consistent with safety and prudence of management as he may deem proper, provided the security afforded depositors is not imperiled by such investments." (Banking Law , sec. 162).

Prohibitions against investments or loans of capital and deposits.

"No such private banker, however, shall appropriate to his own use or lend to any person or persons with whom he is associated as a partner, or invest in any business conducted by a partnership of which such private banker is a member, or lend directly or indirectly to any corporation of which he is the legal or equitable owner to the amount of twenty-five per centum or upwards of the issued capital stock of such corporation, any part of his permanent capital or of the deposits received by him." (Banking Law , sec. 162).

Real Estate and certain securities; when to be sold.

"All real estate which shall hereafter be purchased or otherwise acquired by any such private banker with his permanent capital or with money received by him on deposit or to which such private banker shall have taken title in connection with his business as such private banker, except that upon which his office is located, shall be sold within five years after taking title thereto; and all real estate so purchased or acquired, and held by such private banker at the time when this act takes effect, except that upon which his office is located, shall be sold within five years after this act takes effect; unless upon his application the superintendent of banks shall, in either case, have extended the time within which such sale shall be made.

"All such real estate and all registered securities and mortgagespurchased by any such private banker with any part of his permanent capital or with money received by him on deposit, or held by any such private banker on the date when this act takes effect, shall be sold within one year after such date unless prior to the expiration of such year, such real estate or registered securities or mortgages shall have been recorded in the name of such private banker * * * ". (Banking Law , sec. 163).

Restrictions on purchase of, and loans on real estate.

"No such private banker shall hereafter purchase with any part of his permanent capital or deposits received by him any real estate which is subject to a mortgage, lien or encumbrance; nor make a loan, directly or indirectly, upon the security of real estate if such real estate is subject to a prior lien or encumbrance and the amount unpaid upon such prior mortgage, lien or encumbrance or the aggregate amount unpaid upon all prior mortgages, liens and encumbrances exceeds ten per centum of the permanent capital of such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"private banker, and, if the amount so secured, including all prior mortgages, liens and encumbrances, exceeds two-thirds of the value of such real estate." (Banking Law , sec. 164).

Books and records; superintendent may issue order to keep properly.

"Every such private banker shall keep separate and complete books of account in which shall be promptly entered the details of all business transacted by him as such banker including statements in detail of the liabilities incurred by him as such banker and of the securities or property in which the permanent capital and the deposits received by him have been invested." (Banking Law , sec. 165).

Every private banker is required to keep his books and records in such manner as the superintendent may direct (Banking Laws, sec. 165), the superintendent being authorized to "issue an order requiring such * * * banker * * * or the officers thereof or any of them, to open and keep such books or accounts as he may in his discretion, determine and prescribe for the purpose of keeping accurate and convenient records of the transactions and accounts of such * * * banker" whenever it appears to him that any private banker, except those who have had accepted the so-called exemption affidavit, "does not keep its books and accounts in such manner as to enable him readily to ascertain its true condition." (Banking Law , sec. 56).

Penalty for failure to obey order regarding books and accounts.

"Any such banker that refuses or neglects to obey any such order shall be subject to a penalty of one hundred dollars for each day that such refusal or neglect continues." (Banking Law , sec. 165).

Report regarding unclaimed deposits.

There are detailed provisions with reference to reporting to the superintendent of banks regarding unclaimed deposits. This report must be made annually and must state whether or not any unclaimed deposits are being held. Publication of a copy of such report is required to be made in the newspapers and a penalty of $100 per day is imposed for each day such report or the filing of an affidavit of proof of its publication with the superintendent is delayed or withheld. (Banking Law , sec. 166).

Transmission of money.

The laws contain provisions regulating the transmission of money by private bankers. Money received for transmission must be forwarded within five days after being received and a receipt must be given to the person delivering such money for transmission. A penalty is prescribed for a violation of these provisions. (Banking Law , secs. 167 and 168).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Monthly statement required of purchases and sales of property and discounts, loans or other advances.

A written verified statement is required to be filed monthly by private bankers with the superintendent of banks in which must be listed all purchase and sales of property made in connection with their business and all discounts, loans or other advances made by them, including overdrafts and renewals, since the last preceding statement. A description of the collateral if any, to such indebtedness must also be made. Discounts, loans, etc., however, of less than $100 may be omitted from such statement unless they increase by $100 the liability of some individual, partnership, unincorporated association or corporation since the last statement. (Banking Law , sec. 169).

Members of private bankers required to meet monthly.

"The members of any such partnership or unincorporated association of private bankers shall on or before the tenth day of each month meet for the purpose of considering the conditions and affairs of the banking business conducted by them" and of making the statement above referred to and such statement shall be verified by each member * * * except in case of disability or unavoidable absence." (Banking Law , sec. 169).

Reports of condition required.

A private banker who has not executed the so-called exemption affidavit is required to make reports of his condition to the superintendent every three months upon service of notice by him of the day on which such reports must be filed. (Banking Law , sec. 42). Within ten days after service of this notice on him "every such private banker shall make a written report to the superintendent of banks, which report shall be in the form and shall contain the matters prescribed by the superintendent and shall specifically state the items of permanent capital, deposits, specie and cash items, public securities and private securities, real estate and real estate securities and such other items as may be necessary to inform the public as to his financial condition and solvency or which the superintendent may deem proper to include therein, and shall also state the amount of deposits with him, the payment of which in case of insolvency is preferred by law or otherwise over other depositors. It shall state in detail the particular assets in which the permanent capital of such private banker is invested. Every such report shall be verified by the oath of such private banker and of each member of a partnership or an unincorporated association of private bankers to the effect that the report is true and correct in all respects to the best of the knowledge and belief of such banker or bankers and that the usual business of such banker has been transacted at the location stated in the (verified) certificate (hereinbefore referred to) * * *,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"and not elsewhere. In case of the disability or unavoidable absence of a member of a partnership or unincorporated association, such report may be verified by the other members; but the verification shall contain a statement of the reason for the failure of any member to sign and verify such report. Every such report, exclusive of the verification shall within thirty days after it shall have been filed with the superintendent be published by such private banker in one newspaper of the place where such private banker is engaged in business or if no newspaper is published there, in the newspaper published nearest to such place." (Banking Law , sec. 170).

Special reports of condition.

Every such private banker shall also make such other special reports to the superintendent as he may from time to time require in such form and on such dates as may be prescribed by the superintendent, which reports shall if required by the superintendent, be verified in such form as he may prescribe. (Banking Law , sec. 170).

Penalty for failure to make report of condition or include therein required information.

If any private banker fails to make any required report on or before the date designated for the making thereof or fails to include therein any matter required by the superintendent, such private banker shall forfeit the sum of one hundred dollars for every day that such report is delayed or withheld and for every day that it fails to report any such omitted matter, unless the time therefor has been extended by the superintendent. (Banking Laws, sec. 170). An extension of time not exceeding ten days may be granted by the superintendent "for satisfactory cause to him shown" within which such reports may be filed. (Banking Law , sec. 49).

Restrictions as to place of business.

A private banker shall not do business, or be located in the same room with, or in a room connecting with any bank, trust company, savings bank, or national banking association. (Banking Law , sec. 171).

Communications from superintendent must be submitted to members and noted on records.

Each official communication from the superintendent or one of his deputies to any private bank relating to an examination or investigation or containing suggestions or recommendations as to the conduct of the business, shall be submitted by the member receiving it to all the members of such private bank at their next meeting and duly noted on their records. (Banking Law , sec. 172).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NORTH CAROLINA.

Private banks permitted but subject to same laws and supervision as incorporated banks.

The following provisions recognize a private banking business, but indicate that such business is subject to the same provisions of law and supervision as are imposed upon incorporated banks.

Definition of term "bank".

The law provides that "The term 'Bank' when used in this chapter shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include building and loan associations, Morris Plan Companies, industrial banks or trust companies not receiving money on deposit." (Consolidated Statutes of North Carolina, sec. 216(a); Banking Laws, 1927, sec. 216(a), p. 3).

Private banks made subject to bank act and supervision of Corporation Commission.

"Every bank, corporation, partnership, firm, company, or individual, now or hereafter transacting the business of banking, or doing a banking business in connection with any other business, under the laws of and within this State, shall be subject to the provisions of this chapter, and shall be under the supervision of the Corporation Commission. The Corporation Commission shall exercise control of and supervision over the banks doing business under this act, and it shall be its duty to execute and enforce through the Chief State Bank Examiner, the State Bank Examiners, and such other agents as are now or may hereafter be created or appointed, all laws which are now or may hereafter be enacted relating to banks as defined in this chapter." (Consolidated Statutes of North Carolina, sec. 222(a); Banking Laws, 1927, sec. 222(a), p. 32).

Promulgation of regulations covering transaction of business.

"For the more complete and thorough enforcement of the provisions of this act, the Corporation Commission is hereby empowered to promulgate such rules, regulations, and instructions, not inconsistent with the provisions of this chapter, as may in its opinion be necessary to carry out the provisions of the laws relating to banks and banking as herein defined, and as may be further necessary to insure such safe and conservative management of the banks under its supervision as will provide adequate protection for the interests of the depositors, creditors, stockholders, and public in the relations with such banks. All banks doing business under the provisions of this chapter

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"shall conduct their business in a manner consistent with all laws relating to banks and banking, and all rules, regulations, and instructions that may be promulgated or issued by the Corporation Commission." (Consolidated Statutes of North Carolina, sec. 222(a); Banking Laws, 1927, sec. 222(a), p. 33).

Reports of condition required.

In addition to subjecting private banks to the provisions of law covering incorporated banks, the bank act expressly provides that "Every person, firm, * * *, or partnership doing a banking business, or a banking business in connection with any other business, shall make to the Corporation Commission not less than three reports (of condition) during each year, on forms prescribed by the Corporation Commission. If any person, firm, * * *, or copartnership shall show by said reports, or by the examination of any State bank examiner, that * * * (the) liabilities are equal to the amount of the capital stock * * *, the Corporation Commission shall have authority, and is hereby empowered, to make such rules and regulations for the reduction of said liabilities as it may deem necessary for the protection of the creditors and depositors of such banking institution." (Consolidated Statutes of North Carolina, sec. 222(c); Banking Laws, 1927, sec. 222(c), p. 33).

Advertising banking business and use of banking terms; when private banks may use.

"No person, association, firm, * * *, domiciled within the State of North Carolina, except * * *, persons, associations, or firms reporting to and under the supervision of the Corporation Commission, or under the Supervision of the Insurance Commissioner, shall therein advertise or put forth any sign as bank, banking, banker, or trust company, or use the word bank, banking, banker, or trust as a part of its name and title; * * * * . Any violation of the provisions of this section shall be a misdemeanor, and upon conviction thereof the offender shall be fined in a sum not exceeding five hundred dollars for each offense." (Consolidated Statutes of North Carolina, sec. 224(c); Banking Laws, 1927, sec. 224(c), p. 38).

NORTH DAKOTA.

Private banking business apparently prohibited.

"No person excepting national banking corporations shall transact a banking business nor use the words bank, banking company or banker in any sign, advertisement, letterhead or envelope or in any corporate or firm name, without complying with and organizing under the provisions of this Chapter" relating to the business of banking. (Compiled Laws of 1913, sec. 5177; Banking Laws, 1929, sec. 5177, p.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

23). "This chapter" does not contain any provisions authorizing or covering the organization of a private bank, and it would seem that the effect of the above quoted provision is to prohibit a private banking business.

Penalty for violation of above provisions.

"Any person violating the provisions of this section, either individually or as an interested party in any association or corporation, is guilty of a misdemeanor, and on conviction thereof shall be fined not less than five hundred nor more than one thousand dollars, or imprisoned in the county jail not less than ninety days, or both, in the discretion of the court." (Compiled Laws of 1913, sec. 5177; Banking Laws, 1929, sec. 5177, p. 23).

OHIO

Unincorporated banks may not now be established.

"No authority to transact a banking business in this State shall be granted, except to a corporation duly organized and qualified for that purpose. Unincorporated banks now authorized to transact and actually transacting a banking business may continue such banking business in the city, village, or township in which they are now located so long as they comply with the provisions of this act." (General Code, sec. 710-76; Banking Laws, 1928, sec. 710-76, p. 29).

"Unincorporated bank" defined; scope of term "Board of directors."

"The following definitions shall be applied to the terms used in this act: * * * The term 'unincorporated bank' shall include every unincorporated person, firm or association transacting banking business in this state; and the term 'board of directors' shall include the owner or owners of such banks." (General Code, sec. 710-1; Banking Laws, 1928, sec. 710-1, p. 5).

"Banking business" defined; word "bank", unless otherwise stated, includes unincorporated banks.

"The term 'bank' shall include any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass-book, a note, a receipt, or other writing, and unless the context otherwise requires as used in this act includes * * * * unincorporated banks; * * *". (General Code, sec. 710-2; Banking Laws, 1928, sec. 710-2, p. 5).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

From the above provisions, it appears that unincorporated banks transacting a banking business at the time the act containing these provisions became law, are made subject to the provisions covering incorporated banks wherever this may appropriately be done. In addition, such unincorporated banks are specifically made subject to the following provisions.

Capital required; segregation necessary, purpose of.

Every unincorporated bank in cities or villages of two thousand or less population is required to have a paid-in capital of not less than $10,000; in cities or villages of more than two thousand to ten thousand population, the paid-in capital must be $25,000; and in cities of over ten thousand population, the paid-in capital must not be less than $50,000. This capital must remain in the possession of the bank as its property, and is to "be used for its sole purposes and for the security of its creditors". The capital shall at all times be segregated from any other property of the owners of the bank and shall be kept and maintained unimpaired for the security of the creditors of such bank". All unincorporated banks are required to comply with these provisions within one year. (General Code, sec. 710-78; Banking Laws, 1928, sec. 710-78, p. 30).

Advertising capital; restriction upon.

No unincorporated bank "shall advertise by newspaper, letterhead, or in any other way, a larger capital than has been actually paid in". (General Code, sec. 710-81; Banking Laws, sec. 710-81, p. 31).

Statement completely describing bank must be filed annually with superintendent of banks.

Every unincorporated bank, on or before January 31st of each year shall, under oath, file with the superintendent of banks, a full and complete detailed statement containing the following:

1. The name of the bank.

2. A copy of the articles of co-partnership or agreement under which the business of such bank is being conducted. One of the owners of such bank is required at all times to be a resident of the State of Ohio.

3. The location of the bank.

4. The amount of the permanent actually paid in capital of the bank which is in its possession as its property and for its sole purposes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

5. A statement of the responsibility and net worth of the individual members of the bank.

6. The names of the officers, agents or employees in active charge of the bank if such names are not given in the articles of co-partnership or agreement. (Act approved April 18, 1929, sec. 1, p. 4; General Code, sec. 710-77).

Names under which property must be held.

All real or personal property owned by an unincorporated bank must be held in the designated name of the bank or in the name of an individual as trustee therefor, and not in the name of the owners of the bank. (General Code, sec. 710-79; Banking Laws, 1928, sec. 710-79, p. 30).

Assets, when exempt from attachment or execution.

All of the assets of an unincorporated bank are exempt from attachment or execution by any creditor of the owners until all of the liabilities of the bank have been paid in full. (General Code, sec. 710-79; Banking Laws, 1928, sec. 710-79, p. 30).

Restriction against owners using funds for private use.

"No person, firm or association owning or conducting an unincorporated bank shall use any of the funds of such bank for his or their private business; except as a borrower in due course of business." (General Code, sec. 710-79; Banking Laws, 1928, sec. 710-79, p. 30).

Depositors have first lien on assets.

"The depositors in any unincorporated bank shall have first lien on the assets of such bank, in case it is wound up, to the amount of their several deposits, and for any balance remaining unpaid, such depositors shall share in the general assets of the owner or owners alike with general creditors." (General Code, sec. 710-80; Banking Laws, 1928, sec. 710-80, p. 30).

List of owners must be posted and changes must be reported to the superintendent of banks.

A list of the owners of any unincorporated bank, and a statement to the effect that the bank is unincorporated must be posted in the room in which the bank transacts its business. Any subsequent changes must be shown in the list and a report of all such changes must be made to the superintendent of banks. (General Code, sec. 710-81; Banking Laws, 1928, sec. 710-81, pp. 30 and 31).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Advertising matter must contain word "unincorporated".

Every unincorporated bank must have printed on all its advertising matter and business stationery, the word "unincorporated" immediately following the name of the firm or business title. (General Code, sec. 710-82; Banking Laws, 1928, sec. 710-82, p. 31).

Reports of unincorporated banks, publication required.

All reports of unincorporated banks are required to be kept on file in the office of the superintendent of banks, and are open to the inspection of all persons, at the discretion of the superintendent. These reports must be published in the newspaper by the banks, and proof of such publication must be furnished to the superintendent. (General Code, sec. 710-83; Banking Laws, 1928, sec. 710-83, p. 31).

Unincorporated banks may be designated as depositories of State funds.

Unincorporated banks are permitted to bid upon and be designated depositories for State funds upon furnishing such surety or sureties as is prescribed by law. (General Code, sec. 710-84; Banking Laws, 1928, sec. 710-84, p. 31).

Loans to any one person, corporation, etc.

The laws contain provisions prescribing the amount which an unincorporated bank may loan to any one person, company, corporation or firm. (Act approved April 18, 1929, sec. 1, (710-122); General Code, secs. 710-122 and 710-123; Banking Laws, 1928, secs. 710-122 and 710-123, p. 49).

Voluntary liquidation.

The laws also permit an unincorporated bank to go into voluntary liquidation and contain detailed provisions with reference to the procedure to be followed by the bank and the powers and duties of the superintendent of banks before and during the actual liquidation of the bank. (General Code, sec. 710-85; Banking Laws, 1928, sec. 710-85; pp. 31 and 32).

OKLAHOMA.

Banking business may only be transacted by corporations "authorized by the laws of the State of Oklahoma or of the United States".

The laws of this State provide for the incorporation of a "banking corporation" and authorize such corporation to engage in the business of banking. (Comp. Oklahoma Stats., 1921, sec. 4114; Banking Laws, 1926, sec. 1, p. 10). The incorporation of a trust company is also provided for (Laws of 1925, ch. 56, amending sec. 4190, Comp. Oklahoma Stats., 1921; Banking Laws, 1926, sec. 1, p. 61); and such company is authorized to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

engage in the banking business. (Laws of 1925, ch. 56, amending sec. 4216, Comp. Oklahoma Stats., 1921; Banking Laws, 1926, sec. 5, p. 74). Unless authority to engage in the banking business is obtained under these provisions, the transaction of such business by any individual or corporation is prohibited, the laws in this connection providing that "It shall be unlawful for any individual, firm, or association, or corporation to receive money upon deposit or transact a banking business except as authorized by the laws of the State of Oklahoma, or of the United States, or to use or advertise, in connection with any business other than the banking business, conducted under the banking laws of this State, the words: Banker, bankers, investment banker, or any other word or term calculated to deceive the public into belief that such person, firm, association or corporation, is engaged in the banking business." (Comp. Oklahoma Stats., 1921, sec. 4129; Banking Laws, 1926, sec. 44, p. 31). (See also Levy v. Reed, 1918, 690 Okla. 180, 170 Pac. 497).

Penalty for violation of above provision.

"Any person, firm, association or corporation violating any of the provisions of this section, either individually or as an interested party, in any firm, association or corporation shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in a sum not less than three hundred dollars ($300.00) nor more than one thousand ($1,000.00) dollars, or by imprisonment in the county jail not less than thirty days nor more than one year, or by both such fine and imprisonment, *** ". (Comp. Oklahoma Stats., 1921, sec. 4129; Banking Laws, 1926, sec. 44, p. 31).

Enforcement of provisions and prevention of further violations.

" *** it is hereby made the duty of the Attorney General to enforce the provisions of this section; and in order to further prevent the violation of the section, any court of competent jurisdiction in this State is hereby authorized and empowered to grant an injunction and to appoint a receiver to take charge of the business and assets of any person, firm, association or corporation found guilty of violating the provisions of this section, and to make all necessary and proper orders to wind up such business and prevent a violation of this section." (Comp. Oklahoma Stats., 1921, sec. 4129; Banking Laws, 1926, sec. 44, p. 31).

OREGON.

Banking business may only be transacted by corporations.

"It shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking or trust business within this state, except by means of a corporation duly organized

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"for such purpose." (Laws of 1925, ch. 207, sec. 2; Banking Laws 1925, including amendments of 1929, sec. 2, p. 4). "No person, firm, company, association, copartnership or corporation, either domestic or foreign, except national banks, not subject to the supervision of the superintendent of banks and not required by the provisions of this (bank) act to report to him, and which has not received a certificate to do a banking or trust business from the superintendent of banks, shall *** solicit or receive deposits or transact business in the way or manner of a bank, savings bank or trust company, or in such a way or manner as to lead the public to believe that its business is that of a bank, savings bank or trust company." There are also prohibitions against the use of the word bank, banker, etc., or any other form of advertising indicating that the business carried on is that of a bank. "Every person, firm, company, association, copartnership or corporation doing any of the things or transacting any of the business *** (referred to) must transact such business according to the provisions of the bank act.***" (Laws of 1925, ch. 207, sec. 54; Banking Laws, 1925, including amendments of 1929, sec. 54, pp. 19 and 20).

Violation of provisions; power of superintendent of banks; penalty.

The superintendent of banks has authority to examine the accounts, books and papers of every person, firm, association or copartnership in order to ascertain whether such person, firm, association or copartnership has violated or is violating any provision of the section last above referred to. Any person, firm, association or copartnership violating any provision of this section must pay a penalty of $100 a day for every day during which such violation continues. Upon an action brought by the superintendent of banks an injunction may be issued restraining any such person, firm, copartnership or association from further using such words or from further transacting business in such a manner as to lead the public to believe that the business is that of a bank, savings bank or trust company, and the court issuing the injunction may make such other order as may be proper. (Laws of 1925, ch. 207, sec. 54; Banking Laws, 1925, including amendments of 1929, sec. 54, pp. 19 and 20).

PENNSYLVANIA.

License to engage in business of private banking required.

Except as hereinafter provided, "no individual, partnership, or unincorporated association shall hereafter engage, directly or indirectly, in the business of receiving deposits of money for safekeeping or for the purpose of transmission to another, or for any other purpose, without having first obtained from a board, consisting of the State Treasurer, Secretary of the Commonwealth, the Secretary of Banking, - hereinafter referred to as the 'Board', - a license to engage in such business." (Act of June 19, 1911, P. L. 1060, sec. 1,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 711, p. 175).

The Board to License Private Bankers has been reorganized and continued by the provisions of the Pennsylvania Administrative Code of April 9th, 1929, P. L. 177. Section 202 of Article II of that Code provides that "The following boards, commissions, and offices are hereby placed and made departmental administrative boards, commissions, or offices, as the case may be, in the respective administrative departments mentioned in the preceding section, as follows: . . . . . . In the Department of Banking, Board to License Private Bankers."

Section 428 of Article IV of the Administrative Code provides that "The Board to License Private Bankers shall consist of the Secretary of Banking, who shall be chairman thereof, the Secretary of the Commonwealth, and the State Treasurer."

Section 1604 of Article XVI of the Administrative Code provides with respect to the powers and duties of the Board to License Private Bankers that "Subject to any inconsistent provisions in this act contained, the Board to License Private Bankers shall continue to exercise the powers and perform the duties vested in and imposed upon the said board by the act, approved the nineteenth day of June, one thousand nine hundred and eleven (Pamphlet Laws, one thousand and sixty), entitled 'An Act to provide for licensing and regulating private banking in the Commonwealth of Pennsylvania, and providing penalties for the violation thereof,' its amendments and supplements . . . . " .

Statement required of applicant.

The applicant for a private banking license must file a written verified statement with the Secretary of Banking showing the amount of the assets and liabilities of the applicant and designating the place where the applicant proposes to engage in business, with the names and addresses of all partners or members of the private bank. It must also be shown that the applicant is a citizen of Pennsylvania; or, if the applicant is a partnership or unincorporated association, that a majority of the members having a controlling interest in the business are citizens of Pennsylvania. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 711, p. 175).

Bond must be filed; purpose and amount of.

A bond executed by the applicant and a surety or sureties approved by the board, must also be filed with the Secretary of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Banking to cover the faithful holding and repayment of all moneys received on deposit and the faithful transmission of any money which is received for transmission to another. The bond must also, in the case of insolvency or bankruptcy, cover the payment of the amounts recoverable to the assignee, receiver or trustee of the applicant for the benefit of the person making a deposit or delivering money for transmission to another. The amount of the bond is to be fixed by the board but is not to be less than $10,000 nor more than $50,000. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 712, pp. 177 and 178).

Money and securities may be deposited in lieu of bond.

Money and securities equal to the amount of the penalty fixed in the bond may be deposited by the applicant with the Secretary of Banking in lieu of such bond. The securities may consist of bonds of the United States, or bonds of the State of Pennsylvania or any municipality thereof, or other securities approved by the board. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 712, p. 178.).

Examination of applicant's standing; publication of application.

Upon receiving an application for a private banking license, "the Secretary of Banking shall cause to be made an examination of the financial standing and moral character of the applicant, as to whether the statements contained in the application are true" and this application must be advertised in the newspaper by the Secretary of Banking at the expense of the applicant. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 713, p. 179).

License issued in discretion of board; fee; when location may be changed.

After advertisement of the application, "the board may, in its discretion, approve or disapprove the application". If approval is granted, the bond, or any money or securities deposited in lieu thereof, shall be accepted and held by the Secretary of Banking for the purpose for which required, and he shall issue a license authorizing the applicant to engage in a private banking business at the place specified in the license certificate. A fee of fifty dollars is required for such a license, which may not be transferred or assigned.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The written approval of the board is required for the transaction of business at any place other than that specified in the license certificate. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 713, p. 179).

License must be posted; duplicate license may be issued.

The license must be posted in the place of business of the licensee and it is made unlawful to post such license in a place other than that designated as the licensee's place of business. Provision is also made for the issuance of a duplicate license in case the original is lost or destroyed. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 714, p. 180).

Bonds and money or securities constitute trust funds for depositors.

The money and securities deposited with the Secretary of Banking and money which may be paid on any bond in case of default, constitutes a trust fund for the benefit of depositors in the private bank and of such persons who have delivered money to such bank for transmission to another. Such beneficiaries are entitled to an absolute preference as to such moneys or securities over all general creditors of the bank. In the event of the insolvency or bankruptcy of the bank, such moneys and securities, on the order or judgment of a court of competent jurisdiction, must be delivered by the Secretary of Banking to the assignee, receiver or trustee of the bank designated in such order or judgment. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 715, p. 180).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Distribution of assets in case of insolvency.

In case of the insolvency of any private banker, the distribution of the assets, other than the proceeds from the bond or securities deposited, shall be made and preferred in the following order:

1. To the payment of all depositors of the private banker. Bona fide holders of certified checks, or of certificates of deposit, or of checks or drafts of the private banker given in exchange for or in payment of checks or drafts of depositors drawn on the private banker, not exceeding the balance to the credit of the depositor, are also treated as depositors within the meaning of this section.

2. To the payment and discharge of all the remaining liabilities of the private banker.

3. If there is anything remaining, it is distributed to the individual or the partners or members of the private banker according to their legal rights. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 716, p. 181).

List of licenses granted must be published annually; interest on deposits in lieu of bonds; custody of such deposits.

On the first day of January, the Secretary of Banking must print annually a list of all licenses granted and unrevoked. He must also pay over to each licensee all of the interest received by him upon any money or securities deposited in lieu of the bond. All money or securities must be turned into the State Treasury and receipted by the State Treasurer to the Secretary of Banking and the depositor, and is subject to withdrawal only upon the warrant of the Secretary of Banking. All interest coupons on any securities deposited shall be surrendered when due to the owners upon their request. (Act of June 19, 1911, P. L. 1060, sec. 1, as amended by Act of April 5, 1927, P. L. 106, No. 73, sec. 1, and Act of April 26, 1929, P. L. 813, sec. 1; Purdon's Penna. Stats., Title 7, sec. 717, p. 182).

Satisfaction or release of mortgage deposited as security in lieu of bond.

The laws contain provisions for the satisfaction or release of any mortgage, judgment or lien which may be accepted in lieu of a bond. (Act of May 23, 1913, P. L. 334, sec. 1; Purdon's Penna. Stats., Title 7, sec. 718, p. 182).

Character of books which must be kept.

Each private bank must keep such books of account as are approved by the Secretary of Banking. Such books must show full and

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

complete records of all business transacted and a full statement of all assets and liabilities. (Act of June 19, 1911, P. L. 1060, sec. 2; Purdon's Penna. Stats., Title 7, sec. 719, p. 183).

Statement of assets and liabilities, and publication of, required.

Each private bank is required at least two times each year to file with the secretary of banking a written statement, under oath and in such form as the secretary may prescribe, of the amount of its assets and liabilities. This statement must be made as of such days as the secretary may designate by a written notice mailed to the private bank and within ten days after the date of such notice. A copy of the statement must also be published in the newspapers. (Act of June 19, 1911, P. L. 1060, sec. 2; Purdon's Penna. Stats., Title 7, sec. 719, p. 183).

Revocation of license; notice of discontinuance of business.

The license may be revoked by the board for cause shown, and if it is revoked or surrendered, no refund of the license fee will be made. In case the license is revoked, it must be surrendered within twenty-four hours after written notice of such revocation has been given to the holder, and the bond or money and securities received from the private bank "shall continue to be held by the Commissioner (Secretary) of Banking until otherwise directed by the order or judgment of a court of competent jurisdiction". In case of a discontinuance of business, "notice thereof must previously have been published once a week during the thirty days in one newspaper of general circulation, and the legal periodical, if any, published in the city or county where such business has been conducted, or nearest adjacent county". (Act of June 19, 1911, P. L. 1060, sec. 2; Purdon's Penna. Stats., Title 7, sec. 719, p. 183).

Violations; penalties.

Any person, partnership, or unincorporated association transacting a banking business without a license, or who carries on such business after the license has been revoked, or who, without such license, uses the word "banking" or any equivalent term in advertising the business, or who fails to display the license certificate, or who fails to keep books and make reports as required, or who advertises or publishes in any manner, "either orally or in writing, any statement intended to convey or actually conveying the idea or impression that such licensee is in any way under the supervision of this State, or of any officer thereof, or that this State, or any officer thereof, has passed in any way whatsoever upon the responsibility, solvency, or qualifications of such licensee to engage in such business; or that this State, or any officer thereof, has examined any accounts of said licensee or has in any way certified that such licensee is in any way a fit person to carry on such business, shall be guilty of a misdemeanor, and punished as hereinafter provided." (Act of June 19, 1911, P. L. 1060, sec. 3; Purdon's

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Penna. Stats., Title 7, sec. 720, p. 183).

False swearing as to certain facts.

Any person who, in any application for a private banking license or in any report, shall swear falsely as to the amount of the assets and liabilities of a licensee, or in any other particular or in any affidavit shall swear falsely as to any fact therein stated, shall be guilty of perjury. (Act of June 19, 1911, P. L. 1060, sec. 4; Purdon's Penna. Stats., Title 7, sec. 721, p. 184).

Failure to make or publish reports; penalty.

Any private bank which fails to make any required report or to publish any reports as required within the specified time, must forfeit the sum of twenty dollars for every day that such report or its publication is delayed or withheld. (Act of June 19, 1911, P. L. 1060, sec. 5; Purdon's Penna. Stats., Title 7, sec.722, p. 184).

Recovery of money deposited for transmission; burden of proof in suit.

There are also provisions fixing the burden of proof in an action against a licensee to recover money deposited with such licensee for transmission. (Act of June 19, 1911, P. L. 1060, sec. 6; Purdon's Penna. Stats., Title 7, sec. 723, p. 185).

Forwarding of money for foreign transmission.

Money received for transmission to a foreign country by any licensee must be forwarded within five days after its receipt and every person who fails to so forward within the specified time is guilty of a misdemeanor and punishable as hereinafter provided. (Act of June 19, 1911, P. L. 1060, sec. 7; Purdon's Penna. Stats., Title 7, sec. 724, p. 185).

Applicability of foregoing provisions.

The above provisions became effective on December 1, 1911, and they applied "to all persons now or hereafter engaging in said (private banking) business" except as provided under the following caption entitled "Exceptions from foregoing provisions". (Act of June 19, 1911, P. L. 1060, sec. 13; Purdon's Penna. Stats., Title 7, footnote to sec. 711, p. 176).

Exceptions from foregoing provisions.

The foregoing provisions shall not apply:

(1) To any corporation authorized to do business under the Pennsylvania banking laws, to any corporation authorized to receive deposits under the laws of Pennsylvania, nor to any national bank.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(2) To any hotel keeper who receives money for safekeeping from a guest.

(3) To any express, steamship or telegraph company receiving money for transmission.

(4) To any individual, partnership, or unincorporated association who would otherwise be required to comply with the foregoing provisions, "who shall file with the Commissioner (Secretary) of Banking a bond, in the sum of one hundred thousand dollars, approved by the board as to form and sufficiency for the purpose, and conditioned as *** (provided above), where the business is conducted in a city of the first or second class; and if conducted in a city of the first class, and if conducted elsewhere in the State, such bond shall be in the sum of fifty thousand dollars; or in lieu thereof, money or securities approved by the Commissioner (Secretary) of Banking, of the same amounts: Provided, however, That the Secretary of Banking shall examine the books, papers, and affairs of such individual, partnership, or unincorporated association, and if satisfied from the examination that the business of such individual, partnership, or unincorporated association is conducted in an unauthorized or unsafe manner or is in an unsafe or unsound condition to continue business, he may, after hearing had upon due notice given with the approval and consent of the Attorney General, take possession of the business and property of such individual, partnership, or unincorporated association, and shall then proceed in the same manner as provided by law he shall proceed after having taken possession of the business and property of any *** person subject to the supervision of the Banking Department. If in the opinion of the Secretary of Banking the business of any such individual, partnership, or unincorporated association is in such an unsafe and unsound condition that immediate action is necessary, the Secretary may forthwith, without such hearing and consent of the Attorney General, take possession of the business and property of such individual, partnership, or unincorporated association; ***"

(5) To any individual, partnership, or unincorporated association, licensed under the laws of Pennsylvania to do a brokerage business, holding a membership in a lawfully incorporated brokerage exchange, and doing only such banking as is incidental to such brokerage business. The books or records showing the deposit or account of any depositor with any individual, partnership, or unincorporated association filing the bond, money, or securities referred to above, are not subject to any visitorial power, inspection, or examination by the Commissioner (Secretary) of Banking, except as hereinbefore provided; nor to examination or inspection by, or production in, any department or agency of the Government, State or municipal; nor to inspection, examination, or production in any court in any judicial proceeding except in cases of insolvency or bankruptcy, or a judicial proceeding or investigation involving the rights and liabilities of a creditor or depositor.

(6) To any person, firm, partnership, or unincorporated association engaged in business as private bankers "continuously and in the same locality" for a period of seven years prior to June 19, 1911.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Act of June 19, 1911, P. L. 1060, sec. 8, as amended by Acts of May 2, 1925, P. L. 502, sec. 1, and March 17, 1927, P. L. 39, sec. 1; Purdon's Penna. Stats., Title 7, sec. 725, pp. 185-187).

Other violations.

Any private banker who violates any of the foregoing provisions, "the violation of which has not hereinbefore been made a misdemeanor or a felony, shall be guilty of a misdemeanor, and punished as hereinafter provided". (Act of June 19, 1911, P. L. 1060, sec. 9; Purdon's Penna. Stats., Title 7, sec. 726, p. 187.).

Penalty for violations.

"Every person found guilty of a misdemeanor under any of the *** (foregoing provisions) shall be sentenced to an imprisonment not exceeding two years, or be fined in an amount not exceeding one thousand dollars, or both or either, at the discretion of the court." (Act of June 19, 1911, P. L. 1060, sec. 10; Purdon's Penna. Stats., Title 7, sec. 727, p. 187).

Definition of "person".

The word "person" as used below "means an individual, a partnership, or an unincorporated association". (Act of June 15, 1923, P. L. 809, sec. 2, as amended by Act of May 5, 1927, P. L. 762, sec. 1; Purdon's Penna. Stats., Title 7, sec. 2, p. 13).

Department of Banking; scope of supervision; powers; duties.

"There shall continue to be a separate and distinct department, known as the Department of Banking, charged with the supervision of all the *** persons hereinafter described, and with the duty of taking care that the laws of this Commonwealth in relation thereto shall be faithfully executed, and that the greatest safety to the depositors therein or therewith and to other interested persons shall be afforded. *** The said supervision, duties, and powers shall *** extend and apply to all private or unincorporated banks, except such as are or shall be exempted by law, and to all such individuals, partnerships, and unincorporated associations, as are or shall be by law made subject to the supervision of said department, ***." (Act of June 15, 1923, P. L. 809, sec. 4; Purdon's Penna. Stats., Title 7, sec. 4, pp. 14 and 15).

Assessment against persons to pay expenses of banking department; failure or refusal to pay.

All the expenses of the department of banking including the cost of regular examinations "shall be charged to and paid by the *** persons subject to the supervision of the department, in equitable proportions, at such times and in such manner, as the secretary shall by general rule or regulation annually prescribe: * * * " For a failure or refusal, after thirty days written notice, to pay any sum lawfully assessed or charged by the secretary, the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

secretary "shall call upon the Department of Justice to bring an action at law to recover the same". (Act of June 15, 1923, P. L. 809, sec. 9, as amended by Acts of April 13, 1927, P. L. 182, sec. 1, and April 25, 1929, P. L. 716, sec. 1; Purdon's Penna. Stats., Title 7, sec. 9(b), pp. 17 and 18).

Examination of.

"Every *** person included within the supervision of the department ***, together with all the property, assets, and resources of such *** person, shall be subject to inspection and examination" by the secretary, his deputies, or any qualified examiners of the department of banking. (Act of June 15, 1923, P. L. 809, sec. 13; Purdon's Penna. Stats., Title 7, sec. 13, p. 21).

Number and character of examinations; powers of examiner, reports of.

It is the duty of the secretary at least once each year, to examine the books, papers, and affairs of every person subject to the supervision of the department of banking. The examiner is empowered to make a thorough examination into all the business and affairs of the person and of all property, assets and resources wherever situated. The examiner also has power to examine under oath or otherwise, any of the officers, agents, employees or members of such person in possession of any assets or having knowledge of any assets of the person. The examiner is required to make a full and detailed report of the condition of the person who was examined, or such special report as may be directed by the secretary. (Act of June 15, 1923, P. L. 809, sec. 14, as amended by Act of May 5, 1927, P. L. 762, sec. 5; Purdon's Penna. Stats., Title 7, sec. 14 (a), p. 21).

Special examinations; cost of.

"The secretary may also at any time, make such special investigations or examinations as, in his opinion, the exigencies of any case may require"; and his power and duties and the powers and duties of any examiner assigned by him to conduct such special examination are the same as in the case of regular examinations. (Act of June 15, 1923, P. L. 809, sec. 14, as amended by Act of May 5, 1927, P. L. 762, sec. 5; Purdon's Penna Stats., Title 7, sec. 14 (a), p. 21). "The expenses incurred in connection with any special examination or investigation of any * * * person * * * shall be charged to and paid by such * * * person." (Act of June 15, 1923, P. L. 809, sec. 9, as amended by Acts of April 13, 1927, P. L. 182, sec. 1, and April 25, 1929, P. L. 716, sec. 1; Purdon's Penna. Stats., Title 7, sec. 9 (b), p. 18).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

False testimony of officer, employee, etc. to examiner; penalty.

The wilful false swearing in any inquiry instituted by an examiner during an examination by any officer, agent, employee or member of any person "shall be perjury, and subject, upon conviction thereof, to the same punishment as is or may be provided by law for the punishment of perjury. Upon failure of any of the individuals, aforesaid, to make answer to any such inquiry, the Attorney General, upon request of the secretary, shall make information thereof to the court, whereupon said court, after hearing, shall make such order as the occasion requires." (Act of June 15, 1923, P. L. 809, sec. 14, as amended by Act of May 5, 1927, P. L. 762, sec. 5; Purdon's Penna. Stats., Title 7, sec. 14 (b), p. 22).

Reports of condition; number and character of; publication required.

Every person subject to the supervision of the department of banking must make to the secretary not less than two nor more than five verified reports of condition during each year, the number, form and manner of such reports to be prescribed by the secretary. Each report must exhibit in detail and under appropriate heads the resources and liabilities of the person at the close of business on any past day specified by the secretary, and must be sent to him within five days or within such further time as he may allow, after the receipt of the secretary's request to make such report. Abstract summaries of two of the reports, designated by the secretary, in each year must be published in a newspaper and proof of such publication must be furnished to the secretary. (Act of June 15, 1923, P. L. 809, sec. 15; Purdon's Penna. Stats., Title 7, sec. 15, pp. 22 and 23).

Special reports of condition.

"The secretary shall have power to call for a special report from any * * * person under the supervision of the department, * * * whenever, in his judgment, the same may be necessary to a full and complete knowledge of * * * his condition." (Act of June 15, 1923, P. L. 809, sec. 15; Purdon's Penna. Stats., Title 7, sec. 15, p. 23).

Reports and publications required above to be in lieu of all similar reports and publications heretofore required.

The laws of this State provide that "The reports and publications provided for in * * * (the above provisions relating to regular and special reports of condition) shall be in lieu of all reports and of all publications for similar purposes heretofore required by law to be made." (Act of June 15, 1923, P. L. 809, sec. 15; Purdon's Penna. Stats., Title 7, sec. 15, p. 23). This provision apparently has the effect of repealing that portion of the Act of June 11, 1911 (P. L. 1060, sec. 2; Purdon's Penna. Stats., Title 7, sec. 719, p.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

183), hereinbefore referred to under the caption titled "Statement of assets and liabilities, and publication of, required", which requires private banks to file in the office of the Secretary of Banking a sworn statement of its assets and liabilities and to publish a copy of such statement in the newspapers.

Failure to make or publish reports; penalty.

A penalty is prescribed in case a person fails to make and transmit and to publish any report of condition referred to above. (Act of June 15, 1923, P. L. 809, sec. 15; Purdon's Penna. Stats., Title 7, sec. 15 (b), p. 23).

Report of gross receipts to Department of Revenue and payment of tax thereon.

The laws of this State also require a private banker on or before the first Monday of December of each year, to make a written sworn statement to the Department of Revenue in which must be set forth the full amount of "his gross receipts from commissions, discounts, abatements, allowances, and all other receipts" arising from his business during the year ending with the 30th day of November preceding the date of such return, "and shall forthwith pay into the State Treasury, through the Department of Revenue, one per centum upon the aggregate amount of such gross receipts * * * ". (Act of May 16, 1861, P. L. 708, sec. 1, as amended by Acts of June 27, 1895, P. L. 396, sec. 1, June 13, 1901, P. L. 559, No. 266, and April 25, 1929, P. L. 679, sec. 1; Act of April 9, 1929, P. L. 343, Art VII, sec. 719 a). "All * * private bankers shall be required to pay license as heretofore, in addition to the amounts which they shall be required to pay under the provisions of this Act." (Act of May 16, 1861, P. L. 708, sec. 4).

Additional report to Department of Revenue upon commencing business.

"Every private banker, hereafter commencing business in this Commonwealth, whether the business be conducted by an individual, or more than one person in partnership, shall, within sixty days after commencing such business, make a report to the Department of Revenue, setting forth the name or names of the persons engaging in such business, the name under which the business is being conducted, its location, and the amount of capital invested therein." (Act of April 9, 1929, P. L. 343, Art. VII, sec. 719 b).

Penalty for failure to make above reports to Department of Revenue.

Any private banker who neglects or refuses to make the return of gross receipts or the report referred to above to the Department of Revenue, "shall, for every such neglect or refusal, be subject to a penalty of one thousand dollars", which shall be collected by

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the Department of Revenue. (Act of April 9, 1929, P. L. 343, Art. XVII, sec. 1707).

Branches; general establishment of prohibited;

The laws of this State provide that "no individual, partnership, or unincorporated association carrying on a banking business shall establish, maintain, or operate, either directly or indirectly, any branch bank, branch office, agency, sub-office, sub-agency, or branch place of business, within the Commonwealth of Pennsylvania, for the transaction of any part of * * * , his, or their business, but all of the business of such * * *, individuals, partnerships, and unincorporated associations shall be carried on solely and exclusively at * * * his, or their principal place of business." (Act of April 27, 1927, P. L. 400, sec. 1; Purdon's Penna. Stats., Title 7, sec. 302, p. 100).

Exceptions; establishment permitted within corporate limits of places where national banks were operating branches on March 1, 1927.

"This act shall not apply to * * * any individual, partnership, or unincorporated association carrying on a banking business which has * * * , his, or their principal place of business in a city, borough, or township within the Commonwealth of Pennsylvania, in which one or more national banking associations, * * * was, on March 1, 1927, operating one or more branch banks, branch offices, agencies, sub-offices, subagencies, or branch places of business, for the transaction of any part of its business; and any such * * *, individuals, partnerships, and unincorporated associations may hereafter establish, subject to the approval of the Secretary of Banking, and thereafter maintain and operate branch banks, branch offices, agencies, sub-offices, subagencies, and branch places of business for the transaction of any part of * * *, his, or their business, but only within the corporate limits of the city, borough, or township in which its principal office is located and in which such national banking association was, on March 1, 1927, operating one or more branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business. The right to establish and maintain branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business, under the provisions of this section, shall be limited to the territory included within the corporate limits on March 1, 1927, of the respective cities, boroughs, or townships in which such national banking associations were on that date operating one or more branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business as aforesaid; and such right shall not extend to additional territory which may, after March 1, 1927, be added to such cities, boroughs, or townships, by annexation, consolidation with one or more municipal corporations or otherwise, nor shall it extend to other portions or divisions of municipal corporations to which such cities, boroughs, or townships may be annexed, or with which they may be consolidated after that date; the intention being to limit to the respective corporate limits of such cities, boroughs, or townships as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"they existed on March 1, 1927, the right to establish and maintain the branch banks, branch offices, agencies, suboffices, subagencies, and branch places of business authorized in this section." (Act of April 27, 1927, P. L. 400, sec. 3; Purdon's Penna. Stats., Title 7, sec. 304, p. 102).

Other exceptions are that the act does not apply to branches established or for which locations had been secured prior to March 1, 1927, or to branches resulting from consolidations effective prior to April 1, 1927; "and such * * * individuals, partnerships, and unincorporated associations shall have the right to relocate the same within the corporate limits of the city, borough, or township in which the principal place of business is located at the time of such relocation, subject to the approval of the Secretary of Banking." (Act of April 27, 1927, P. L. 400, sec. 2; Purdon's Penna. Stats., Title 7, sec. 303, p. 101).

Surety on bonds.

An "unincorporated bank" is prohibited from acting generally as "surety on any bonds". (Act of May 16, 1923, P. L. 248, secs. 1-3; Purdon's Penna. Stats., Title 7, secs. 281-283, pp. 98 and 99).

Preservation of records.

Every "private banker" must "preserve, in such form and manner that they may be readily produced on proper demand, all * * * his * * * records of original or final entry, including cards used under the card system, and deposit slips or tickets, for a period of seven years from the date of making the last entry on the same." (Act of April 4, 1929, P. L. 141, sec. 1; Purdon's Penna. Stats., Title 7, sec. 321, p. 104).

Advertising as trust company or using word "trust" as part of title.

The laws of this state prohibit any "person, copartnership, (or) limited copartnership" from advertising or putting forth any sign as a trust company or using the word "trust" as a part of his or its name or title. A penalty is prescribed for a violation of this prohibition. (Act of April 22, 1909, P. L. 121, sec. 2, as amended by Act of May 19, 1923, P. L. 274, sec. 1; Purdon's Penna. Stats., Title 7, sec. 687, p. 169).

Unauthorized or unsafe practices or other violations of law; secretary may issue order to discontinue.

Whenever it appears to the secretary that any person has violated any provision of law, or is conducting business in an unauthorized or unsafe manner, the secretary may issue an order directing such person to discontinue such violation of law or unauthorized or unsafe

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

practices. (Act of June 15, 1923, P. L. 809, sec. 20; Purdon's Penna. Stats., Title 7, sec. 20, p. 25).

Secretary may take possession of business; when.

"The secretary may, after hearing had upon notice given with the approval and consent of the Attorney General, take possession of the business and property of any * * * person subject to the supervision of the department, whenever it shall appear to him that such * * * person:

"I. Has violated any law regulating * * * his business, and has persisted in such violation in disregard of an order duly made by the secretary;

"II. Is conducting business in an unauthorized or unsafe manner and has persisted in disregard of an order duly made by the secretary;

"III. Is in an unsafe or unsound condition to continue business: Provided, in such case, That the secretary may forthwith, without such hearing and consent of the Attorney General, take possession of the business and property of any such * * * person receiving moneys on deposit, when and if, in his opinion the protection of depositors and the public requires such peremptory action;

"IV. Has an impairment of capital, which has not been restored or made good within the time fixed by order of the secretary;

"V. Has suspended payment of obligations;

"VI. Has neglected or refused to comply with the terms of any lawfully issued order of the secretary;

"VII. Has refused, upon proper demand, to submit the records and affairs of the business to the secretary, a deputy, or any duly authorized examiner or agent of the department;

"VIII. Has refused to be examined upon oath or affirmation, regarding such affairs;

"IX. Is in the hands of a receiver appointed by any court, or in any bankruptcy proceeding, or of an assignee or trustee for creditors appointed by such * * * person.

"The secretary may, in like manner, take possession of the business and property of any private or unincorporated bank, or the estate of any private banker, otherwise exempt from the supervision of the department, whenever such private or unincorporated bank shall have made an assignment for the benefit of creditors, or for any of the causes mentioned hereinbefore in this section." (Act of June 15, 1923, P. L. 809, sec. 21, as amended by Act of May 5, 1927, P. L. 762, sec. 7;

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Purdon's Penna. Stats., Title 7, sec. 21, pp. 25 and 26.)

Certificate of taking possession; secretary to supersede receiver previously appointed.

When the secretary has taken possession of the business and property of any person, he must make a certificate setting forth that he has so taken possession, and must file such certificate in his office "and cause a certified copy thereof to be filed in the office of the prothonotary, * * *." After the filing of such certified copy, the secretary "shall supersede any receiver previously appointed by any court for, or any assignee or trustee for creditors appointed by, such * * * person." (Act of June 15, 1923, P. L. 809, sec. 22; Purdon's Penna. Stats., Title 7, sec. 22, pp. 27 and 28).

Secretary may be enjoined from continuing possession.

At any time within ten days after the secretary takes possession of any person, such person may apply to the court for an injunction to restrain the secretary from continuing such possession. If it appears from satisfactory evidence that there is just cause for the taking and continuing of possession, the secretary shall not be enjoined; but if this evidence can be overcome by proper proof produced by the person, "the court shall direct the secretary to refrain from further proceedings and to surrender such possession." (Act of June 15, 1923, P. L. 809, sec. 23, as amended by Act of May 5, 1927, P. L. 762, sec. 8; Purdon's Penna. Stats., Title 7, sec. 23, p. 28).

Notice of taking possession to parties holding assets; effect on liens, etc.

The secretary must give notice in writing to all parties holding assets of the fact that he has taken possession of the property and business of a person. "No one having such notice or actual knowledge that the secretary has so taken possession shall have a lien or charge against any of the assets of such * * * person for any charge, payment, advance, or clearance thereafter made or liability thereafter incurred." The status of all parties becomes fixed on the date the secretary files the certificate of possession in his office. (Act of June 15, 1923, P. L. 809, sec. 25, as amended by Act of May 5, 1927, P. L. 762, sec. 9; Purdon's Penna. Stats., Title 7, sec. 25, p. 29).

Inventory of assets.

The Secretary must make a complete inventory of the assets of any person, whose property and business he has taken over. (Act of June 15, 1923, P. L. 809, sec. 26; Purdon's Penna. Stats., Title 7, sec. 26, p.30).

Secretary may suspend or continue business.

The secretary is authorized, upon taking possession of the property and business of any person, "to continue or suspend the business for such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"period as he may deem necessary to enable him to determine whether to liquidate the affairs of such * * * person, and, during such period, to take such action as in his judgment is necessary to conserve the assets and business." (Act of June 15, 1923, P. L. 809, sec. 27; Purdon's Penna. Stats., Title 7, sec. 27, p. 30).

Surrender of possession by secretary.

The secretary may, upon conditions approved by him, surrender possession of the business of any person for the purpose of permitting such person to resume business, to sell or convey his property and franchise, or to merge or consolidate his business with that of another person, or because he is without funds to continue or liquidate the business and property of such person. When possession is so surrendered, the secretary must issue an order to that effect, which order must be filed in his office. A certified copy of the order must also be filed in the office of the prothonotary. (Act of June 15, 1923, P.L. 809, sec. 28, as amended by Act of May 5, 1927, P.L. 762, sec. 10; Purdon's Penna. Stats., Title 7, sec. 28,p.30).

Powers of secretary as receiver.

When the secretary takes possession of the business and property of any person, he has the same rights, powers and duties as a receiver appointed by any court of equity in the State of Pennsylvania. (Act of June 15, 1923, P.L. 809, sec. 29, as amended by Act of May 5, 1927, P.L. 762, sec. 11; Purdon's Penna. Stats., Title 7, sec. 29, p. 20).

Secretary to continue possession until affairs are liquidated; exceptions.

When the secretary has taken possession of the business and property of any person, he shall hold such possession until the affairs of such person have been liquidated by him, unless (1) he is directed by the court to surrender such possession, (2) he has permitted a resumption of business, or a sale or conveyance of property and franchises, or a merger or consolidation, or (3) the depositors and other creditors of such person and the expenses of such liquidation have been paid in full. (Act of June 15, 1923, P.L. 809, sec. 31; Purdon's Penna. Stats., Title 7, sec. 31, p. 32).

Liquidation.

The laws of this State also contain detailed provisions with reference to the liquidation of persons and the duties and powers of the Secretary of Banking in connection therewith. These provisions deal with the duty of the secretary to make an inventory and appraisement of assets of the person, the disposition of all funds, property and investments held by the person in a fiduciary capacity, the notice the secretary must give to depositors and creditors, the proof of claims by depositors and creditors, the allowance of such claims, the filing by the secretary of a partial or final statement of receipts and expenditures and a list of claims allowed or rejected, the distribution of dividends to approved claimants, the hearing and decision of controverted claims,and the payment of liquidation expenses. (Act of June 15, 1923, P. L. 809, secs. 40, 41,43,45 and 49, and secs. 38, 42,44,46,47, and 48, as amended by Act of May 5, 1927, P.L. 762, secs. 17-22; Purdon's Penna. Stats., Title 7, secs. 38,40-49, pp. 37-46).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RHODE ISLAND.

Private banking business apparently prohibited.

The following provisions would seem to prohibit a "person, partnership or association" from transacting a general banking business.

"No corporation, either domestic or foreign, and no person, partnership, or association, except banks, savings bank, or trust companies incorporated under the laws of this state" shall hereafter make use of any sign or other advertising indicating that the place of business or the business carried on is that of a "bank, savings bank, or trust company; nor shall any such corporation, person, association, or partnership receive deposits and transact business in the way or manner of a bank, savings bank, or trust company, or in such a way or manner as to lead the public to believe, or as, in the opinion of the bank commissioner, might lead the public to believe, that its business is that of a bank, savings bank, or trust company; * * *". (P.L. 1909, ch. 404, sec. 24; Banking Laws, 1929, sec. 24, p. 71.)

Examination by bank commissioner to ascertain whether law is being violated.

The bank commissioner and his assistants have authority "to examine the accounts, books, and papers of any corporation, person, partnership, or association which makes a business of receiving money on deposit, in order to ascertain whether such corporation, person, partnership, or association has violated or is violating any provision of this title; * * *". (P.L. 1909, ch. 404, sec. 25; Banking Laws, 1929, sec. 25. pp. 71 and 72.)

Penalty for violation; banking commissioner must report violation to Attorney General; procedure to restrain further violation.

Any person, partnership, or association violating any provision of the section first above quoted must pay a penalty of one hundred dollars a day for every day during which such violation continues, and all such violations must be immediately reported by the bank commissioner to the Attorney General. The penalty may be recovered by an information or other appropriate proceeding brought in the Superior Court for the County in which said violation has occurred, in the name of the Attorney General. Upon such information or other proceeding the court may issue an injunction restraining such person, partnership, or association from further prosecution of its business and may make such other order or decree as may be proper. (P.L. 1909, ch. 404, sec. 25; Banking Laws, 1929, sec. 25, p. 72.)

SOUTH CAROLINA.

Private banks not prohibited; apparently subject to examination; operations also subject to other provisions of law.

It does not appear that the laws of this State prohibit private

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

banks from transacting a banking business; but it does appear from certain provisions of these laws that private banks are subject to examination by the State Bank Examiner, are expressly required to publish reports of condition, are made subject to the general provisions covering the taxation of banks, and are expressly inhibited from using the words "bank", "banking", "trust", or "trust company" in connection with their business, or from making use of any advertising or transacting business in any manner so as to create the belief that the business engaged in is that of a trust company. These provisions are referred to below.

Banking institutions conducted by "persons" subject to examination by State Examiner.

The Governor of the State of South Carolina is required to "appoint a competent person to examine, from time to time, as hereinafter provided, into the affairs and the condition of all banks and banking institutions conducted by corporations or persons in this State. " (Code of 1922, sec. 3977; Banking Law Pamphlet, 1928, sec. 82, p. 43.) Apparently, this provision makes private banks subject to examination by the State examiner "as hereinafter provided"; but because some of these "hereinafter provided" examination provisions can not be made to apply to private bankers, it would seem that it was intended that such provisions should apply to private banks wherever it is possible to make them applicable and these applicable provisions are set out below.

Duty and power of examiner; report of examination.

"It shall be the duty of such Bank Examiner, and he shall have power to make a thorough examination into all the books, papers and affairs of the aforesaid banks and banking institutions, and in making such examinations the Examiner shall have authority to administer oaths and to summon and examine any and all persons connected with the said banks and banking institutions, and if any person in such examination before the Bank Examiner shall testify falsely, he shall be indictable as for perjury. The Bank Examiner shall make a full and detailed report of his findings and file the same in the office of the State Treasurer, and in this report shall be set forth all violations, if any, of the banking laws of the State, and also such a full summary of the affairs of the bank as shall be necessary for the protection of the rights of the stockholders, depositors and creditors of such bank. It shall also be the duty of said Bank Examiner to forthwith bring to the attention of the said banks all such violations of the banking laws of this State and that the same be remedied or discontinued. He shall furnish all banks so examined by him or his assistants with a copy of said report. (Code of 1922, sec. 3978; Banking Law Pamphlet, 1928, sec. 83, p. 4.)

Number of examinations required; fees.

"The Bank Examiner shall make at least two examinations every year of all the banks and banking institutions in this State * * *." Fees for these examinations are to be charged according to the capital

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the banks. No bank can be required to pay for more than two examinations each year, unless additional examinations are necessary because of the mismanagement or negligence of a bank's officers in which cases the actual expenses of such additional examinations must be paid by the bank examined. The State Treasurer must hold these fees for paying the expenses of the State Examiner and they are payable upon the order of the State Bank Examiner. The State Treasurer must include in his annual report to the Legislature an abstract of the reports made to him by the State Bank Examiner, showing the financial condition of the banks examined by him, and also a schedule of the receipts and disbursements connected with the State Bank Examiner's office. (Code of 1922, sec. 3983, as amended by Acts of 1923, p. 191; Banking Law Pamphlet, 1928, sec. 85, p. 44).

Examiner may take charge of unsound bank and apply for appointment of receiver.

"If the State Bank Examiner shall find that any of the said banks or banking institutions are insolvent, or that their business is being so dishonestly and fraudulently conducted as to jeopardize the interests of the depositors, creditors or stockholders, he shall have full power, upon consultation with the State Treasurer, to take and retain possession of all the assets and property of every description belonging to such bank or banking institution: Provided, He shall have first applied for and obtained an order to this effect from a Circuit Judge, either residing or presiding at the time, in the Circuit in which such bank or banking institution is located, two days' notice of such application being first given to the Board of Directors of said bank of the application for said order. And it shall be his duty, and he is hereby authorized and empowered, to make proper application to the court for the appointment of himself or some other person as receiver to wind up and settle the affairs of such bank or banking institution." (Code of 1922, sec. 3985; Banking Law Pamphlet, 1928, sec. 87, p. 46).

Reports of condition and business must be published; penalty for failure to publish.

"All institutions doing business in this State in lending money and receiving deposits, under Acts of incorporation granted by the State, are hereby required, under penalty of a forfeiture of their charters, to publish in a newspaper in the city, town or village where they, or any branch thereof, may do business, when and as called for by the State Bank Examiner, without previous notice, a correct report of the condition and business of such institution, which report shall contain a statement, under oath, by the President or Cashier of such institution, of the amount of the capital stock paid in, deposits, discounts, property and liabilities of said institution, verified by three of the directors thereof.

"Upon failure of any such institution to publish the report required herein, the Attorney General, on notice thereof, shall at once take the necessary steps to vacate the charter of said institution. This section shall apply to all private banking institutions, whether chartered or not." (Code of 1922, sec. 3988; Banking Law Pamphlet, 1928, sec. 60, p. 28.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Taxation.

The laws expressly make private banks subject to the provisions covering the taxation of the shares of stock and real estate of banks, and contain detailed requirements with reference to the manner of imposing such taxation. (Code of 1922, sec. 342, as amended by Laws of 1924, p. 1220, sec. 365, sec. 400-403; sec. 404, as amended by Laws of 1927, p. 265, sec. 405-412, and Acts approved March 21, 1924, p. 116, Acts of 1924, and April 14, 1925, p. 294, Laws of 1925; Banking Law Pamphlet, 1928, secs. 92-108, pp. 49-55.) Taxation of private banking institutions is also provided for by Chapter 194, Acts of 1925, p. 294.

Use of words "Bank" or "Banking".

"It shall be unlawful for any person or persons in this State to use the words 'Bank' or 'Banking' in connection with any business, calling or pursuit, other than a legalized incorporated banking institution. Any person or persons violating the provisions of this Act shall be subject to a fine of not less than one thousand ($1,000.00) dollars and not more than ten thousand ($10,000.00) dollars and by imprisonment not exceeding ten years, nor less than one year, in the discretion of the court." (Criminal Code of 1922, sec. 235; Banking Law Pamphlet, 1928, sec. 145, p. 109).

Use of words "trust" or "trust company", or transaction of business as trust company.

No person, association or firm "other than trust companies chartered under the laws of the State of South Carolina prior to the passage and approval of this Act, or other than a corporation authorized to do business of a trust company and subject to the supervision of the State Bank Examiner, shall make use of the words 'trust' or 'trust company' as part of any artificial or corporate name or title," nor make use of any advertising indicating that the business conducted is that of a trust company," nor transact business in such way or manner as to lead the public to believe or as in the opinion of the bank examiner might lead the public to believe, that his or its business is that of a trust company." A penalty is prescribed for a violation of these provisions. (Acts of 1928, ch. 693, sec. 24, p. 1283; Banking Law Pamphlet, 1928, sec. 24, p. 126).

Bank examiner may examine books, etc., in case of violation of above provisions.

"The bank examiner shall have authority to examine the accounts, books and papers of any person, association, firm or corporation whom he has reason to suspect is violating the provisions of this (above) section and to summon and examine under oath, which he is empowered to administer, any person whom he may have reason to believe has violated or is a participant in any violation of the provisions of this section." (Acts of 1928, ch. 693, sec. 24, p. 1283; Banking Law Pamphlet, 1928, sec. 24, p. 126).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

SOUTH DAKOTA.

Private banking business permitted, but provisions of bank act made applicable.

It appears from the following provisions that a private banking business is not prohibited, but that where such business is engaged in it is subject to the same general provisions as are made applicable to incorporated banks and trust companies by the bank act.

"For the purpose of this chapter every corporation, association, firm or individual in this state whose business, in whole or in part, consists in the taking of deposits or buying and selling exchange shall be held to be a bank, and as thus defined each individual stockholder or member of such corporation, association or firm, except as to national banks, shall be subject to the provisions of this chapter". "This chapter" covers the organization and operation of banking institutions. "Where reference in this chapter is made to banks, trust companies or the business of banks or trust companies in any manner, the same shall be construed as applying to any such corporation, association, firm or individual so engaged in business as defined in this section, * * *". (South Dakota Revised Code of 1919, sec. 8948; Banking Laws, 1927, sec. 8948, p. 15). "* * * no charter or authority to engage in the banking business in this state shall be issued and no individual, co-partnership or corporation shall be permitted to engage in the banking business except on Certificate issued by the Superintendent of banks upon approval of the depositors' guaranty fund commission." (South Dakota Revised Code of 1919, sec. 8949; Banking Laws 1927, sec. 8949, p. 15). "It shall be unlawful for any person to advertise, publish or otherwise represent that he is engaged in the banking business, without first having obtained authority from the superintendent of banks as provided in this chapter", and a penalty is prescribed for unauthorized banking. (South Dakota Revised Code of 1919, sec. 9000; Banking Laws, 1927, sec. 9000, p. 33).

TENNESSEE.

Banking business may now only be transacted by corporations.

The following provisions of the laws of this State would seem to restrict the right to obtain the requisite certificate to do a banking business, after the passage of the so-called banking act of 1913, to a "corporation, firm or individual" which or who has complied with "the provisions of the law regulating the incorporation of banking corporations".

"Before any corporation, firm or individual shall open or commence the transaction of business as a bank in this State, after the passage of this (1913) Act, it shall first submit its affairs to an examination by the Superintendent of Banks, who shall ascertain whether the provisions of the law regulating the incorporation of banking corpor-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ations have been complied with, and whether the full amount of the capital stock with which it proposes to commence doing business has been paid in. If he shall find these things to have been properly done, he shall then issue a certificate to the said corporation, firm or individual banker, authorizing them to operate and carry on a business of banking." (Public Acts of 1913, ch. 20, sec. 24; Banking Law Pamphlet, with amendments to and including 1923, sec. 24, p. 22.)

"The provisions of this Act shall apply to all persons and corporations carrying on a banking business in this State, except that the provisions of this Act shall not apply to national banks". (Public Acts of 1913, ch. 20, sec. 42; Banking Law Pamphlet, with amendments to and including 1923, sec. 42, p. 27.)

"The term or word 'bank', or 'banks', or 'banker', as used in this Act, wherever it may occur in any part thereof, shall signify, mean, cover and include every trust company, loan company, mortgage security company, safe deposit company, receiving money on deposit, and every individual, firm, corporation, association or company doing a banking, loan or discount business and receiving money on deposit and performing functions of a bank". (Public Acts of 1913, ch. 20, sec. 44; Banking Law Pamphlet, with amendments to and including 1923, sec. 44, p. 28).

The bank act also contains numerous references to the words "persons", "firms" and "individuals", and, in some few instances, the term "private banker" is used; furthermore, the act, in certain sections thereof (sec. 10, paragraphs 5 and 15, and sec. 15, paragraph 1), specifically distinguishes between "corporations" and "persons" or "firms" engaged in the banking business in outlining the procedure to be followed in complying with the requirements of the respective sections, indicating that a private banking business is actually recognized in this State. In view of the provisions above quoted, however, it would seem that it was intended that this recognition should apply only to private bankers who were transacting a banking business prior to the passage of the 1913 bank act, although no such exception is expressly made in the act itself.

TEXAS.

Private banking business permitted, but subject to certain provisions of law.

"It is hereby declared to be the public policy of this State that no additional private banking institution or business shall be organized or established, after the taking effect of this Act, and it is hereby declared that it shall be unlawful for any person, association or persons, partnerships, or trustee or trustees acting under any common law declaration of trust, to hereafter organize or establish, begin or resume the operation of any banking institution or business within this State", except as provided hereinafter. (Laws of 1923, ch. 185, sec. 1,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

p. 422; Rev. Stats., 1925, art. 541.) "It shall be the duty of private individuals or firms engaging in the banking business to use after the name under which the business is conducted, the word in parenthesis 'Unincorporated', and failure to do so shall subject the offender to a penalty of one hundred dollars * * *". (Acts of 1905, S.S., p. 11; Rev. Stats., 1925, art. 541.)

Advertising.

It is unlawful for any private banker "to use, advertise or put forth any sign as a bank, trust company, bank and trust company or savings bank, or to in any way solicit or receive business as such, or to use as their name or part of their name on any sign, advertising or letter head or envelope the word bank, banker, banking, banking company, trust, trust company, bank and trust company, savings bank, savings, or any other term which may or might be confused with the name of a corporation organized under the general provisions of the banking laws of this State." (Acts of 1925, ch. 148, p. 356; Rev. Stats., 1925, art. 541-A.)

Names of persons only can be used in name.

It is unlawful for a private bank to adopt or use any artificial name or business title or to use any other than the name of the person or persons of the private bank, in the management, conduct or operation of such private bank. (Acts of 1925, ch. 148, p. 356; Rev. Stats., 1925, art. 541-B.)

Funds not to be employed in speculative ventures.

No private bank "engaged in the business of banking or operating a bank of deposit in this State shall employ any part of the funds of the depositors of such institution in any speculative venture or enterprise owned or promoted by said bank or any of the partners, officers or managers thereof." (Acts of 1923, ch. 185, sec. 3, p. 423; Penal Code, 1925, art. 560.)

Affidavit of solvency required.

Not later than January 15th of each year, each private bank is required to file with the county clerk of the county in which the principal place of business of the bank is conducted, an affidavit stating that the bank is solvent and has and owns property and assets in the State of Texas the value of shich is in excess of any and all of the liabilities of such private bank. (Acts of 1923, ch. 185, sec. 4, p. 423; Penal Code, 1925, art. 561.)

Statement of ownership required; publication of.

Not later than January 20th of each year, each private bank is required to file with the county clerk of the county in which its principal place of business is located, a written sworn statement giving the names of each person holding or owning any financial interest in the bank, and a copy of such statement must be published "in some newspaper of general circulation in said county, if such newspaper be published within said county." (Acts of 1923, ch. 185, sec. 5, p. 423; Penal Code, 1925, art. 562.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Restriction on advertisement of responsibility.

No private bank can advertise in any manner that it owns, possesses or has a financial responsibility in excess of the real and true financial responsibility of such bank. The laws define the term "financial responsibility" to mean money or real or personal property within the State. (Acts of 1923, ch. 185, sec. 8, p. 424; Penal Code, 1925, art. 563.)

Violation of preceding provisions; penalty.

A violation of any of the preceding provisions by any private bank or any member thereof constitutes a misdemeanor "punishable by a fine of not less than one hundred nor more than one thousand dollars, or by imprisonment in jail for not less than thirty days nor more than twelve months, or by both such fine and imprisonment. Each day said business is carried on or attempted to be carried on shall be a separate offense." (Acts of 1923, ch. 185, sec. 8, p. 424; Penal Code, 1925, art. 564.)

Receiving deposits while insolvent; penalty.

Any private banker, or any manager, cashier or other person, owning or operating a private bank, who receives or assents to the reception of any deposit of money or other valuable thing into the bank, or if such private bank, manager, cashier or other person, creates or assents to the creation of any debt, debts or indebtedness, in consideration or by reason of which indebtedness, any money or valuable property is received into the bank, after knowledge that such banker "is insolvent, or in failing circumstances, he shall be confined in the penitentiary not less than two nor more than ten years. " The failure of the private banker is prima facie evidence of knowledge that such banker was insolvent or in failing circumstances when the money or property was received. (Acts of 1923, ch. 185, sec. 7, p. 424; Penal Code, 1925, art. 565.)

Exceptions from above provisions.

The above provisions do not apply to private banks which were "actively engaged in the operation of any bank, trust company, bank and trust company or savings bank" at the time this (1925) Act became effective; nor do such provisions apply to "any bank which may have been in successful operation in this State for twenty years and shall have suspended operations prior to the passage of this Act, but which shall resume operation within twelve months after the passage of this Act. " The right to continue or resume business "is hereby expressly recognized, confirmed and fixed. " These provisions also do not apply to a private banker "who has for a period of one year next preceding the date that this Act becomes effective, and who, as such, in the course of the liquidation of any bank or trust company or bank and trust company within this State, has acquired the assets, or any part thereof, including the real estate used as its banking house or place of business and has assumed the liabilities, or a part thereof of such liquidated bank or trust company or bank and trust company. " (Acts of 1925, ch. 148, p. 356; Rev. Stats., 1925, art. 541-C; Penal Code, 1925, art. 566.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Blue Sky Law" not applicable to private banks.

The laws of this State also provide that the so-called "Blue Sky Law" shall not apply to private banks. (Rev. Stats., 1925, art. 599.)

UTAH.

Private banking expressly prohibited.

The laws of Utah provide that "The establishing or maintenance of private or partnership banks is hereby expressly prohibited; provided, that all such banks now in operation shall retire from business or incorporate under the provisions of this chapter within a period of five years from and after the approval of this chapter." (Act approved March 30, 1911; Compiled Laws of Utah, 1917, Title 19, ch. 6, as amended, sec. 994; Banking Laws, 1927, sec. 994, p. 9.)

VERMONT.

Private banking business prohibited.

"A person, firm, association or corporation, except corporations reporting to and under the supervision of the bank commissioner, shall not advertise or put forth any sign as a bank, banking association or trust company, or in any way solicit or receive deposits or transact business as a bank, banking association or trust company, or use the words 'bank', 'banking association' or 'trust company'; but this section shall not prevent an individual, as such, from acting in a trust capacity. A person, firm, association or corporation subject to the provisions of this section, who violates a provision thereof, shall be fined not more than five hundred dollars for each offense." (General Laws Relating to Banks, ch. 226, Part II, sec. 5419; Banking Laws, 1918, sec. 5419, p. 31.)

VIRGINIA.

Banking business may only be transacted by corporations; exceptions.

"No person, co-partnership or corporation, except corporations duly chartered and already conducting the business of banking or trust, under authority of the law of this State or the United States, or which shall hereafter be incorporated under the laws of this State, or authorized to do business under the banking laws of the United States, shall engage in the business of banking or trust in this State; and no foreign Corporation shall do a banking or trust business in this State, except that nothing in this chapter shall prevent any person or co-partnership or corporation from lending money on real estate and personal security or collateral, or from guaranteeing the payment of bonds, notes, bills and other obligations, or from purchasing or selling all stocks and bonds. But this section shall not apply to or affect any private banker or firm of private bankers who shall have been engaged in business on the first day of January, Nineteen Hundred and Ten." (Virginia Bank Act, sec. 3, as amended; ch. 507, Acts of 1928, p. 1308, as amended by ch. 278, Acts of 1930, p. 702.). The laws also contain provisions prohibiting persons or corporations not lawfully

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

engaged in the business of banking from using advertising indicating that the place of business or the business carried on is that of a bank or from using the word "bank", "banking", etc. in connection with the business. (Virginia Bank Act, sec. 4; ch. 507, Acts of 1928, p. 1308; Banking Law Pamphlet, 1929, sec. 4149 (4), p. 25.)

Penalty for violation of provisions.

The laws provide that any person or persons violating the provisions referred to above "either individually or as an interested party, in any co-partnership or corporation, shall be guilty of a misdemeanor." (Virginia Bank Act, sec. 4; ch. 507, Acts of 1928, p. 1308; Banking Law Pamphlet, 1929, sec. 4149 (4), p. 25.)

State Corporation Commission may examine books, records, etc. when violation suspected.

The State Corporation Commission has authority to examine the accounts, books and papers of any person or co-partnership whom it has reason to suspect is doing a banking business, in order to ascertain whether such person or co-partnership has violated or is violating, any provision of the banking act. The refusal to submit such accounts, books and papers is prima facie evidence of a violation. (Virginia Bank Act, Sec. 4; ch. 507, Acts of 1928, p. 1308; Banking Law Pamphlet, 1929, sec. 4149 (4), p. 25.)

WASHINGTON.

Private banking business apparently prohibited.

The laws of this state provide for the incorporation of banks and trust companies and mutual savings banks to engage in the business of banking as defined below. (Laws of 1923, sec. 3, p. 302, Laws of 1929, sec. 2, p. 93, sec. 3, p. 95, sec. 1, p. 437; Rem. Comp. Stats., 1927 Supp., secs. 3226 and 3229, as amended by Laws of 1929, secs. 2 and 3, pp. 93 and 95, and secs. 3227 and 3228; Banking Laws, 1929, secs. 29-32, pp. 13-16; Laws of 1915, secs. 1-5, pp. 549-552; Rem. Comp. Stats., sec. 3313 - 3317; Banking Laws, 1929, secs. 145-149, pp. 62-65) The laws, however, are silent with reference to the organization or establishment of private banks.

The laws further provide that "no person shall engage in banking except in compliance with and subject to the provisions of this (bank) act, except it be a national bank or except in so far as it may be authorized so to do by the laws of this state relating to mutual savings banks, * * *". (Laws of 1919, sec. 7, p. 730; Rem. Comp. Stats., sec. 3222; Banking Laws, 1929, sec. 25, p. 12.) It would seem, therefore, that this provision and the provisions digested immediately below, coupled with the silence of the laws as far as the organization of private banks is concerned, restrict the transaction of a banking business to incorporated banks, trust companies, mutual savings banks and national banks.

Definition of terms.

"The term 'banking' shall include the soliciting, receiving or accepting of money or its equivalent on deposit as a regular business."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"The term 'bank', where used in this act, unless a different meaning appears from the context, means any corporation organized under the laws of this state engaged in banking, other than a trust company, or a mutual savings bank."

"The term 'person' where used in this act, unless a different meaning appears from the context, includes a person, firm, association, partnership and corporation, and the plural thereof, whether resident, non-resident, citizen or not." (Laws of 1917, sec. 14, p. 275; Rem. Comp. Stats., sec. 3221; Banking Laws, 1929, sec. 24, p. 11.)

Use of word "bank", etc., and certain other advertising; penalty for unauthorized use.

The laws also contain the requirement that the name of every bank shall contain the word "bank", but provide that only a national bank, a bank or trust company authorized by the laws of Washington, or a foreign corporation, authorized by the bank act, shall use this word or the words "banking", "banker" or "trust", or other advertising indicating that a banking business is being carried on. "Every person who, * * * violate any provision of this section shall be guilty of a gross misdemeanor". (Laws of 1925, Ex. Sess., sec. 1, p. 177; Rem. Comp. Stats., 1927 Supp., sec. 3225; Banking Laws, 1929, sec. 28, p. 13.)

WEST VIRGINIA.

Private banking business prohibited.

"No person, persons, corporation or corporations doing business in this State, except a banking institution chartered and organized under the provisions of this article and article one of this chapter, and except a banking association chartered under acts of the congress of the United States, shall use in connection with such business, or as a designation or title, the term "bank," "banker", "banking", "banking company", "banking association", "savings bank", or "trust company"; or engage in the banking business as defined in sections six and seven of this article, or hold himself, themselves or itself out as engaged in any such business.

"Any person or corporation and/or officer or director of any corporation violating any of the provisions of this section shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be fined not more than one thousand dollars; and at the discretion of the court any individual so offending shall be imprisoned in the county jail for a period not exceeding six months, or both fined and imprisoned, within such limits." (Section 2, Article 4, Chapter 31, Code of 1931; 1905, c. 45; 1907, c. 79; 1913, c. 21; 1919, c. 60; Code 1923, c. 54, section 78; 1925, c. 34; 1929, c. 23, Section 1)".

"No corporation chartered under the laws of this State, or of any other state, territory or sovereignty, except banking associations chartered under the laws of the United States of America, and banking institutions chartered under the laws of this State, as defined in this article, and no person, partnership or association of persons as a trust, or other

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

organization, shall engage in the business of banking in the State of West Virginia, or shall receive or accept deposits of money, or borrow money by receiving and giving credits for deposits, or by issuing certificates of deposit or certificates of indebtedness, or by making and negotiating any writing purporting to be a bond, contract, or other obligation, the performance of which requires the holder or other party to make deposits of money with the issuer, or by means of any other plan, pretext, scheme, shift or device.

"Nothing contained in this section shall affect the rights, privileges, objects or purposes delegated to other corporations by the general corporation law or other laws of this State.

"Any corporation or individual who violates any of the provisions of this section shall be guilty of a misdemeanor, and, upon conviction shall be fined not more than five thousand dollars, and, in addition to such penalty, every corporation so offending shall forfeit its corporate franchise, and every individual so offending shall be subject to a further penalty by confinement in jail for not more than one year." (Section 18, Article 4, Chapter 31, Code of 1931; 1903, c. 8; 1919, c. 80; 1921, c. 126; Code 1923, c. 54C, Sections 12, 14; 1925, c. 33; 1929, c. 23, Section 10)."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

WISCONSIN.

Banking business may only be transacted by corporation.

"It shall be unlawful for any person, copartnership, association, or corporation to do a banking business without having been regularly organized and chartered as a national bank, a state bank, a mutual savings bank, or a trust company bank." (Wisconsin Statutes, ch. 224, sec. 224.03; Banking Laws, including amendments of 1927, sec. 224.03, p. 63.)

Definition of term "bank".

" The term 'bank', as used in this chapter, shall be construed to mean any incorporated banking institution which shall have been incorporated under the laws of this state as they existed prior to the passage of this chapter, and to such banking institutions as shall hereafter become incorporated under the provisions of this chapter. " (Wisconsin Statutes, sec. 224.01; Banking Laws, including amendments of 1927, sec. 224.01. p. 63.)

Penalty for unlawful banking.

"Any person or persons violating any of the provisions of * * * (the) section (first above quoted), either individually or as an interested party in any copartnership, association, or corporation shall be guilty of a misdemeanor and on conviction thereof shall be fined in a sum not less than three hundred dollars nor more than one thousand dollars, or by imprisonment in the county jail not less than sixty days nor more than one year, or by both such fine and imprisonment." (Wisconsin Statutes, sec. 224.03; Banking Laws, including amendments of 1927, sec. 224.03, p. 63).

WYOMING.

Banking business may only be transacted by corporations.

In order to transact a banking business as defined below, the laws of this State provide for the incorporation of banks, savings banks, loan and trust companies and trust company banks. (Laws of 1925, ch. 157, secs. 3, 55, 69 and 75; Banking Laws, with 1927 amendments, sec. 3, p. 11, sec. 55, p. 22, sec. 69, p. 26 and sec. 75, p. 28.) The law also provides that "No person, firm or corporation (except national banks) shall carry on a banking business except in compliance with the provisions of this (bank) act." (Laws of 1925, ch. 157, sec. 11; Banking Laws, with 1927 amendments, sec. 11, p. 13) It is further provided that "it shall be unlawful for any person or persons, co-partnership or association to transact the business of a savings bank, * * * unless such person, company or association has been duly incorporated under this act; * * * ." (Laws of 1925, ch. 157, sec. 68; Banking Laws, with 1927 amendments, sec. 68, p. 26.)

Scope of Bank Act.

"Every bank, banker or corporation in this State doing a banking

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

244

business under the provisions of this (bank) Act, shall be known as a State bank; and any and all reference herein made to this Act to state banks shall apply to every individual, firm or corporation doing a banking business under the provisions of this Act. " (Act of February 15, 1929, sec. 1; Laws of 1929, ch. 54, sec. 1.)

Definition of bank and banking business.

"Any person, firm or corporation (except national banks) having a place of business within this State where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check, or order, shall be regarded as a bank or banker, and as doing a banking business under the provisions of this Act. " (Laws of 1925, ch. 157, sec. 10; Banking Laws, with 1927 amendments, sec. 10, p. 13.)

Restriction against use of certain advertising.

"No person, persons, firm or corporation shall advertise, issue or circulate any card or other papers, or exhibit any sign using either or any of the terms 'bank', 'banker', 'banking house', or 'trust company', until they have fully complied with the provisions of this Act; provided, that the term 'trust company' may be used by a person, firm or corporation when the business transacted is in no sense a banking business." (Laws of 1925, ch. 157, sec. 11; Banking Laws, with 1927 amendments, sec. 11, p. 13.) "It shall be unlawful for any person or persons, copartnership or association * * * to assume the name of a savings bank or association, unless such person, company or association has been duly incorporated under this Act; * * *". (Laws of 1925, ch. 157, sec. 68; Banking Laws, with 1927 amendments, sec. 68, p. 26)

Penalty for unlawful banking or advertising.

Any person, firm or corporation violating any of the above provisions shall be deemed guilty of a misdemeanor, and upon conviction shall be subject to certain prescribed penalties. (Laws of 1925, ch. 157, secs. 12 and 68; Banking Laws, with 1927 amendments, secs. 12 and 68, pp. 13 and 26).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

FEDERAL RESERVE BANK OF RICHMOND

February 4, 1931.

Federal Reserve Board,
Washington, D. C.

Attention Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

I enclose herewith two copies of a complaint in an action of W. I. Skinner and Company v. Federal Reserve Bank of Richmond and W. P. Wright, Receiver of the National Bank of Greenville, N. C. While the complaint does not contain a complete description of the check upon which it is based, it appears from our records that on December 8, 1930, we received from the First and Merchants National Bank a check for $4,748.53 drawn on the National Bank of Greenville. This check was sent to the drawee bank in our cash letter of the date mentioned, which contained checks aggregating $27,289.01. The checks in this cash letter with the exception of those returned were cancelled and charged to the drawers on December 9th and the National Bank of Greenville sent us the usual slip or receipt directing us to charge its reserve account with the sum of $27,224.28, which was the amount of the checks contained in our cash letter less a few checks returned unpaid. The check mentioned in the complaint was not returned unpaid.

The above mentioned authority to charge was received by us on December 10th, probably at or about the opening of business. At the opening of business on December 10th the National Bank of Greenville had an apparently available balance in its reserve account of $17,903.96. No action was taken on the authority to charge its reserve account with the letter of December 8th because the account was not sufficient to cover the charge. During the day of December 10th we received certain transfers and credits for the account of the National Bank of Greenville which totaled $8,820.43. $8,000.00 of this sum appears to have been a credit made to the account of the National Bank of Greenville by a wire transfer; $818.93 appears to have been the proceeds of a cash letter deposited by the National Bank of Greenville which became available on that day; and $1.50 appears to have been a credit for an exchange charge.

At 1:00 P. M. on December 10th we received a telegram sent from Greenville at 12:58 P. M. advising us that the National Bank of Greenville was closed. When this telegram was received we had not charged its account with the amount of the cash letter of December 8th and therefore did not do so but charged the amount of these checks back to our endorsing banks in the usual way.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Subsequent to the failure of the National Bank of Greenville a few returned items were charged to the reserve account, but the amount of such return items was not large and we at present hold a reserve balance of $26,625.00.

The National Bank of Greenville had rediscounted notes with us greatly exceeding the amount of the reserve balance and we had taken no marginal collateral as its borrowings had not exceeded its basic line.

The complaint in this action is as you will see rather informal and does not indicate clearly the exact theory of liability upon which the plaintiff intends to rely. The attorneys who are bringing action, however, have a very good reputation, and I am inclined to think that they are basing their claim both upon the so-called Malloy case and the decision in the Early case. I expect to write to them and call their attention to the fact that the Regulations of the Federal Reserve Board and our circulars have been radically altered since those decisions; but my past experience with lawyers in North Carolina gives me little reason to hope that they will withdraw this suit before a trial. They did not write to us before instituting the suit and so I did not have an opportunity to call their attention to our defenses.

It seems very probable that this case will eventually depend upon the determination of the validity of Regulation J, Series of 1930, and may therefore be a case of far-reaching importance to all Federal reserve banks. There are, of course, many circumstances which make it unfortunate that this suit should be brought in this district. I entertain no doubt of the validity of the present form of Regulation J, but having a "past" to live down, my arguments may be somewhat discounted by the court. If this case is removed to a federal court, the Circuit Court of Appeals of this circuit will naturally be on the alert for any reasons which may enable it to follow its own decision. If we leave the case in the state court, the state court of North Carolina may be likewise inclined to follow the Circuit Court of Appeals and the Supreme Court of the United States to the same result as that reached in the Early case without regard to the change in the regulations.

We, of course, could not determine whether or not this suit should be removed to a federal court as it could only be removed on motion of the receiver. Of course, in this case the receiver of the failed bank and the Federal Reserve Bank would have a common interest and I should be disposed to unite in any move made by the receiver; but because the case seems important and has some interesting angles besides the bare questions of law involved, I am immediately transmitting to you a copy of the complaint in order that you might study it carefully. It is, of course,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

unnecessary for me to say that any suggestions from you would be highly appreciated, and if you consider it wise to send copies of the complaint to Counsel for other Federal reserve banks and ask their opinion as to whether or not this litigation should be handled as a System matter, it would be entirely agreeable to me to have you do so.

With kindest regards, I am

Very truly yours,

(s) M. G. WALLACE
Counsel.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(COPY)

X-6813-a

NORTH CAROLINA

MARTIN COUNTY

IN THE SUPERIOR COURT

W. I. SKINNER & COMPANY, INCORPORATED)
VS)
FEDERAL RESERVE BANK OF RICHMOND, VIRGINIA, NATIONAL BANK OF GREENVILLE, AND W. P. WRIGHT, RECEIVER OF NATIONAL BANK OF GREENVILLE)

C O M P L A I N T

Plaintiff, complaining of defendants, alleges and says:

1: Plaintiff is a corporation, duly organized under the laws of the State of Delaware, doing business in the State of North Carolina, with an office at Williamston in said State.

2: Defendant Federal Reserve Bank of Richmond, Virginia, is a corporation, organized under the laws of the United States of America, doing business in North Carolina, with an office at Charlotte.

3: Defendant National Bank of Greenville is a banking corporation, organized under the laws of the United States, and W. P. Wright has been appointed as Receiver for it.

4: On December 6, 1930, plaintiff deposited for collection with Branch Banking & Trust Company, a banking corporation organized under the laws of the State of North Carolina, at Williamston, North Carolina, a check drawn by Person-Garrett Company, a Virginia corporation, on its account in National Bank of Greenville.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

5: As plaintiff is advised and believes, the Branch Banking & Trust Company promptly transmitted said check to First & Merchants National Bank of Richmond for collection as agent for plaintiff, and it, as agent for plaintiff, sent said check to the Federal Reserve Bank of Richmond to be by it collected as agent for plaintiff.

6: As plaintiff is advised and believes, Federal Reserve Bank of Richmond on December 8, 1930, mailed said check direct to the National Bank of Greenville for collection and payment, but carelessly and negligently failed to require as a condition precedent to the surrender and cancellation of said check that the National Bank of Greenville should receive and transmit only money in payment of said check.

7: As plaintiff is advised and believes, National Bank of Greenville was insolvent when Federal Reserve Bank of Richmond mailed to it the check of Person-Garrett Company, which fact was or should have been known to the Federal Reserve Bank of Richmond.

8: As plaintiff is advised and believes, National Bank of Greenville upon receipt of the check given by Person-Garrett Company to plaintiff cancelled said check and charged the same to the account of Person-Garrett Company, but due to the careless and negligent failure of defendant Federal Reserve Bank of Richmond to require only money to be transmitted in payment of said check, mailed to Federal Reserve Bank of Richmond on December 9, 1930, a check or letter authorizing Federal Reserve Bank of Richmond to charge the amount of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the check given plaintiff to the account of the National Bank of Greenville with Federal Reserve Bank of Richmond

9: As plaintiff is advised and believes, defendant Federal Reserve Bank, on December 10, 1930, received the check or order from the National Bank of Greenville directing Federal Reserve Bank to charge to the account of National Bank of Greenville the amount of the check given plaintiff by Person-Garrett Company, but defendant Federal Reserve Bank wrongfully refused to honor and pay said check or other order of the National Bank of Greenville, although, as plaintiff is advised and believes, National Bank of Greenville had on deposit and to its credit with the Federal Reserve Bank of Richmond at the time said check or order was drawn and mailed a sum more than sufficient to pay said check or order.

10: As plaintiff is advised and believes, defendant Federal Reserve Bank of Richmond had made loans or rediscounted notes for National Bank of Greenville, none of which were due when National Bank of Greenville mailed its check or order to the Federal Reserve Bank of Richmond, nor were any of said notes due when Federal Reserve Bank of Richmond received said check or order, as plaintiff is advised and believes, but Federal Reserve Bank, as plaintiff is advised and believes, on the same day that it received the check or order of National Bank of Greenville, charged against the account or deposit owing to National Bank of Greenville the notes given it by National Bank of Greenville or papers which had been re-discounted for National Bank of Greenville, thereby causing an over-draft in the account of National Bank of Greenville

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with Federal Reserve Bank, or reducing the same to a sum insufficient to pay the check or order sent by National Bank of Greenville to Federal Reserve Bank.

11: As plaintiff is advised and believes, defendant Federal Reserve Bank has in hand collaterals and notes more than sufficient to discharge and pay any sums borrowed from it by National Bank of Greenville or re-discounted with it by National Bank of Greenville, and, as plaintiff is advised and believes, the act of defendant Federal Reserve Bank in charging against said deposit the notes given by National Bank of Greenville or re-discounted by it was wrongful and unlawful, or if Federal Reserve Bank had the right to charge the amount owing to it against the deposit of National Bank of Greenville, plaintiff, as it is advised and believes, is subrogated to the rights of Federal Reserve Bank of Richmond to the collateral and other papers held by it.

12: As plaintiff is advised and believes, the defendants National Bank of Greenville and W. P. Wright, as Receiver, claim and assert some interest in said collaterals or make some contention with respect to the moneys on deposit with the Federal Reserve Bank of Richmond, which rights, if any, are subordinate to the rights of the plaintiff.

WHEREFORE plaintiff prays that it recover of defendant Federal Reserve Bank of Richmond the sum of $4,748.53, with interest, and that the amount owing to it be declared superior to any claims which defendant National Bank of Greenville or W. P. Wright, as Receiver of said Bank, may have against the Federal Reserve Bank of Richmond; for costs and such other and further relief as to the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Court may seem proper.

(sgd) MacLean & Rodman

Attorneys

NORTH CAROLINA

MARTIN COUNTY

J. E. King, being duly sworn, says: That he is President of W. I. Skinner & Company, Incorporated, the above named plaintiff; that the foregoing complaint is true of his own knowledge except as to those matters therein stated upon information and belief, and as to those, he believes it to be true.

(sgd) J. E. King

Subscribed and sworn to before me

this January 28, 1931.

(sgd) C. D. Carstarphen
Notary Public

My Commission Expires ______________

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON X-6814

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 11, 1931

SUBJECT: Code word to cover telegraphic transactions in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover new issue of Treasury Bills, as follows:

"NOXBADY" Series dated February 16, 1931 and maturing May 18, 1931.

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

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F.R.BANKS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6817

February 10, 1931.

Mr. M. G. Wallace, Counsel,
Federal Reserve Bank,
Richmond, Virginia.

My dear Mr. Wallace:

Although I have already communicated with you by wire, I desire formally to acknowledge receipt of your letters of January 29, February 2, February 5 and February 6, with reference to the Attmore case and the Lucas case and to thank you for your courtesy in keeping me so fully informed of all important developments in these cases. I also wish to congratulate you upon your success in having the affirmative defenses stricken from the answer in the Attmore case.

In view of the court's action in striking the affirmative defenses in the Attmore case, I assume that it will also strike the affirmative defenses set up in the answers in several similar suits now pending.

While the granting of your motion to strike in the Attmore case deprives that case of all System importance, unless the defendant appeals, it is clear that the filing of the Lucas suit, which raises most of the questions raised by the affirmative defenses in the Attmore case and also raises additional questions of importance to the Federal Reserve System, justifies our foresight in deciding to handle the Attmore case and related litigation as a System matter and in retaining Mr. Baker to represent all Federal reserve banks jointly in such litigation. I personally believe that this is going to develop into some of the most important litigation we have ever had and that it will settle several important questions about which there has been a difference of opinion for many years, the principal question being the right of Federal reserve banks to take marginal collateral.

The first question to be decided, of course, is whether the Lucas case should be removed to the Federal Court. On that question, as I wired you on February 7, I feel that, notwithstanding the views of the Office of the Comptroller of the Currency with reference to local conditions, the arguments in favor of removal contained in your letter to Mr. Baker are practically conclusive. We certainly cannot afford to try this case before a jury if we can avoid it; and I believe we can avoid it by removing it to the Federal court, because I think it clearly is removable to the Federal court and will be treated there as a suit of equity.

Had it not been for the views of the Comptroller's Office about local conditions, I would not have hesitated for a moment to recommend that you remove the case to the Federal court. In view of the feeling of Messrs. Awalt and Barse about the general situation in that district,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and in view of the fact that the receiver will ultimately have to be made a party in the case and probably will have the chief pecuniary interest in the outcome of the case, however, I hesitated to make such a recommendation without first consulting the representatives of the Comptroller of the Currency. When I talked to them, Messrs. Awalt and Barse unhesitatingly agreed that this particular case undoubtedly should be removed to the Federal court, in order to avoid the necessity of trying it before a jury. Mr. Jackson having already indicated his concurrence in your views on this question, I accordingly wired you on February 7 suggesting that you act in accordance with your own judgment and institute removal proceedings without delay. While it is unfortunate that we cannot have Mr. Baker's views on the question whether this case should be removed, I have no doubt that he will feel that we have reached the right conclusion on that point.

It seems to me that the next question to be considered in connection with the Lucas case is whether to demur, answer or move to dismiss after the case has been removed to the Federal court. While I have no mature judgment on this question, I am inclined to agree with you that we should move to dismiss for failure to join the receiver and liquidating agent. I have not completed my analysis of the complaint; but I feel pretty confident that it is not demurrable, and there would seem to be no use in filing an answer and going to trial on the merits until all necessary parties have been joined in the suit. I believe however, that, after the receiver and liquidating agent have been made parties to the suit, it will be necessary to file an answer and go to trial on the merits; and that, therefore, we should be thinking about the kind of answer to be filed.

If the case is removed to the Federal court, Mr. Baker will return in time to be consulted about the further proceedings in the case; and I believe we ought to have a conference as soon as possible after his return. If this meets with your approval, I suggest that you request Mr. Jackson to take the matter up with Mr. Baker as soon as he returns and endeavor to arrange an early conference.

In your letter of February 5 you stated that you had not retained an associate in New Bern to assist in the Lucas litigation and inquired whether I thought that Mr. Baker would prefer to have you retain an associate of his who I had told you was somewhere in North Carolina. As I wired you on February 7, I am sure that Mr. Baker has no preference as to the selection of local counsel and would prefer that you use your own judgment on that question. The associate I spoke to you about was Mr. Jackson, who was in North Carolina on a vacation. Mr. Baker was anxious for you to get acquainted with him; but the next time he heard from Mr. Jackson he had gone to Florida.

It was very thoughtful of you to forward to me copies of the newspaper clippings with reference to the Lucas case, and I appreciate your kindness. I note with interest that both papers recognized the fact that this case is one of national importance and probably will

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

go to the Supreme Court of the United States. The newspaper accounts have all the earmarks of being based upon press statements issued by counsel for the complainants. I am glad to note that they are dignified, fair statements and do not indicate any inclination to try this case in the newspapers.

When I have completed my study of the complaint, I shall write you further about the Lucas case; and I hope that you will not hesitate to call upon me for any assistance which I or my associates in this office can render.

With kindest personal regards, and all best wishes, I am

Cordially yours,

Walter Wyatt,
General Counsel

WW-sad

(Note: Mr. Jackson is one of Mr. Baker's partners in Cleveland.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6817-a

FEDERAL RESERVE BANK

OF RICHMOND

January 29, 1931

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

I enclose a copy of my letter to Mr. Newton Baker and a copy of the complaint in the action of Lucas' Administrators v. Federal Reserve Bank of Richmond. I could not send you a copy of the order striking out the answer in the Attmore case as our Stenographic Department is somewhat rushed and the order is rather long. The court, however, struck out all allegations except those which amounted merely to a denial of our allegations and those which set up the existence of a deposit balance due by the failed bank to the defendant. If the trial judge is consistent in his subsequent rulings, his action in striking out the answer would mean that he intended to admit no evidence except evidence of the making of the note and whether or not it was transferred to us for value and before maturity, and, of course, whether or not the defendant had a deposit balance.

I heard with much regret that you had been confined to your house with grippe. I hope that you are now improving.

Very truly yours,

(Signed) M. G. Wallace

M. G. Wallace,
Counsel.

MGW R

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6817-b

FEDERAL RESERVE BANK OF RICHMOND

January 29, 1931

Honorable Newton D. Baker,
c/o Baker, Hostetler and Sidlo,
Union Trust Building,
Cleveland, O.

My dear Mr. Baker:

I am very pleased to advise you that Judge Small struck out practically the entire affirmative defense in the case of Federal Reserve Bank of Richmond v. G. S. Attmore, trading as Neuse Motor Company. I enclose a copy of the court's order. You will notice that the court has stricken out practically all of the answer except so much of it as amounts only to a denial of our title to the note and an allegation of the deposit balance which the defendant had in the failed bank.

The court also denied the motion to make the Receiver a party.

Apparently by inadvertence the court failed to strike out a sentence in Paragraph 14 which contained a prayer that the note be cancelled and delivered to the Receiver. It was obviously inconsistent to leave this particular sentence in the answer after denying the motion to make the Receiver a party.

Attorneys for the defendant noted an exception to the action of the court and stated that they would take an appeal. My associate informs me that the appeal if taken promptly would be on the docket for the February term of the Supreme Court of North Carolina, but he states that he does not think that the attorneys for the defendant will take an appeal.

I am somewhat at a loss to interpret the action of the court in the light of its former order allowing leave to the defendants to file an amended answer and permitting the Receiver to be made a party to such an answer. However, the action of the court as far as it goes indicates a disposition to sustain our contentions fully.

I regret to say that Judge Small, who entered this order, goes to another judicial district and is succeeded in order of rotation by a Judge Devin. I have heard that Judge Devin is a competent judge, but I have never had any cases before him.

Immediately after receiving notice of Judge Small's decision we were served with process and a bill of complaint, a copy of which is enclosed, in the case of W. J. Lucas' Administrators v. Federal Reserve Bank of Richmond. This is the suit which we were informed that the attorneys who represented Mr. Attmore and many other defendants were contemplating bringing. You will notice that the bill is in the nature of a creditors' bill brought by the plaintiff as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK OF RICHMOND

Honorable Newton D. Baker,
c/o Baker, Hostetler and Sidlo,
Union Trust Building,
Cleveland, O. -2- January 29, 1931

representative of himself and other creditors, and the allegations are sweeping in their nature. The Receiver of the First National Bank of New Bern and the Liquidating Agent of the suspended National Bank of New Bern are not made parties defendant to this suit, and in my opinion, the omission of these parties is a fatal defect, as the plaintiff seeks to enforce an equitable right in a case in which the legal right of action, if any, is in the Receivers of the failed banks.

I have not had an opportunity to study the bill of complaint with care as I was anxious to have it copied in order to place copies in your hands and in those of Mr. Wyatt. The first question to be determined is whether or not we shall remove this case to a federal court. It seems to me that the case is clearly removable because the entire cause of action depends upon the right of a Federal reserve bank to accept as marginal or surplus collateral paper which is not eligible for rediscount and upon the allegation that the Federal Reserve Bank of Richmond violated the sections of the National Bank Act relating to preferential transfers.

I realize that the action taken by the state court in the Attmore case tends toward the conclusion that it would be ill-advised to remove the Lucas case from the state court, especially in view of what we have been told concerning the local conditions in the federal district court. I, personally, however, do not consider those conditions as serious as they appear to be to our friends in the Comptroller's Office. One of the objections which the Comptroller's Office has to the district judge depends upon his tendency to sustain the right of pledgees to collateral which the Comptroller thinks was transferred in a preferential conveyance. This, of course, would not operate against us.

Regarding the case without respect to the local situation, I am disposed to favor a removal to the federal court for two reasons: First, the questions involved are essentially federal questions of far-reaching importance, and a decision by an inferior federal court would be of more value than a decision by a state court. In the event of a decision unfavorable to us, we could probably obtain a review by the Supreme Court of the United States in any event. My second reason is that it appears to me clear that the action would of necessity be regarded by a federal court as a proceeding in chancery, and as such, would be heard either by the trial judge on evidence taken ore tenus, or else be referred to a special master. Either one of these proceedings would be preferable I think to a trial before a jury. In the state courts all issues of fact are tried before a jury, except that in certain cases involving lengthy accounts a reference to a master may be made. I have found, however, that the state courts in North Carolina do not often use a reference, and I think, therefore, that if we went to trial in a state court we should probably be compelled to try this case before a jury with the attendant inconvenience of taking witnesses and many documents to New Bern and being prepared to rebut many allegations which the plaintiffs would fail to prove.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6817-b

FEDERAL RESERVE BANK OF RICHMOND

Honorable Newton D. Baker,
c/o Baker, Hostetler and Sidlo,
Union Trust Building,
Cleveland, Ohio.

 January 29, 1931

The above observation upon the desirability of a removal to the federal court is, of course, submitted to you for such consideration as you think that it should have. I have discussed the matter with the officers of the bank, and they are entirely willing to be guided by you in determining whether or not it is well to remove this case. I am sending a copy of this letter to Mr. Wyatt. If you consider that a conference is desirable, I can arrange to meet you at any place most convenient.

I remain,

Very truly yours,

M. G. Wallace,
Counsel.

MGW R

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6817-a

NORTH CAROLINA
CRAVEN COUNTY

IN SUPERIOR COURT

W. J. Lucas, Jr. and J. W. Lucas, Administrators of the Estate of W. J. Lucas, Deceased, and Kate S. Lucas, on behalf of themselves and all other stockholders of the National Bank of New Berne who care to make themselves parties hereto, and on behalf of themselves and all other creditors of the National Bank of New Berne or the First National Bank of New Bern who care to make themselves parties hereto.

VS

The Federal Reserve Bank of Richmond, Va. a Corporation existing under the act of Congress known as the Federal Reserve Act.

COMPLAINT

The plaintiffs, complaining of the defendant, allege:

1. That the plaintiffs, W. J. Lucas, Jr. and J. W. Lucas, are the administrators of the estate of W. J. Lucas, deceased by virtue of their appointment as such under authority of the Superior Court of Craven County, North Carolina, and the plaintiff, Kate S. Lucas, is a resident of New Bern, Craven County, North Carolina.

2. That the National Bank of New Berne was at all times herein mentioned, a banking corporation organized and existing under authority of an act of Congress providing for the establishment of National Banks and likewise the First National Bank of New Bern was, from and after March 19, 1929, a banking corporation organized and existing under an act of Congress providing for the establishment of National Banks.

3. That the Federal Reserve Bank of Richmond, Va. is a corporation organized and existing under the provisions of an act of Congress known as the Federal Reserve Act and has such powers and only such powers as are provided by the terms of said act.

4. That The Peoples Bank was a banking corporation organized under the laws of North Carolina providing for the establishment of banks and was under the provision of the Federal Reserve Act a member bank of the Federal Reserve Bank of Richmond, Va. until its merger or consolidation with the National Bank of New Berne as hereinafter more fully set out.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

5. That W. J. Lucas in his life time and at all times herein alleged, was a stockholder in the National Bank of New Berne, having standing in his name fifteen shares of stock which he acquired by purchase on or about the 27th day of March, 1917 and January 8th, 1924 and July 24th, 1923, and that said stock, upon the death of W. J. Lucas, came into the possession of his administrators, plaintiffs herein, as a portion of his estate.

6. That on February 26, 1929 and prior thereto, the said W. J. Lucas was a depositor in the First National Bank of New Bern and prior to March 19, 1929 for more than ten years, was likewise a depositor in the National Bank of New Berne and jointly with the plaintiff Kate S. Lucas, was a depositor in the First National Bank of New Bern and that the said Kate S. Lucas was a depositor in the First National Bank of New Bern.

7. That as plaintiffs are informed and believe and thereupon allege, The Peoples Bank, prior to the ______ day of ______________________ 1923, being then a member bank of the Federal Reserve Bank of Richmond, Va. was, on or about said date, examined by examiners of said Federal Reserve Bank of Richmond, Va. which said examiners were under the direct supervision of the Federal Reserve Bank of Richmond, and/or the Chairman of its Board of Directors, who by virtue of said position was also a member of the Federal Reserve Board and that at said time and all times subsequent thereto, the Comptroller of the Currency was, by virtue of his office as comptroller, a member of the Federal Reserve Board.

8. That plaintiffs are informed and believe and thereupon allege that shortly after the said examination referred to in the proceding paragraph, the National Bank of New Berne was approached with a view of having said National Bank of New Berne absorb or take over the said Peoples Bank and that during the negotiations following such proposal, certain officers of the Federal Reserve Bank promised, agreed and represented to the National Bank of New Berne that if the National Bank of New Berne would take over said Peoples Bank that the Federal Reserve Bank of Richmond would extend such additional accommodations in the way of discounts as would be necessary to meet the additional burden thus assumed by the National Bank of New Berne and that said representations, agreements and promises on the part of the Federal Reserve Bank were a material part of the consideration upon which the said National Bank of New Berne then took over, absorbed and discharged the obligations of the Peoples Bank of New Bern, a large portion of said obligations being due the Federal Reserve Bank of Richmond and which, as these plaintiffs are informed and believe, said Peoples Bank was then unable to pay the said Federal Reserve Bank of Richmond.

9. That plaintiffs are informed and believe and thereupon allege that the representatives of the Federal Reserve Bank of Richmond remained in New Bern for several days and during said time entered actively into the negotiations between the then Peoples Bank and the National Bank of New Berne and pressed and urged the said National Bank of New Berne to accept the proposal to take over the Peoples Bank and largely due to the urging, representations and demands of said representatives of the Federal Reserve Bank of Richmond, said National Bank of New Berne did take over said Peoples Bank, it, the said National Bank of New Berne,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

being at the time, indebted to the Federal Reserve Bank of Richmond and by reason thereof, more easily induced, coerced and practically required to take over and assume the debts and liabilities of the Peoples Bank and to take over as assets, many frozen loans which were then in the Peoples Bank and which were known to the representatives of the Federal Reserve Bank of Richmond to be uncollectable within any reasonable time or by any reasonable diligence and to be partially, if not wholely, worthless as banking paper.

10. That shortly after the Peoples Bank was merged with the National Bank of New Berne, said Federal Reserve Bank of Richmond, contrary to its promise and agreement, demanded and pressed for the liquidation of the paper of the National Bank of New Berne which it then held, either direct from said bank or by reason of discount of customers' notes; restricted its credit to the National Bank of New Berne and in addition thereto, unlawfully, wrongfully and in violation of its powers and duties, demanded that said National Bank of New Berne should deposit with it additional notes and bills of its customers in an amount equal to fifty per cent of the re-discounts or advancements to be held by it as security for any sums due by reason of re-discounts of the National Bank of New Berne and that said requirement was unreasonable, unlawful and deprived the said National Bank of New Berne of the use of said bills and notes.

11. That on or about the year 1925, so plaintiffs are informed and believe and thereupon allege, the Federal Reserve Bank of Richmond, found and determined among its officers, that the National Bank of New Berne was insolvent and its assets frozen and uncollectable, said finding being based largely, if not wholely, upon the presence in the National Bank of New Berne of the notes and debts it had taken over when it acquired the Peoples Bank and that thereupon, without any order of its Board of Directors or without any order of the Board of Directors of the National Bank of New Berne and without any authority vested in it, unlawfully and wrongfully required that the National Bank of New Berne deposit with it, additional marginal collateral as hereinbefore described in the sum of fifty per cent of the amount of re-discounts and advancements, making the total deposit of said marginal collateral equal to one hundred per cent of the said re-discounts and advancements.

12. That plaintiffs are informed and believe and thereupon allege that in 1925 the re-discounts of the National Bank of New Berne with the Federal Reserve Bank of Richmond were as great or greater than they were at any subsequent period of the life of the said National Bank of New Berne or its successor, the First National Bank of New Bern and that while said re-discounts changed from time to time by the substitution of different customers' notes to the National Bank of New Berne, yet the total amount advanced thereon remained practically the same.

13. That on or about March 19, 1929, the First National Bank of New Bern was organized and took over and assumed the obligations of the National Bank of New Berne and acquired the property and property rights, of which facts defendant was fully advised and informed, and that it thereupon entered on its

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ledger sheets a notation that the account of the National Bank of New Berne had been transferred to the First National Bank of New Bern and that otherwise said account remained the same as it had been with the National Bank of New Berne and that at said time, to-wit, March 19th or 20th, 1929, the said Federal Reserve Bank of Richmond held notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts and other items of security in an amount of at least $208,103. as plaintiffs are informed and believe, to which it had no right in law or equity or in fact and which it held contrary and in violation of the rights of the depositors, stockholders and creditors of the National Bank of New Berne and the First National Bank of New Bern and particularly in violation of the rights of these plaintiffs, and that at all times herein mentioned the said Federal Reserve Bank demanded, received and held wrongfully and unlawfully and without authority in law or in fact, notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts and other evidences of security belonging either to the First National Bank of New Bern or the National Bank of New Berne in violation of the rights of said creditors and these plaintiffs as aforesaid. That as alleged in Paragraph 11 heretofore, said officers of the Federal Reserve Bank, having found and determined among themselves that the National Bank of New Berne was insolvent and its assets frozen and uncollectable, and having further found among its officers in April, 1929, that the same condition was true of the First National Bank of New Bern, based on the fact that the First National Bank of New Bern had taken over the assets of the National Bank of New Bern, unlawfully, wrongfully and in violation of the laws of the United States, particularly Section 5242 of the Revised Statutes of the United States, and in fraud of the creditors, depositors and stockholders of the National Bank of New Berne and the First National Bank of New Bern and particularly in fraud and in violation of the rights of the plaintiffs, demanded and received said notes, bills, drafts, bonds, evidences of indebtedness, warehouse receipts and other evidences of security, in the amount hereinbefore set out and at all times one hundred per cent greater than the re-discounts accepted from the National Bank of New Berne or the First National Bank of New Bern. That on or about October 23, 1929, a representative of the First National Bank of New Bern, at the instance and direction of said bank, went to Richmond and demanded of the officers of the Federal Reserve Bank, a return and surrender of the notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts and other evidences of security amounting to $208,103. which the said Federal Reserve Bank then held unlawfully, wrongfully and in violation of the rights of said First National Bank of New Bern and its predecessor and the creditors, stockholders and depositors of said banks and particularly these plaintiffs; that thereupon the defendant, Federal Reserve Bank of Richmond, through its officers, refused to turn over and surrender said items so wrongfully held by it, although it was then advised and informed by said representative of the First National Bank of New Bern that a surrender of said items would enable said First National Bank of New Bern to continue to operate and enable it to provide funds to meet the demands then being made upon it and that the failure of the defendent, Federal Reserve Bank of Richmond, to surrender and turn over said items so wrongfully held by it, would result in the inability to stay open and meet its current obligations and these plaintiffs are further informed and believe that said failure of the defendant Federal Reserve Bank of Richmond to surrender and turn over said collateral did cause the First National Bank of New Bern to be unable to meet its

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

current demands and obligations and was the direct cause of said bank having to close its doors and suspend business on the 26th day of October 1929, just at the peak of the collecting season of the community in which the said First National Bank of New Bern was situated and resulted in great and irreparable damage to the stockholders, depositors and creditors of the First National Bank of New Bern and particularly these plaintiffs.

14. That by reason of the matters and things hereinbefore set out, these plaintiffs and those similarly situated, have been damaged in the great sum of One Million ($1,000,000.) Dollars, and that the said Federal Reserve Bank of Richmond is now attempting to collect the commercial paper unlawfully held by it and is diverting the same to its own use and is bringing suits against various and sundry people in its own name and making demands for payment through the Receiver of the First National Bank of New Bern and that it has heretofore collected a large sum which it has applied to its own purpose, unlawfully, wrongfully and in violation of the rights of these plaintiffs and those similarly situated.

And for another and further cause of action, plaintiffs allege:

1. That they re-allege allegations 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 of the first cause of action.

2. That plaintiffs are informed and believe and therefore allege that the Federal Reserve Bank of Richmond is vested with those powers and only those powers set forth in the Act of Congress entitled "Federal Reserve Act" dated December 23, 1913, as amended, and that said powers are specifically and definitely limited to the purposes of said Act and no other except such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by the Federal Reserve Act.

3. That plaintiffs are informed and believe and thereupon allege that the Federal Reserve Bank of Richmond, defendant herein, contrary and in violation of the powers granted to it by Congress and in violation of the rights of the creditors, depositors and stockholders of the National Bank of New Berne and of the First National Bank of New Bern, and particularly these plaintiffs, required and demanded the National Bank of New Berne and its successor, the First National Bank of New Bern, to deposit with it, notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts and other evidences of security, in an amount equal to notes, bills of exchange, drafts, bonds, evidences of indebtedness, warehouse receipts and other items of security which the said Federal Reserve Bank accepted for discount and that said requirements was unreasonable, unlawful and deprived the National Bank of New Berne and its successor, the First National Bank of New Bern of the use and benefit of said notes, bills of exchange, etc. and thereby hampered and prevented the said National Bank of New Berne and the First National Bank of New Bern from having funds, proceeds of said items, to use in carrying on its ordinary banking business and meeting its current obligations and liabilities.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

4. That these plaintiffs are informed and believe and thereupon allege that the Federal Reserve System, of which the Federal Reserve Bank of Richmond, Va. is a part, was established by Congress with the purpose and intention of providing a means by which liquid commercial paper might be converted into a basis for issues of currency and as a means of aiding the credit and trading powers of the Nation and to particularly assist member banks, and of which every National Bank was, by statute, required to become a member, and that Congress, by its said Act, designated and restricted the type and kind of commercial paper that might be so used as basis for issuing of currency in order to protect and safeguard, at all times, the worth of currency so issued and to stablize and maintain the confidence of the public in such issues of currency and in the banking systems which had or might become members of the Federal Reserve System and said act, by its terms, limits papers to be discounted by the Federal Reserve Bank to the type and kind set forth in said Act which would meet the requirements above specified and that the plaintiffs are further informed and believe and thereupon allege that the Federal Reserve Bank of Richmond in its dealings with the National Bank of New Berne and the First National Bank of New Bern, disregarded the purpose of said act and its terms and disregarded the types and kinds of paper that it pretended to accept for re-discount and accepted from the National Bank of New Berne and the First National Bank of New Bern, paper for discount that did not meet the requirement of said act and was known to the officials of the Federal Reserve Bank as not meeting said requirements and that further in violation of said act, said Federal Reserve Bank of Richmond required, demanded and compelled said National Bank of New Berne and First National Bank of New Bern, to send other commercial paper of a kind and type not meeting the requirements of said act and said Federal Reserve Bank arbitrarily of its own motion without right in law and in fact, designated said further sendings as marginal collateral and advanced no amount of money, no thing of credit and no thing of value to the said National Bank of New Berne or First National Bank of New Bern by reason of said additional amounts of commercial paper hereinafter referred to as marginal collateral and amounting to approximately the sum of $208,000., said amount being approximately the amount wrongfully withheld by said Federal Reserve Bank at all times herein mentioned.

5. That the unreasonable and unlawful requirements of the Federal Reserve Bank of Richmond in demanding and holding said additional commercial paper deprived the said National Bank of New Bern and First National Bank of New Bern of its use and thereby in effect, produced a condition equivalent to insolvency in the affairs of said two banks and plaintiffs are further informed and belief that if such unlawful requirements had not been made, said banks would have been able to meet their current obligations and would not have been compelled to liquidate or close and the closing of said banks and the acts on the part of the defendant, Federal Reserve Bank, has caused great and irreparable damage to these plaintiffs and others similarly situated and their liquidation has resulted in a great and irreparable damage to these plaintiffs and others similarly situated.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

6. That by reason of the matters and things hereinbefore set out, these plaintiffs and those similarly situated, have been damaged in the great sum of One Million ($1,000,000) Dollars, and that the said Federal Reserve Bank of Richmond is now attempting to collect the commercial paper unlawfully held by it and is diverting the same to its own use and is bringing suits against various and sundry people in its own name and making demands for payment through the Receiver of the First National Bank of New Bern and that it has heretofore collected a large sum which it has applied to its own purpose, unlawfully, wrongfully and in violation of the rights of these plaintiffs and those similarly situated.

And for another and further cause of action these plaintiffs allege:

1. That they repeat the allegations 1 to 12 inclusive of the first cause of action.

2. That the Federal Reserve Bank of Richmond, Va. is vested with authority to examine and inquire into the condition of member banks and that it, through the Chairman of its Board, has access to all examinations made of member banks and particularly of National Banks, of which the National Bank of New Berne was one and the First National Bank of New Bern was one and such banks were regularly examined in the ordinary conduct of the supervisory powers vested in the comptroller and the Federal Reserve Bank.

3. That the Federal Reserve Bank of Richmond knew the condition of the National Bank of New Berne and the First National Bank of New Bern, the nature and condition of its assets, and by reason of its knowledge of other member banks, had a more intimate knowledge of the same than even the officers of the said First National Bank of New Bern or the National Bank of New Berne had, and that with such knowledge in its breast, the said Federal Reserve Bank of Richmond determined among its officers on or about the year 1925 that the National Bank of New Berne was insolvent and its assets frozen and uncollectable and thereupon it undertook and did cause transfers of notes, bonds, bills of exchange and other evidences of debt from the said National Bank of New Berne to be unlawfully transferred to it and that said transfers were made in contemplation of the insolvency of the National Bank of New Berne and its successor, the First National Bank of New Bern with a view to prevent the application of assets of said National Bank of New Bern and First National Bank of New Bern in the manner prescribed by law and with the view to prefer the Federal Reserve Bank as a creditor to other creditors.

4. That these plaintiffs are informed and believe that at all the times mentioned in the first, second and third cause of action herein set out, the amount of re-discounts from the National Bank of New Berne and the First National Bank of New Bern remained practically the same and that the exchange of notes from time to time was made without an appreciable increase in the amount of money received from the Federal Reserve Bank of Richmond and notwithstanding the determination upón the part of the officials of the Federal Reserve Bank as to the insolvency of the National Bank of New Berne and the First National

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bank of New Bern, said Federal Reserve Bank unlawfully, wrongfully and in violation of the expressed terms of law, required and demanded additional notes, bills and other evidences of indebtedness in an amount equal to the amount pretended to be accepted for discount amounting, as plaintiffs are informed and believe, to the sum of at least $208,000. and that such acts on the part of the Federal Reserve Bank, made with the secret knowledge which it had, constituted a preference and a fraud on these plaintiffs and those similarly situated.

5. That the plaintiffs, prior to the institution of this action, to-wit, on the 8th day of October, 1930, issued a notice and demand on R. E. Schumacher, who had theretofore been appointed Receiver of the First National Bank of New Bern by the Comptroller of the Currency, requiring and demanding that said receiver institute this action and that in reply thereto, under date of October 16, 1930, these plaintiffs, through their attorneys, received a letter from the said R. E. Schumacher, refusing to bring said action, copies of said demand and letter of refusal being hereto attached and marked Exhibits A and B respectively.

6. That these plaintiffs are informed and believe and thereupon allege that the Receiver of the First National Bank of New Bern will not have for distribution among its general creditors an amount in excess of ten per cent of the amount due said creditors.

7. That these plaintiffs are informed and believe that their rights can only be protected by having a receiver appointed to take charge of said collateral hereinbefore described and that said receiver be authorized, directed and empowered to collect and administer said collateral pending the final determination of this cause.

8. That by reason of the matters and things hereinbefore set out, these plaintiffs and those similarly situated, have been damaged in the great sum of One Million ($1,000,000.) Dollars and that the said Federal Reserve Bank of Richmond is now attempting to collect the commercial paper unlawfully held by it and is diverting the same to its own use and is bringing suits against various and sundry people in its own name and making demands for payment through the Receiver of the First National Bank of New Bern and that it has heretofore collected a large sum which it has applied to its own purpose, unlawfully, wrongfully and in violation of the rights of these plaintiffs and those similarly situated.

And for another and further cause of action, plaintiffs allege:

1. That they re-allege Allegations 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 of the first cause of action.

2. That plaintiffs are informed and believe and thereupon allege that the Federal Reserve Bank of Richmond required its member banks and particularly the National Bank of New Berne and the First National Bank of New Bern to deposit with it funds as a reserve balance equal to not less than seven per cent

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of its aggregate demand deposits and three per cent of its time deposits.

3. That plaintiffs are informed and believe and thereupon allege that at times the said National Bank of New Berne and the First National Bank of New Bern were unable to meet said requirements due in part to the fact that the Federal Reserve Bank of Richmond was holding unlawfully, many of its assets as set out in the first, second and third cause of action of this complaint and thereupon the Federal Reserve Bank of Richmond, defendant herein, unlawfully, wrongfully and in violation of law and in violation of these plaintiffs and others similarly situated, charged and demanded and received by debiting the account of the National Bank of New Berne and/or First National Bank of New Bern with it, penalties at the rate of as high as ten per cent or greater of the deficiency between said seven or three per cent and the amount of balance in said bank.

4. That plaintiffs are informed and believe and thereupon allege that there is not available to them full information to determine the amount of said charges so wrongfully made but they are advised that the same reach a great sum and they are further advised, and informed that they are entitled to have an accounting of the defendant for all sums so wrongfully and unlawfully charged and entitled to have any amount due from the National Bank of New Berne or the First National Bank of New Bern to the Federal Reserve Bank of Richmond, credited with the sums so wrongfully charged, collected and received.

5. That by reason of the matters and things set out in this cause of action, plaintiffs have been damaged in a great sum, the exact amount of which can only be determined by an accounting hereinbefore alleged to be due to the plaintiffs.

Wherefore these plaintiffs pray

1. That the Federal Reserve Bank be required to render an account of all commercial paper, notes, bills of exchange, evidences of indebtedness, warehouse receipts and other evidences of security held by it on the 19th day of March, 1929, as the property of the National Bank of New Bern, for discount and otherwise, and on the 23rd day of October, 1929 as the property of the First National Bank of New Bern, for discount and otherwise, and an accounting of all funds received by it from such commercial paper since said dates;

2. That a receiver be appointed to collect and administer said collateral pending the final determination of this cause and that the Federal Reserve Bank of Richmond be required to turn over to said receiver, all the items now held by it, together with all sums of money heretofore collected from any of said notes, bills, etc.

3. That the plaintiffs have and recover of the defendant the sum of One Million Dollars to be discharged -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

When these plaintiffs have received from the defendants the sum of $15,086.71 being the amount of the deposits and par value of the stock alleged in Paragraph 5 of the first cause of action and that as to others similarly situated to these plaintiffs, should they come in and make themselves parties, that this prayer be extended to cover the amount shown to be due them;

4. For an accounting of all penalties and excess interest charged by the defendant and proper credit as alleged in the fourth cause of action above, given to the First National Bank of New Bern and the National Bank of New Berne;

5. And for such other and further relief as plaintiffs may show themselves entitled to receive.

(signed) W. B. R. Guion

(signed) Whitehurst & Barden
Attorneys for plaintiffs.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

W. J. Lucas, Jr., Administrator, one of the plaintiffs above named, being duly sworn, deposes and says; That he has read the foregoing Complaint and that the same is true of his own knowledge except as to matters therein stated on information and belief and as to those matters he believes it to be true.

(signed) W. J. Lucas, Adm.

Sworn to and subscribed before me
this 22nd day of January, 1931

(Seal)
(signed) M. P. Jones
Notary Public

My commission expires 11/23/31

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NORTH CAROLINA
CRAVEN COUNTY

To R. E. Schumacher, Esquire, Receiver of the First National Bank of New Bern, 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 Bern, 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 terms 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 fail 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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

Received 10/8/30
Served 10/9/30 by reading and delivering a copy of the within notice to R. E. Schumacher, Esquire, Receiver of the First National Bank of New Bern.

James S. Bryan
Constable.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

R. E. Schumacher, Receiver

The First National Bank of New Bern

New Bern, N. C. October 16th 1930

Whitehurst & Barden,
Attorneys at Law,
New Bern, N. C.

Mr. W. B. R. Guion,
Attorney at Law,
New Bern, N. C.

Mr. W. J. Lucas, Jr. & Mr. J. W. Lucas, Adm.
Estate of W. J. Lucas, Deceased,
Mrs. Kate S. Lucas,
New Bern, N. C.

Subject: Demand made by Administrators of W. J. Lucas, Deceased, to commence action against the Federal Reserve Bank of Richmond.

Gentlemen:

Service having been made upon the Receiver of the First National Bank of New Bern, Insolvent, in behalf of the estate of W. J. Lucas and Mrs. Kate S. Lucas, requesting that the Receiver institute proceedings in a Court of Competent jurisdiction against the Federal Reserve Bank of Richmond, has been referred to the Comptroller of the Currency.

You were informed that as Receiver of the First National Bank of New Bern, I refuse to file the action requested in your demand of October 9th, 1930, as it is not within my jurisdiction to do so.

The Receiver also believes that any such action, if filed, should be filed in the United States District Court, and it is my intention to petition for removal to that Court any such action that may be filed in the State Court.

Respectfully,

Raymond E. Schumacher,

Receiver

RES-L

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6818

February 13, 1931.

Dear Sir:

Referring to my letter of February 7 with reference to the case of W. I. Skinner and Company v. Federal Reserve Bank of Richmond, et al., I enclose for your further information the following documents:

(1) Copy of a letter addressed to me by Mr. Wallace, Counsel for the Federal Reserve Bank of Richmond under date of February 10;

(2) Copy of a letter addressed to me by Mr. Parker, Counsel for the Federal Reserve Bank of Atlanta under date of February 10;

(3) A memorandum summarizing the telegraphic replies to my letter of February 7 received from Counsel for various Federal Reserve Banks; and

(4) A copy of a letter addressed by me to Mr. Wallace under date of February 13.

While you will observe from my letter to Mr. Wallace that an effort is being made to reorganize the National Bank of Greenville and no further steps should be taken looking toward the employment of special counsel to assist in this litigation on a System basis unless the plans for reorganization fail; it is my opinion that, if these plans should fail and if it should become necessary to litigate this case, it ought to be handled as a System matter for the following reasons:

1. It involves several questions of vital interest to all Federal Reserve Banks;

2. The Federal Reserve Bank of Richmond desires to have it handled as a System case and Counsel for several of the Federal Reserve Banks have expressed a similar desire;

3. The check in question was handled with unusual prompt-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ness; the Federal Reserve Bank had no special knowledge of the impending insolvency of the drawee bank; there appear to be no facts upon which a charge of actual negligence could be sustained; and, in every respect, the case appears to be free from embarrassing complications of every nature, except that it was brought in the district in which the Early case arose;

4. The Federal Reserve Banks are forced to try most cases of this character in the State courts and this case affords an unusual opportunity to test the questions involved in the Federal courts; and

5. In my opinion, it is very important to the Federal Reserve System to obtain a decision as soon as possible in the Federal courts distinguishing the rights, duties and liabilities of the Federal Reserve Banks under Regulation J, as amended September 1, 1930, from their rights, duties and liabilities under the preceding regulation as established in the decision of the Supreme Court of the United States in the case of Early v. Federal Reserve Bank of Richmond.

Mr. Wallace advises me that the Federal Reserve Bank of Richmond would prefer to have this case handled as a System case but is not disposed to insist upon it unless a majority of the other Federal Reserve Banks are willing to participate. Mr. Wallace feels that, having tried the Early case and the Federal Reserve Bank of Richmond having been opposed to the amendments to Regulation J adopted effective September 1, it ought not to be in the position of trying the first important test case arising under the amended regulations without the other Federal Reserve Banks being represented in the case by special counsel.

If, therefore, the plans to reorganize the National Bank of Greenville should fail, and if it should become necessary to litigate this case, I shall recommend to the Federal Reserve Board that special counsel be retained to assist in the trial of this case on a System basis. If the Board approves my recommendation, it will immediately communicate with all Federal Reserve Banks in order to ascertain whether they are willing to participate, and you undoubtedly will be called upon to advise and consult with your bank on that question. I shall keep you fully informed of all important developments, in order that you may inform the officers of your bank.

With kindest regards and all best wishes, I am

Cordially yours,

Walter Wyatt,
General Counsel.

TO COUNSEL FOR ALL FEDERAL RESERVE BANKS EXCEPT RICHMOND.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6818-a

FEDERAL RESERVE BANK OF RICHMOND

February 10, 1931

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

My dear Mr. Wyatt:

Replying further to your telegram of February 9th, I wish to say that in my personal opinion it would be advisable to remove the action brought by Skinner and Company to the federal court. I realize that the probable attitude of the Circuit Court of Appeals and the personal qualifications of the district judge are some reasons why a removal might not be advisable, but, on the other hand, a final decision in the federal court would be the only precedent which could be of any help to other Federal reserve banks. A final decision by the state courts of North Carolina would of necessity leave the question unsettled unless we could obtain a review of the decision of the state court by the Supreme Court of the United States.

When the National Bank of Greenville suspended we held rediscounted notes aggregating $112,218.86 and held marginal collateral aggregating $38,955.00. We have not had an opportunity to make a careful appraisement of the value of the paper held by us, but the Manager of the Bank Relations Department is inclined to think that most of the paper which we hold is fairly good and that we are probably protected from any loss even if we should lose the reserve balance. It therefore seems that the Receiver has the main pecuniary interest, and if this case is not to be handled as a System matter, my own idea would be to employ as the local associate the attorney retained by the Receiver and to give him all the assistance in my power in conducting the case, but to allow him or the Receiver to determine what steps were advisable. I am sure you can readily appreciate my position in this matter, and naturally if the case is made a System matter I should prefer to have the final decisions made by you or Mr. Baker if he is retained, and if it is not handled as a System matter, I should prefer to have the Comptroller's Office assume responsibility for any important decisions, but, of course, in any event, I would expect to use my best efforts to secure a favorable decision.

I remain,

Very truly yours,
(Signed) M. G. Wallace
Counsel.

MGW R

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COLQUITT, PARKER, TROUTMAN & ARKWRIGHT
ATTORNEYS AT LAW
SUITE 1607 WILLIAM-OLIVER BLDG.
ATLANTA, GA.

February 10, 1931.

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

Dear Mr. Wyatt:

I wired you yesterday, in effect, that I saw no reason why the case of Skinner v. Federal Reserve Bank of Richmond should, for the present at least, be regarded as presenting questions of System-wide importance.

The suit has evidently been brought upon the theory that the Malloy case is applicable and upon the further theory that the Federal Reserve Bank refused, prior to the insolvency of the Greenville bank, to honor a request to charge the reserve account with the amount of a cash letter which could have been paid out of such reserve balance.

Neither theory is well taken under the law or the facts. Any authoritative value of the Malloy case would seem to be removed by the Regulation, and, for that matter, by the Regulations which have been of force ever since amendments were made to meet the Malloy case.

I cannot believe that counsel for the plaintiff will seriously contest the matter on either theory when the new Regulation is brought to their attention and it is made plain that at no time during December 10th was the reserve balance in sufficient funds to authorize a charge to the account of the Greenville bank of the net amount of the cash letter.

Had the account been in sufficient funds prior to notice of suspension, I think that the authorization to charge should have been honored, and I believe further that the mere fact that entries, charging the account, were not made prior to the receipt of notice of suspension would not have altered the situation. It has been my idea that a remittance draft or an authorization to charge a reserve account should be given effect as of the time of receipt and that the prohibition contained in Regulation J, as to the making of charges against reserve accounts after notice of insolvency, would not be applicable to cases in which such notice was actually received after remittance drafts and/or authorizations to charge reserve accounts reached the Federal Reserve Bank. As stated above, I think the Richmond bank should have paid the cash letter out of the reserve balance had that balance been sufficient for the purpose. It not having been sufficient, the case, in so far as concerns this particular aspect, should be determined in favor of the Reserve Bank independently of the provision of Regulation J.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Of course the case may so develop later that the validity and effectiveness of Regulation J may be seriously drawn into question, but until such time I do not believe that the case is of any particular significance. I know, furthermore, that Mr. Wallace will give the matter his usual skilfull and effective handling.

With regards, I am

Very truly yours,

(Signed) Robt. S. Parker.

RSP/w

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPLIES OF COUNSEL OF VARIOUS FEDERAL RESERVE BANKS TO MR. WYATT'S LETTER OF FEBRUARY 7, RE SKINNER & COMPANY V. FEDERAL RESERVE BANK OF RICHMOND.

Mr. Weed, Boston :

"Think case Skinner & Co. vs. Reserve Bank of Richmond could properly be handled as system matter if Wallace desires outside counsel."

Mr. Logan, New York:

"Your letter February seventh regarding case of Skinner v. Federal Reserve Bank of Richmond.(stop) We favor handling case as system matter because it seems likely that questions of system interest may be involved.(Stop) We will be glad to pay our pro rata share of expenses of handling case as system matter."

Mr. Williams, Philadelphia:

No reply received up to 11 a.m. February 13th.

Mr. Newell, Cleveland: (Squire, Sanders & Dempsey)

"Your letter seventh re Skinner vs. Federal Richmond. Believe present status of matter does not warrant handling as system case."

Mr. Wallace, Richmond:

"Your telegram re Skinner case. This bank entirely willing to have case handled as counsel for other banks desire but prefers that case be handled as system matter."

Mr. Parker, Atlanta:

"Yours February seventh referring case of Skinner vs. Richmond bank.(Stop.) I do not think decision will entail determination of validity and effectiveness of last regulation J.(Stop).Authority to charge reserve account of Greenville Bank was received when account was insufficient to pay cash letter and balance was never sufficient up to and after closing.(Stop). Do not believe that Malloy case can be used as authority in view of new regulation and while new regulation renders Early case inapplicable even were this not true insufficiency of balance to pay letter would afford ground of differentiation. (Stop.) Case may involve negligence in direct sending but this element always present in similar cases.(Stop.) Think Receiver will wish to remove case and believe reserve bank should join in petition for removal."

Mr. Meyer, Chicago:

"It seems rather difficult from complaint in Skinner vs. Federal Reserve Bank of Richmond to determine what plaintiff will rely upon to recover. However it would seem that validity of regulation J. will certainly be involved as defense will necessarily be predicated thereon, In view of this situation I am ready to advise Federal Reserve Bank of Chicago to have matter treated as system matter if other Federal reserve banks feel this should be done."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. McConkey, St. Louis:

"The figures furnished by Wallace do not indicate sufficient balances at any time after receipt of slip referred to to justify the making of the charges requested, even under the contention in the Early case.(Stop.) Have no doubt as to the validity of regulation "J"; nevertheless when attached it becomes a System matter of utmost importance and if Wallace desires System assistance it should be furnished."

Ueland and Ueland, Minneapolis:

No reply up to 11 a.m. February 13th.

Mr. Leedy, Kansas City:

"Suit of Skinner and Company versus Federal Reserve Bank of Richmond in my judgment should be handled as a System matter particularly in view of suggestion of Wallace that he may be prejudiced in courts of his district and state by reason of defenses made by him in other suits.(Stop.) Aside from question of application and effect of regulation J, I consider the case important and of concern to all other reserve banks by reason of charge that Richmond bank knew or should have known that drawee bank was insolvent. (Stop.) Also feel that every effort should be made to induce Comptroller's office to remove case to Federal Court should there by any disposition in that office to allow the case to remain in the state court."

Locke, Locke, Stroud & Randolph, Dallas:

"Re your letter February seventh. We believe cases identically similar to one mentioned in Wallace letter of February 4th have been successfully defended by Counsel for majority of reserve banks without assistance of outside counsel. Of course case is of importance to entire System and if Wallace feels any embarrassment on account of Early case in making defense we should suggest the advisability of employment of outside Counsel."

Mr. Agnew, San Francisco:

No reply received up to 11 a.m. February 13th.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

February 13, 1931.

Mr. M. G. Wallace, Counsel,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

My dear Mr. Wallace:

Although I have communicated with you by telephone and telegraph, I wish formally to acknowledge receipt of your letters of February 4 and February 10 with reference to the case of W. I. Skinner and Company v. Federal Reserve Bank of Richmond and W. P. Wright, Receiver of the National Bank of Greenville.

As I wired you last night, Mr. Barse, Counsel to the Comptroller of the Currency, readily agreed with our view that this case ought to be removed to the Federal courts and has instructed the receiver to have his counsel get in touch with you at once and take prompt steps to remove the case to the Federal court. Mr. Barse recognizes that the interests of the Federal Reserve Bank and the Office of the Comptroller of the Currency are identical in so far as the questions of law involved in this case are concerned and that, if the case should result in a decision in the appellate courts, it would be a most important test case for the Comptroller's Office as well as for all the Federal reserve banks.

This morning, however, Mr. Barse called on me again and told me that an effort is being made to organize a new bank to take over the assets and assume the liabilities of the National Bank of Greenville; and, of course, this plan contemplates that all creditors of the National Bank of Greenville would be paid in full, unless they voluntarily accept some compromise. Mr. Barse said that the proponents of this plan are very confident of success and that we should know within thirty days whether the plan will be consummated. Of course, if it is consummated, Skinner and Company will be paid and their suit will be dismissed. In the meantime, Mr. Barse and I are agreed that it would be advisable to proceed with the removal of the case to the Federal Court and then mark time until it is possible to determine the outcome of the plan to reorganize the bank. Pending the outcome of the reorganization plan, I feel that no further steps should be taken to employ special counsel and handle this case as a System case.

If, however, the reorganization plans should fail and you should be forced to litigate this case, I agree with you that it ought to be handled as a System case, not only for the reasons stated by you in your letters of February 4 and February 10 and in your tele-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

phone conversation with me yesterday, but also because it appears to be free from embarrassing circumstances, would make an unusually good test case and would furnish an unusual opportunity to obtain a decision in the Federal courts distinguishing the doctrine of the Early case from the rights, duties and liabilities of the Federal reserve banks under Regulation J as amended September 1, 1930.

As I told you last night, there is considerable difference of opinion among counsel for the other Federal reserve banks over the question whether this case ought to be handled as a System case. For your further information in this connection, I enclose a copy of the letter which I addressed to Counsel for all Federal reserve banks, a memorandum giving the text of the replies received from Counsel for the various Federal reserve banks, and a copy of a letter which I received from Mr. Parker this morning with reference to this case.

I shall keep Counsel for the other Federal reserve banks fully advised of all developments; so that, if the plans to reorganize the bank fail and it becomes necessary to litigate this case, it will be possible to obtain prompt action by all Federal reserve banks on the question of employing special counsel on a System basis to assist in the trial of this case.

With all best regards, I am

Cordially yours,

Walter Wyatt,
General Counsel.

Enclosures.

WW-sad

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6819

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928

January 2 to 31, 1931.

	$5	$10	$20	$50	$100	Total Sheets	Amount
Boston	-	-	30,000	6,000	-	36,000	$3,328.20
New York	-	-	-	46,000	-	46,000	4,252.70
Philadelphia	-	-	-	10,000	10,000	20,000	1,849.00
Cleveland	-	-	-	33,000	8,000	41,000	3,790.45
Richmond	132,000	205,000	99,000	46,000	13,000	495,000	45,762.75
Atlanta	28,000	-	-	3,000	3,000	34,000	3,143.30
Chicago	-	-	-	12,000	-	12,000	1,109.40
St. Louis	131,000	-	30,000	-	-	161,000	14,884.45
Minneapolis	12,000	-	-	-	-	12,000	1,109.40
Kansas City	-	44,000	30,000	3,000	2,000	79,000	7,303.55
Dallas	-	-	-	-	-	-	-
San Francisco	154,000	58,000	65,000	17,000	9,000	303,000	28,012.35
	457,000	307,000	254,000	176,000	45,000	1,239,000	114,545.55

1,239,000 sheets, @ $92.45 per M, ...$114,545.55

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6820

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For immediate Release February 17, 1931.

The first and organization meeting of the Federal Advisory Council for 1931 was held on Tuesday, February 17. The members of the Council are:

Federal Reserve District No. 1, Boston, Herbert K. Hallett
No. 2, New York, Robert H. Treman
No. 3, Philadelphia, Howard A. Loeb
No. 4, Cleveland, J. A. House
No. 5, Richmond, John Poole
No. 6, Atlanta, J. P. Butler
No. 7, Chicago, Melvin A. Traylor
No. 8, St. Louis, Walter W. Smith
No. 9, Minneapolis, Geo. H. Prince
No. 10, Kansas City, Walter S. McLucas
No. 11, Dallas, B. A. McKinney
No. 12, San Francisco, Henry M. Robinson

B. A. McKinney of Dallas, was re-elected President and Walter W. Smith of St. Louis, was re-elected Vice President. These officers as ex-officio members and Messrs. Loeb, Traylor, Prince and McLucas will comprise the Executive Committee. Mr. Walter Lichtenstein was appointed Secretary of the Council.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL ADVISORY COUNCIL

1931

Officers:

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

Executive Committee:

B. A. McKinney	Howard A. Loeb
Walter W. Smith	Walter S. McLucas
George H. Prince	Melvin A. Traylor

MEMBERS

District.

District	Member	Bank
No. 1	Herbert K. Hallett	Atlantic National Bank, Boston, Massachusetts.
No. 2	Robert H. Treman	Tompkins County National Bank, Ithaca, New York.
No. 3	Howard A. Loeb	Tradesmens National Bank & Trust Co., Philadelphia, Pa.
No. 4	J. A. House	Guardian Trust Company, Cleveland, Ohio.
No. 5	John Poole	Federal American National Bank, Washington, D. C.
No. 6	J. P. Butler	Canal Bank & Trust Company, New Orleans, La.
No. 7	Melvin A. Traylor	First National Bank, Chicago, Illinois.
No. 8	Walter W. Smith	First National Bank, St. Louis, Missouri.
No. 9	George H. Prince	First National Bank, St. Paul, Minn.
No. 10	Walter S. McLucas	Commerce Trust Company, Kansas City, Missouri.
No. 11	B. A. McKinney	First National Bank, Dallas, Texas.
No. 12	Henry M. Robinson	Security-First National Bank, Los Angeles, California.

- -

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

February 17, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6822

February 17, 1931.

SUBJECT: Holidays during March, 1931.

Dear Sir:

On Monday, March 2nd, the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston and San Antonio, will be closed in observance of Texas Independence Day.

On Wednesday, March 25th, the Baltimore Branch of the Federal Reserve Bank of Richmond will be closed in observance of Maryland Day.

On the dates indicated, the banks affected will not participate in either the Gold Settlement Fund or the Federal reserve note clearing. Please include credits for the offices affected on each of the holidays with your credits for the following business day, and make no shipments of Federal reserve notes, fit or unfit, for account of the Federal Reserve Bank of Dallas on March 2nd.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6823

February 18, 1931.

SUBJECT: Expense, Main Line, Leased Wire System, January, 1931.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6823-a and X-6823-b, covering in detail operations of the main line, Leased Wire System, during the month of January, 1931.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF January, 1931.

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	29,041	2,596	31,637	3.42	
New York	130,056	-	130,056	14.08	
Philadelphia	34,360	1,844	36,204	3.92	
Cleveland	83,854	2,477	86,331	9.35	
Richmond	58,016	2,402	60,418	6.54	
Atlanta	69,154	7,107	76,261	8.26	
Chicago	102,690	3,106	105,796	11.45	
St. Louis	81,646	2,075	83,721	9.06	
Minneapolis	35,157	3,250	38,407	4.16	
Kansas City	88,926	2,575	91,501	9.91	
Dallas	69,487	10,432	79,919	8.65	
San Francisco	99,258	4,240	103,498	11.20	
Total	881,645	42,104	923,749	100.00	
F. R. Board business			299,337		1,223,086
Treasury Department business Incoming and Outgoing					77,426
Total words transmitted over main lines					1,300,512

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6823-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6823-b

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, JANUARY, 1931.

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	$ 751.66	$ 260.00	$ 491.66
New York	1,129.14	-	-	1,129.14	3,094.54	1,129.14	1,965.40
Philadelphia	225.00	-	-	225.00	861.55	225.00	636.55
Cleveland	306.66	-	-	306.66	2,054.97	306.66	1,748.31
Richmond	190.00	-	230.00(&)	420.00	1,437.38	420.00	1,017.38
Atlanta	270.00	-	-	270.00	1,815.40	270.00	1,545.40
Chicago	3,675.89(#)	3.00	-	3,678.89	2,516.51	3,678.89	1,162.38(*)
St. Louis	195.00	1.00	-	196.00	1,991.23	196.00	1,795.23
Minneapolis	200.00	-	-	200.00	914.29	200.00	714.29
Kansas City	287.50	-	-	287.50	2,178.05	287.50	1,890.55
Dallas	251.00	-	-	251.00	1,901.12	251.00	1,650.12
San Francisco	380.00	-	-	380.00	2,461.57	380.00	2,081.57
Federal Reserve Board	-	-	15,765.39	15,765.39	-	-	-
Total	$ 7,370.19	$ 4.00	$ 15,995.39	$ 23,369.58	$ 21,978.27	$ 7,604.19	$ 15,536.46
				1,391.31(a)			1,162.38(b)
				$ 21,978.27			$ 14,374.08

(&) Main Line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $ 1,391.31 from Treasury Department covering business for the month of January, 1931.
(b) Amount reimbursable to Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6827

No. 178.

FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

****

FEDERAL RESERVE BANK OF RICHMOND, VIRGINIA, a banking corporation,

v.

G. S. ATTMORE, trading as NEUSE MOTOR COMPANY and G. S. ATTMORE, individually.

****

I N D E X

Complaint -------------------- 1
Answer ----------------------- 4
Exhibit A -------------------- 20
Exhibit B -------------------- 26
Exhibit C -------------------- 26
Notice ----------------------- 27
Order of Small, J. ----------- 28
Order of Small, J. ----------- 28
Motion ----------------------- 29
Order of Small, J. ----------- 31
Appeal Entries --------------- 34
Exception -------------------- 34

****

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No. 178. FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

****

FEDERAL RESERVE BANK OF RICHMOND, VIRGINIA,
a banking corporation,

v.

G. S. ATTMORE, trading as NEUSE MOTOR COMPANY and G. S. ATTMORE, individually.

****

Before SMALL, J., Jan. 27, 1931 - - Craven Superior Court - Defendant Appealed.

****
SUMMONS dated September 9, 1930, appears in original transcript.
****

COMPLAINT

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, Va., 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:

"New Bern, N. C.,
Sept. 28, 1929.

No.

Oct. 29, 1929, after date we promise to pay to the order of Ourselves Five Thousand Dollars, $5,000.00.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"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.

NEUSE MOTOR CO. (SEAL)
By G. S. Attmore,
Due: 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:

"New Bern, N. C.,
No. 08065. 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 ($2,000.00).

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.

NEUSE MOTOR COMPANY (SEAL)
By G. S. Attmore,
Manager (SEAL)
New Bern, N. C., Partner.

Due Nov.7."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 the 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 recover.

W. H. LEE,
Attorney for Plaintiff.

(Verified)
(9- 6- 30).

ANSWER

The defendant, answering the complaint, says:

1. Allegation one 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).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 the 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 it compelled the insolvent First National Bank of New Bern to execute to it 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 $5000 or the sum of $2000. All other matters and things alleged in this allegation are denied; save it is admitted that this defendant refuses to make payment to the plaintiff as demanded in the complaint.

10. Allegation 10 is denied.

The 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 Bern, 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

by the defendant, and this defendant now so moves.

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

1. That the plaintiff should sue under its proper title, which is "Federal Reserve Bank of Richmond, Va.," see section 225, chapter 5, 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 sections 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 $7500.00. 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 $7500, (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, 1928, 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 $7500, 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 $7500, 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 Berne 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 27, 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 Bern, 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to the facts herein stated, and the said $250,000.00 note with the collateral thereto attached, was utterly insolvent and, under no conditions, worth more than the sum of $20,000.00 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.

8. 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 broughtabout 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 losses, and the same was done by the use of $225,000.00 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 5 months, or until it closed; but thereupon, at the instance of the plaintiff, came to New Berne 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 6 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

this defendant.

That on or about the 19th or 20th of March, the Comptroller of the Currency licensed, and therecame 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 day 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 paperwriting, Exhibit A, was then made and executed, copy therof 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 of 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 of 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 Berne, but always remained the property of the County of Craven, and the said First National Bank of New Bern, with all these matters 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 64% of all of its assets to cover about 34% of the total general liability of the said new National Bank, leaving about 36% 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 64% of assets, save prime $600,000 or $700,000, chosen 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. C. 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 Berne, 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:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 nonpayment or to give notice of nonpayment 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 nonpayment 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, 483 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 18th, 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 and protest waived National Bank of New Bern, W. J. Caroon Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 accomodation 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 accomodation 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 accomodation 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.

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 accomodation 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 accomodation 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 1, 1929, the said accomodation 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 accomodation 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 30th, 1929, the said accomodation 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

That on September 28th, 1929, the said accomodation 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 each and every of the foregoing instruments are and were renewal accomodations. 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 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 or 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 production whereof is demanded, and at the time the plaintiff had in its possession funds of the First National Bank in excess of $7,500, 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. 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:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1. 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 Berne, 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 allegations 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 prays that plaintiff take nothing on account of the $5000 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 $1585.62, 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 4th, 1930, at 10 o'clock A. M., or such time thereafter as counsel may be heard, why the paper writing described in the complaint

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

should not be impounded in the 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.

W. B. R. GUION,
Attorney for Defendant.

(Verified Sept. 26, 1930).

EXHIBIT "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, hereinafter

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 $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 assets as selected and accepted by the Second Bank amounting to Dollars #2 $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 the pledge of all the assets of the First Bank not transferred to the Second Bank;

NOW THEREFORE THIS AGREEMENT WITNESSETH: That parties hereto, in consideration of the premises 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:-

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 situated 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, Va., 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 #3($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 #4 ($1,926,856.08) 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 charged 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 - #5 ($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, 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 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 execution of this agreement to substitute for any assets which are granted, bargained, sold, conveyed, assigned, transferred or set over unto the Second Bank of any of the notes or other assets delivered to it as collateral security for the payments of the note of ------ Dollars - #6 ($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 Presidents, attested by its Cashiers, and its corporate seals affixed, in duplicate, on the day and year first hereinbefore written.

THE NATIONAL BANK OF NEW BERN,
NEW BERN, N. C.,
(SEAL) By: W. W. Griffin, Pres.

ATTEST:
W. J. Caroon, Cashier.

FIRST NATIONAL BANK,
(SEAL) By: J. V. Blades.

ATTEST:
W. J. Caroon, Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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.

LIZZIE McGOWAN,
Notary Public.

(SEAL).

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 it was affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order. That seal affixed to said instrument is such corporate seal.

LIZZIE McGOWAN,
Notary Public.

(SEAL).

My com. expires: 10-23-'30.

NORTH CAROLINA,
CRAVEN COUNTY: ss.

The foregoing certificates of Lizzie McGowan, a Notary Public of Craven County, are adjudged to be correct.

Let the instrument with the certificate, be registered.

Witness my hand, this 19th day of February, 1930.

L. E. LANCASTER,

Clerk Superior Court.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Filed for registration at 10:50 o'clock A. M., February 19, 1930.

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
	$ 2,528,858.00
LIABILITIES:	
Capital Stock	250,000.00
Surplus	56,454.00
Dividends	75.00
Circulation	24,350.00
Bills Rediscounted	155,283.00
Individual Deposits	1,929,228.00
Due to State Banks	28,968.00
Due to Banks	84,209.00
	$ 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
U. S. Gov. 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. Treas. and due from U. S. Treasurer	1,250.00
Total - - - - - - - - - - -	$ 2,283,046.50

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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
Due to banks, including certified and cashier's checks outstanding	104,420.47
Demand deposits	514,327.07
Time deposits	1,246,371.92
Bills payable and rediscounts	173,409.60
	$ 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.
Correst - Attest:
C. W. HODGES
J. V. BLADES
W. F. DOWDY
W. W. GRIFFIN
F. H. WHITTY
HUGH P. BEAL,
Directors.

Sworn and subscribed to before
me this 2nd day of April, 1929.
THOMAS J. MITCHELL,
Notary Public.
My com. exp. March 11-31.

N O T I C E

To G. S. Attmore, trading as Neuse Motor Company, and G. S. Attmore, individually, defendant, or W. B. R. Guion, his attorney:

Take notice, that plaintiff in the above entitled action will make motion before His Honor, Walter L. Small, Judge, holding Oct. Term, 1930, Craven Superior Court, on Friday, the 10th day of October, 1930, at 2 P. M., to strike certain paragraphs and allegations from the answer filed in this action and will further move for judgment against the defendant as demanded in the complaint, on the ground set forth in said motion, a copy of said motion being herewith served.

FEDERAL RESERVE BANK OF RICHMOND,
Plaintiff.
W. H. LEE, Atty. for Plaintiff.

Service accepted,
this 6th day of Oct. 1930.
W. B. R. GUION,
Atty. for Defendant.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

O R D E R

This cause coming on to be heard before His Honor, Small, Judge, at the October Term, 1930, Craven Superior Court, upon motion of plaintiff to strike certain allegations and paragraphs from the answer filed by the defendant.

And upon hearing arguments by W. H. Lee and M. G. Wallace, counsel for plaintiff, and W. B. R. Guion, counsel for defendant, the court desires to further consider the pleadings and motion filed:

It is, thereupon, ordered that hearing on the motion be continued to the November Term, 1930, Craven Superior Court, at which time attorneys for plaintiff and defendant may be heard.

This the 10th day of October, 1930.

WALTER L. SMALL,
Judge Superior Court.

O R D E R

This cause coming on to be heard and being heard before His Honor, Walter L. Small, Judge Presiding, (NOVEMBER TERM, 1930), on motion of the defendants to make R. E. Schumacher, Receiver of the First National Bank of New Bern, a party; and it appearing to the Court that said R. E. Schumacher is a proper party to the full determination of the matters in controversy;

IT IS NOW THEREFORE ORDERED that R. E. Schumacher, Receiver of the First National Bank, be served with a copy of the complaint and of the answers and of this order; that he be permitted within ten days from the date of service to make himself party plaintiff; that if within ten days from the date of said service said R. E. Schumacher, Receiver, fails to come in and make himself a party plaintiff summons be issued and the said R. E. Schumacher be made a party defendant.

Defendants further moving the court for leave to amend answer; motion is allowed and defendants are granted thirty days in which to amend answer; that plaintiff, Federal Reserve Bank and R. E. Schumacher, Receiver, be allowed thirty days thereafter in which to file pleadings in which they may respectively be advised.

WALTER L. SMALL,
Judge Presiding.

APPEAL ENTRIES:

To the foregoing order plaintiff excepts and appeals to the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Supreme Court. Appeal bond fixed at $50.00. Plaintiff allowed 30 days to serve case on appeal; defendant allowed 30 days to file exceptions and counter-case. Notice given in open court and notice received.

W. B. R. Guion.

SMALL, Judge.

MOTION BY PLAINTIFF TO STRIKE FROM THE ANSWER AND FURTHER ANSWER AND ALLEGED COUNTER-CLAIM OF DEFENDANT FILED IN THIS ACTION:

Before His Honor, Walter L. Small, Judge, at October Term, 1930, Craven Superior Court:

TO THE COURT:

Plaintiff herein, under provisions of C. S. 537, begs leave to file its motion in this cause to strike certain allegations and paragraphs from the answer and further answer and alleged counter-claim upon the grounds and for the reasons herein alleged, as follows:

1. Plaintiff moves to strike paragraph one from defendant's answer on the ground that same is irrelevant, immaterial, ambiguous, impertinent and frivolous, and does not contain a specific admission or denial and is inconsistent with paragraph one of the affirmative defense.

2. Plaintiff moves to strike out the allegations in the fifth and eighth paragraphs of the answer, except the specific denials therein, on the ground that said allegations, other than the specific denials, are irrelevant, redundant, inferential and impertinent.

3. Plaintiff moves to strike out the defendant's further plea and paragraphs 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14, and each and every section and sub-paragraph thereof, of the further answer and alleged affirmative defense and counter-claim on the ground that the same, and each and every thereof, are irrelevant and redundant, and repugnant, impertinent and frivolous.

Plaintiff further moves to strike out said paragraphs and allegations from the answer and all of the further answer and alleged further defense, for that:

1. Said allegations are irrelevant and immaterial to the cause of action alleged in the complaint.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

2. That the reading of said irrelevant and immaterial allegations at the trial and in the presence of the jury would be highly prejudicial to the plaintiff.

3. That the presence of said allegations in the answer would render admissible at the trial evidence not pertinent to the issues which will be determinative of the rights and liabilities of the parties to this action.

Plaintiff further makes motion to the Court for judgment against the defendant as demanded in the complaint on the ground that the answer filed by the defendant is frivolous and impertinent and plaintiff is, therefore, entitled to the relief demanded on the pleadings.

FEDERAL RESERVE BANK OF RICHMOND
Plaintiff.
S. H. **LEE. Atty. for Plaintiff.**

ORDER

This cause coming on to be heard before His Honor Small, Judge, upon the written motion of plaintiff to strike out certain allegations and paragraphs of the answer and further answer and counter-claim filed by the defendant and upon the grounds stated in the motion, and being heard by argument and briefs of counsel for both plaintiff and defendant, and the Court, of its own motion, having continued said hearing and reserved its findings and decision in order to further consider the pleadings and the numerous questions raised and involved.

And the Court being of the opinion that the motion of plaintiff should be allowed:

It is, thereupon, considered, ordered and adjudged by the Court that certain allegations and paragraphs of the answer and further answer and defense and counter-claim be, and the same are hereby stricken out and as follows, to-wit:

1. That paragraph 1 of the answer be stricken out after the word "corporation" in line three and commencing with the word "it" in line three and including the word "purposes" in line ten, so that the said paragraph, after so stricken, will read as follows: "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. (Federal Reserve Act, Dec. 23, 1913)".

2. That paragraph five of the answer be stricken out after the word "denied" in line one and commencing with the word "and"

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

in line one and including the word "complaint" in line six, so that the said paragraph, after so stricken, will read as follows: "Allegation 5 is denied; the truth of the matters and things set forth in allegation 5 is hereinafter stated, upon the information and belief of this defendant".

3. That paragraph 8 of the answer be stricken out after the word "denied" in line one and commencing with the word "and" in line one and including the word "complaint" in line six, so that the said paragraph, after so stricken, will read as follows: "In answer to allegation 8, the allegation is denied; the truth of the matters and things set forth in allegation 8 is hereinafter stated, upon the information and belief of this defendant ".

4. That the paragraph unnumbered containing defendant's further plea to the complaint as set out on page two of the answer is stricken out and the motion to make Schumacher, Receiver, a party to this action, is denied.

5. That paragraph 1 of the further answer and defense and counter-claim as set out on page 3 of the answer is stricken out.

6. That paragraph 2 of the further answer and defense and counter-claim as set out on page 3 of the answer, and each paragraph and sub-section thereof, is stricken out.

7. That paragraph 3 of the further answer and defense and counter-claim as set out on page 3 of the answer, and each paragraph and sub-section thereof, is stricken out.

8. That paragraph 4 of the further answer and defense and counter-claim as set out on page 4 of the answer, and each paragraph and sub-section thereof, is stricken out.

9. That paragraph 5 of the further answer and defense and counter-claim as set out on pages 4 and 5 of the answer, and each paragraph and sub-section thereof, is stricken out.

10. That paragraph 6 of the further answer and defense and counter-claim as set out on pages 5, 6 and 7 of the answer, and each paragraph and sub-section thereof, is stricken out.

11. That paragraph 7 of the further answer and defense and counter-claim as set out on pages 7 and 8 of the answer, and each paragraph and sub-section thereof, is stricken out.

12. That paragraph eight of the further answer and defense and counter-claim as set out on pages eight and nine of the answer, and each paragraph and sub-section thereof, is stricken out.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

13. That paragraph nine of the further answer and defense and counter-claim as set out on pages nine and ten of the answer, and each paragraph and sub-section thereof, is stricken out.

14. That paragraph ten of the further answer and defense and counter-claim be stricken out commencing with the first word in said paragraph and ending with the word "accomodations" in line 17 of said paragraph, so that the said paragraph, after so stricken, will read as follows: "That this defendant is not indebted to the plaintiff on account thereof in any sum".

15. That paragraph 11 of the further answer and defense and counter-claim be stricken out after the word "course" in line four and commencing with the word "that" in line four and including the word "endorsement" in line six on page 11, so that the said paragraph, after so stricken, will read as follows: "That the paperwriting described in allegation 6 is the obligation of this defendant and represents an actual loan made to this defendant, but the said paperwriting is not the property of the plaintiff, nor is the plaintiff the holder thereof in due course".

16. That paragraph 12 of the further answer and defense and counter-claim as set out on page 11 of the answer is stricken out.

17. That paragraph 13 of the further answer and defense and counter-claim as set out on page 11 of the answer is stricken out.

18. That paragraph 14 of the further answer and defense and counter-claim as set out on pages 11, 12 and 13 of the answer, and each paragraph and sub-section thereof, is stricken out; excepting the following prayer on page 12 of the answer, reading as follows: "WHEREFORE, this defendant prays that plaintiff take nothing on account of the $5,000.00 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 $2,000.00 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", so that the said paragraph fourteen, and each paragraph and sub-section thereof, whether numbered or lettered, after so stricken, will read as follows:

"WHEREFORE, this defendant prays that plaintiff take nothing on account of the $5,000.00 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 $2,000.00 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".

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

This the 27th day of January, 1931.

WALTER L. SMALL,
Judge, etc.

To the foregoing order defendant excepts and appeals to Supreme Court. Appeal bond fixed at $100.00.

SMALL, Judge.

EXCEPTION

EXCEPTION 1 - The only exception was to the Order of Small, J., of January 27, 1931.

(TRANSCRIPT CERTIFIED BY CLERK SUPERIOR COURT)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6827-a

No. 178 FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

****

FEDERAL RESERVE BANK OF RICHMOND,
A Banking Corporation,

v.

G. S. ATTMORE, Trading as NEUSE MOTOR COMPANY,
and G. S. ATTMORE, Individually.

****

DEFENDANT APPELLANTS' BRIEF

****

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No. 178 FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

*********************************.

FEDERAL RESERVE BANK OF RICHMOND,
A Banking Corporation,

v.

G. S. ATTMORE, Trading as NEUSE MOTOR COMPANY,
and G. S. ATTMORE, Individually.

****

DEFENDANT APPELLANTS' BRIEF

****

QUESTION PRESENTED: ON MOTION TO STRIKE DEFENDANT'S ANSWER AS A MATTER OF LAW:

It is pertinent to allege in defense to an action on a note, upon which allegation of execution and of holder in due course is denied, upon which defendant affirmatively relies in support: 1. that plaintiff had actual notice and opportunity of knowledge; 2, that by law and acts of the plaintiff is not held in due course.

FACTS

Plaintiff alleges, allegation 1, that it is a "banking corporation." The defendant denies this and says that it is the Federal Reserve Bank of Richmond, especially created by an act of Congress. Plaintiff alleges, allegation 5, that the First National Bank of New Bern, for valuable consideration, transferred and assigned the said note to the plaintiff; that plaintiff became the holder in due course and is the holder in due course. Defendant denied the allegation and set up further that there was a secret written agreement between the plaintiff and the First National Bank which the plaintiff compelled the First National Bank to execute to it relevant to the note and required the production of such agreement. Defendant set up first for the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

defense: That the National Bank of New Berne became insolvent and that W. W. Griffin was appointed liquidating agent; that the First National Bank of New Berne became insolvent and Raymond E. Schumacher was appointed receiver; that each was a necessary and proper party and should be brought in to plead to the defendant's affirmative defense.

For its further defense, defendant set up:

1. That the proper name of the plaintiff was The Federal Reserve Bank of Richmond, and referred to the title, book and page of the statute.

2. That the National Bank was a member bank and owned stock in the plaintiff, as required by the Act, the sections whereof were set out; that it had a deposit with the plaintiff in excess of the amount sued for.

3. That in 1920 the plaintiff required the National Bank of New Berne to absorb the Peoples Bank of New Bern, both member banks. That said National Bank then became insolvent and conveyed all of its assets in March, 1929, to the First National Bank of New Bern, a member bank, and set forth a copy of the agreement.

4. That in March, 1929, the First National Bank was organized and, as by law required, became a member bank, owned stock and maintained a deposit in the plaintiff, as required by law.

5. That the said First National Bank was, at the time of its organization and at all times thereafter, insolvent, and its true condition known to the plaintiff. The last statement of The National Bank of New Berne and the first statement of the First National Bank of New Bern are set out as exhibits, to be read in connection with the agreement under which the First National Bank took over the National Bank, which shows the identical assets and the identical liabilities, except the diminution of the assets by $535,000 of its notes taken out, but put up again by the new bank as collateral to a $250,000 note.

6. The dominion, by the plaintiff, over both the National Bank of New Berne and its successor, the First National Bank, and of the juggling of figures and papers, under the supervision of the plaintiff.

7. The capture, on March 20th, 1929, of certain assets of the First National Bank of New Berne by the plaintiff, as fraud upon creditors of the First National Bank of New Bern, ultra vires and "in violation of the prohibition both of common law and the federal statute," reference being made to section of the statute pertinent.

8. That on the 18th of August, 1929, defendant executed to the National Bank of New Berne, for the accomodation of the National Bank of New Berne, its note for $5,000; that no consideration passed; that the Federal Reserve had thereafter examined the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

National Bank and did, from its records, have knowledge of such fact. That this paper was renewed from time to time, at all times without consideration and for accomodation. That the same was wrongfully and illegally held and converted by the plaintiff.

9. That plaintiff had created the First National Bank of New Bern its agent, and on each renewal of the accomodation paper, plaintiff created the First National Bank its agent.

10. That the note described in allegation 6 is a bona fide obligation, but the defendant had money on deposit in the First National Bank which was applicable as a set off.

11. That the plaintiff is not the owner in due course and has paid no value for this note.

12. That this note, likewise held by the plaintiff in fraud upon creditors, especially of the defendants, as shown by a written agreement between the plaintiff and the First National Bank of New Bern, the production of which is required. The prayer is that parties be made and plaintiff be required to account and turn over assets acquired and held by it illegally, contrary to law and as prohibited by law.

At the October Term, 1930, plaintiff filed motion to strike, which was continued by His Honor, Small, Judge, to the November Term, and then again continued.

At the November Term, the defendant's motion to make parties and to amend was heard, and the order appearing in the record allowing the motion was entered.

On January 27th, 1931, the order allowing the motion to strike was entered. The defendant excepted to that order and appealed.

Defendant submits, with apologies for the length of its pleading, that the question which it undertakes to present goes into the construction of the Federal Reserve Act and its relation with its three member banks; the old Peoples Bank of New Bern, the old National Bank of New Berne, and the First National Bank of New Bern.

The gist of the defense is:

1. There was no value passing for the $5000 note.
2. That the plaintiff is not the holder in due course.
3. That the plaintiff is not the holder of the $2,000 note in due course.
4. That the defendant has an offset against the $2,000 note in the hands of Schumacher, Receiver of the First National Bank, and is not concerned about the clarity of the law of this state upon his right under these defenses; but, in order to avail of these defenses, and in order to make its proof, under the relations existing between the plaintiff and the defunct banks, it is necessary for the defendant to plead in order to prove.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

An examination of the Act, conveniently found in U. S. C. A., Title 12, the sections referred to in the answer, we respectfully submit, makes each affirmation pertinent to the respective sections of the Federal Reserve Act. For instance, the plaintiff is not a banking corporation, but is a Federal Reserve Bank, as defined and named by the Act. It has only such powers as are especially granted to it and limited to it by the Act, and these powers can not be enlarged by an unauthorized resolution of its Board of Governors. Section 341, page 333, title 12, defines these powers and duties. Upon the filing of the organization certificate with the comptroller of the currency, the organization of a Federal Reserve Bank becomes a body corporate. There, under section 7, plaintiff contends that it may carry on a general banking business.

We do not attempt here to refer to the specific duties granted and limited, but sections 341 through 361, both limit and define. For an illustration: A Federal Reserve Bank may discount notes arising out of actual commercial transactions, etc., if the note falls within the prescribed rules of "eligibility." In other words, "if eligible for discount." But nowhere in the Act is it empowered to take 5 Ineligible Notes in lieu of the discounting of one eligible note.

It was developed, in a deposition of the officials of the plaintiff, that it had a private memorandum agreement with the executive of the First National Bank, which was not communicated to the other officials or the directors, which, to the defendant's mind, completely substantiates his allegations: first, of the knowledge of insolvency of the former member bank, and the capture by the plaintiff of the notes described in the complaint and the enormous amounts of other notes mentioned in the answer, and held by the plaintiff without any authority in law, or agreement, or right, to support the discounted lines of the said member banks. This condition is clearly vicious in every purview of the act, and especially is it offensive to the common law of preference and to the Federal statute, section 91, title 12, U. S. C. A. page 191.

Defendant respectfully submits that his answer should not be stricken; that he should be permitted to offer his proof in substantiation.

Respectfully submitted,

GUION & GUION,

Attorneys for Appellant.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6827-b

No. 178. FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

****

FEDERAL RESERVE BANK OF RICHMOND, VIRGINIA, a BANKING CORPORATION,

v.

G. S. ATTMORE, trading as NEUSE MOTOR COMPANY, and G. S. ATTMORE, individually.

****

PLAINTIFF APPELLEE'S BRIEF

****

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No. 178. FIFTH DISTRICT.

SUPREME COURT OF NORTH CAROLINA

Spring Term, 1931.

****

FEDERAL RESERVE BANK OF RICHMOND, VIRGINIA, a BANKING CORPORATION,

v.

G. S. ATTMORE, trading as NEUSE MOTOR COMPANY, and G. S. ATTMORE, individually.

****

PLAINTIFF APPELLEE'S BRIEF

****

QUESTIONS INVOLVED IN THIS CASE

1. In an action to recover on a negotiable note, and plaintiff, in its complaint, alleges it is the holder, in due course thereof, will the defendant be permitted, in addition to his denial that plaintiff is a holder in due course, to set out in his answer and further defense redundant, extraneous, irrelevant, frivolous and scandalous and evidentiary and argumentative matter?

2. Does a denial by the defendant that plaintiff is a holder in due course of the notes sued on, entitle defendant to make the payee-transferrer bank, or its Receiver, a party to said action?

3. When motion made in an answer to make the Receiver of the payee-transferrer bank a party is stricken out, is this not a denial of said motion? (a) If it is a denial, is it not controlling over a motion to make said Receiver a party which was granted while motion to strike was pending?

FACTS

This is a civil action pending in Craven Superior Court in which plaintiff is seeking to recover of the defendant on two negotiable promissory notes described in the complaint, claiming to be holder in due course thereof. Defendant filed answer denying that plaintiff is holder in due course and attempts to set up various matters in further answer and as an alleged counter-claim.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Plaintiff, before expiration of time to reply, gave written notice to defendant and moved before His Honor, Small, Judge, at October Term, 1930, Craven Superior Court, to strike defendant's answer and further defense and counter-claim upon the grounds therein set forth (R. pp. 29 and 30). The Court, of his own motion, continued the hearing on said motion to the November Term, 1930, Craven Superior Court (R. p. 28).

At the November Term, 1930, Craven Superior Court, His Honor, Small, Judge, announced that he had not been able to carefully review the pleadings and consider the legal questions involved and, of his own motion and by consent, continued the hearing on said motion, stating he would render his decision at the earliest possible date.

At said November Term, 1930, Craven Superior Court, and while the motion of plaintiff to strike was pending before and being considered by the Court, and on few minutes notice to the plaintiff, His Honor, Small, Judge, signed an order presented by defendant, making R. E. Schumacher, Receiver of the First National Bank of New Bern, a party to said action, and granting defendant leave to amend his answer. (R. pp. 28-29).

On January 27, 1931, his Honor, Small, Judge, signed order striking defendant's answer (R. pp. 31, 32, 33 and 34). From which order defendant excepted and appealed to the Supreme Court.

ARGUMENT

We submit: Paragraph one of the answer is not a specific or general denial of the corresponding allegation of the complaint as required by C. S. 519. 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.

DELOATCH v. VINSON, 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, without repetition" as required by C. S. 519, Sec. 2, and can have been inserted for no purpose except to attempt to arouse passion and prejudice on the part of the jury.

We further submit: That paragraphs 5 and 8 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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

apparently unwilling to commit himself to the allegation that any such documents exist, but leaves this to inference. C. S. 899, et seq., 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.

The defendant, in his further plea (R. p. 6) alleges that Raymond E. Schumacher, Receiver of the First National Bank of New Bern, "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".

Plaintiff respectfully submits that the Receiver of the First National Bank of New Bern is not a necessary or proper party in determining the rights and liabilities of the parties to this action. That the said Receiver is not seeking to be made a party and we respectfully submit that the defendant in this action has no right to demand that he be made a party. We further submit that the plaintiff is entitled to maintain its action without hindrance or delay by the joinder of unnecessary and improper parties. It has been held in this jurisdiction "the plaintiff has the legal right to collect the collateral which it has thus received in due course in its own name and can maintain an action thereon against the maker".

BANK v. HILL, 169 N.C., 237;
BANK v. OIL CO., 157 N.C., 302.

In paragraph one of the further defense defendant merely repeats and re-states the matters and things in paragraph one of the answer and as such is open to the objections offered to said paragraph of the answer.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

We further submit that the matters contained in paragraph two of the further defense 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 plaintiff?

We respectfully submit that the allegations contained in paragraph three of the further defense 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.

We submit that the allegation contained in paragraph four of the further defense 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.

NASH v. ELIZABETH CITY HOSPITAL, 180 N.C., 59;
104 S.E., 33;
COLT & CO. v. KIMBALL, 190 N.C., 169;
129 S.E., 406;
EVANS v. DAVIS, 186 N.C., 41;
118 S. E., 845;
LANIER v. LUMBER CO., 177 N.C., 200;
98 S.E., 593;
MOTTU v. DAVIS, 151 N.C., 237; 65 S.E., 969;
WADDELL v. AYCOCK, 195 N.C., 268.

It is submitted that paragraph five of the further defense is irrelevant as the insolvency of the National Bank of New Berne, if insolvent as alleged, would not debar it from transferring its assets for value and a holder in due course taking securities for value would not be precluded from recovery thereon.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

We submit that the allegations contained in paragraph six of the further defense are irrelevant, and in addition the allegation as to the amalgamation of the two banks is 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 defendant, 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.

We further submit that the allegations contained in paragraph seven of the further defense 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 Berne 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 advance 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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 NAT. BANK, 112 U. S., 405;
KERFOOT v. FARMERS & MER. BANK, 218 U.S., 281;
SCHUYLER NAT. BANK v. GADSDEN, 191 U.S., 451;
THOMPSON v. ST. NICHOLAS NAT. BANK, 146 U.S., 240;
FIRST NAT. BANK v. LANG, 202 Fed. 117; 120 C. C. A., 271;
CROWELL v. FED. RESERVE BANK, 12 Fed. 2nd 259;
This rule is also established in this State.
BEASLEY v. ABERDEEN & ROCKFISH RY., 145 N.C., 272; 59 S. E., 60.

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 is a party to this action and consequently any allegation as to their rights is immaterial.

That in the eighth paragraph of defendant's further defense he alleges that the note for $5,000.00 was without consideration and was wholly an accommodation obligation. It has been held by this Court that the allegation that a note was without consideration was a mere conclusion of the pleader.

MERCHANTS NATIONAL BANK v. ANDREWS, 179 N.C., 341; 102 S. E., 500.

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.

"One signing a negotiable instrument as an accommodation party, having received no value, is bound to the payment thereof to a holder for value in due course, though taking with notice, C. S., 3009; and a maker of the instrument engages that he will pay it in accordance with its tenor, and his capacity to endorse. C. S., 3041."

TAFT v. COVINGTON, SUPREME COURT ADVANCE SHEETS, SPRING TERM, 1930, filed June 16 - issued June 30, 199 N.C., 52;
MAYERS v. BANK, 198 N.C., 542.

We, therefore, respectfully submit that the matters and things alleged in this paragraph of defendant's further defense are immaterial to the action.

We submit that paragraph nine of the further defense is nothing more than a mere conclusion of the pleader and is, therefore, immaterial to this action.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It is submitted that the allegations in paragraph 10 of the further defense are open to the same objections as those made to paragraph eight of the further defense and the authorities thereunder are controlling.

That the allegations in the 11th paragraph of the further defense stating "that this defendant is entitled to apply the said deposit as an off-set" is a mere conclusion of law and, furthermore, an erroneous conclusion.
SOWELL v. FED. RESERVE BANK, 286 U.S., 449.

The statement that the note is in the hands of R. E. Schumacher is immaterial.
The allegations in the 12th paragraph of the further defense are repetitions of the portion of the denial of paragraph eight of the answer, and are open to the objections made to that portion of paragraph eight of the answer.

We submit that the portion of paragraph 13 of the further defense 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. The proper method to obtain such papers, if relevant, is to apply to the Comptroller of the Currency for copies. (U. S. C. Title 28, Sec. 663). The Secretary of the Treasury has promulgated regulations providing for the method in which such applications shall be made, <u>these regulations are printed as an appendix to this brief</u>.

We respectfully submit that the allegations in paragraph fourteen of the further defense are not allegations 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.

We, therefore, respectfully submit that the answer, as a whole, in this case clearly comes within the purview of the provisions of C. S. 537, and ought to be stricken.

Respectfully submitted,

W. H. LEE,

M. G. WALLACE,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Attorneys for Plaintiff,

Appellee.

- -

APPENDIX:

DEPARTMENT RULE IX.

TREASURY DEPARTMENT,
Office of the Secretary,
1906 Washington, July 5, 1906.
Department Circular No. 69.

Chief Clerk.

TO HEADS OF BUREAUS AND CHIEFS OF DIVISIONS,
SECRETARY'S OFFICE, TREASURY DEPARTMENT: -

The following is quoted from the Regulations of the Treasury Department:

RULE IX. No account, document, or paper of any kind shall be withdrawn from the files of the Department by agents, attorneys, or other persons; and copies of any accounts or papers shall not be furnished to any person except upon the written order of the Secretary, one of the Assistant Secretaries, or head of Bureau, and such copies shall be furnished only to such persons as may have a personal material interest in the subject-matter of the papers. Any affidavit setting forth the interest of the applicant and showing the purpose for which copies are desired must be submitted with each application.

In all cases where copies of documents or records are desired by, or on behalf of, parties to a suit, whether in a court of the United States or any other, such copies shall be furnished to the court only, and on a rule of the court upon the Secretary of the Treasury requesting the same. Exceptions to this rule will be made only on the written order of the Secretary or of an assistant Secretary.

No information in regard to transactions of an official character in this Department is to be communicated to anyone not authorized to receive the same.

No information in regard to the claim of any person which has ever been filed in the Department is to be given to any other person unless proper authority is shown by way of power of attorney, or by letters of administration, or otherwise in a manner satisfactory to the Secretary, or an Assistant Secretary, or to the head of the proper Bureau in the Department, or chief of the proper division in the Secretary's Office.

Department Circular No. 110 of 1900 is hereby superseded.

LESLIE M. SHAW,
Secretary.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6828

February 27, 1931.

SUBJECT: Change in Inter-District Time Schedule.

Dear Sir:

Upon agreement between the Federal Reserve Banks of Richmond and Atlanta, the Federal Reserve Board has approved a change in the inter-district time schedule of availability items from Charlotte to Jacksonville from two days to one day.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6830

March 2, 1931

SUBJECT: Amended Regulation G, Series of 1931.

Dear Sir:

There is enclosed for your information a copy of the Board's Regulation G, governing the rediscount of notes secured by adjusted service certificates, as amended today to conform to the Act of February 27, 1931. The Regulation is being printed and a supply will be furnished to you as soon as possible. Please advise how many copies of the printed Regulation you desire.

By direction of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REGULATION G, SERIES OF 1931

(Superseding Regulation G of 1928)

REDISCOUNT OF NOTES SECURED BY ADJUSTED SERVICE CERTIFICATES

SECTION I. STATUTORY PROVISIONS

Under the terms of the World War adjusted compensation act as amended, loans may lawfully be made to veterans upon their adjusted service certificates only in accordance with the provisions of section 502 thereof.

Any national bank, or any bank or trust company incorporated under the laws of any State, Territory, possession, or the District of Columbia is authorized, after the expiration of two years after the date of the certificate, to loan to any veteran upon his promissory note secured by his adjusted service certificate any amount not in excess of the loan value of the certificate, which is (A) 50 PER CENT OF THE FACE VALUE OF THE CERTIFICATE, OR (B) THE LOAN VALUE stated on the face of the certificate, WHICHEVER IS THE GREATER AMOUNT. The law provides that the rate of interest charged upon the loan by the lending bank shall not exceed by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90-day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located AND, AS TO LOANS MADE ON OR AFTER FEBRUARY 27, 1931, SHALL IN NO EVENT EXCEED 4½ PER CENT PER ANNUM COMPOUNDED ANNUALLY.

Upon the indorsement of any bank, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, and subject to regulations to be prescribed by the Federal Reserve Board, any such note secured by an adjusted service certificate and held by a bank is made eligible for rediscount with the Federal reserve bank of the Federal reserve district in which such bank is located, whether or not the bank offering the note for rediscount is a member of the Federal reserve system and whether or not it acquired the note in the first instance from the veteran or acquired it by transfer upon the indorsement of any other bank; provided that at the time of rediscount such note has a maturity not in excess of nine months, exclusive of days of grace, and complies in all other respects with the provisions of the law, the regulations of the United States Veterans' Bureau, and the regulations of the Federal Reserve Board.

SECTION II. DEFINITIONS

Within the meaning of this regulation -

(a) The term "the act" shall mean the World War adjusted compensation act as amended;

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(b) The term "director" shall mean the ADMINISTRATOR OF VETERANS' AFFAIRS, WHO HAS BEEN VESTED BY LAW WITH THE POWER AND DUTIES FORMERLY VESTED IN THE Director of the United States Veterans' Bureau;

(c) The term "certificate" shall mean an adjusted service certificate issued under the provisions of section 501 of the World War adjusted compensation act as amended;

(d) The term "veteran" shall mean any person to whom an adjusted service certificate has been issued by the director under the provisions of the World War adjusted compensation act as amended;

(e) The term "bank" shall mean any national bank or any bank or trust company incorporated under the laws of any State, Territory, possession, or the District of Columbia;

(f) The term "note" shall mean a promissory note secured by an adjusted service certificate and evidencing a loan made by a bank on the security of such certificate in full compliance with the provisions of the World War adjusted compensation act as amended and the regulations of the Administrator of Veterans' Affairs.

SECTION III. ELIGIBILITY

In order to be eligible for rediscount at a Federal reserve bank, any such note must -

(a) Arise out of a loan made by a bank to a veteran in full compliance with the provisions of the act and of any regulation which the director may prescribe;

(b) Be secured by the certificate issued to the maker, which certificate must accompany the note;

(c) Be held by the offering bank in its own right at the time it is offered for rediscount;

(d) Be in the form approved by the director;

(e) Have a maturity at the time of rediscount not in excess of nine months, exclusive of days of grace; PROVIDED, HOWEVER, THAT WHEN SUCH NOTE CONTAINS, IN THE FORM APPROVED BY THE DIRECTOR, A PROVISION FOR THE EXTENSION OF THE MATURITY THEREOF FROM YEAR TO YEAR, AT THE OPTION OF THE HOLDER EVIDENCED BY HIS ENDORSEMENT THEREON, THE MATURITY OF SAID NOTE (AFTER THE FIRST MATURITY STATED THEREON) SHALL, FOR THE PURPOSE OF DETERMINING ITS ELIGIBILITY FOR REDISCOUNT, BE DEEMED TO BE THAT STATED IN THE LATEST EXTENSION INDORSED THEREON BY THE HOLDER.

(f) Evidence a loan the amount of which does not exceed (A) 50 PER CENT OF THE FACE VALUE OF THE CERTIFICATE OR (B) the loan value STATED ON THE FACE of the certificate for the year in which such loan was made, WHICHEVER AMOUNT IS GREATER;

(g) Be payable with interest accruing after the date of the note at a rate stated in the face of the note, which rate must not exceed by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90-day commercial paper by the Federal reserve bank of the Federal reserve district in which the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

lending bank is located; PROVIDED, HOWEVER, THAT, IF THE LOAN WAS MADE ON OR AFTER FEBRUARY 27, 1931, THE RATE MUST NOT IN ANY EVENT EXCEED 4½ PER CENT PER ANNUM, COMPOUNDED ANNUALLY.

(h) Bear the indorsement of the bank offering it for rediscount, which indorsement shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively;

(i) Be accompanied by the evidence of eligibility required by this regulation and such other evidence of eligibility as may be required by the Federal reserve bank to which it is offered for rediscount; and

(j) Comply in all other respects with the requirements of the law and of this regulation.

SECTION IV. EVIDENCE OF ELIGIBILITY

(a) General. - The Federal reserve bank to which a note is offered for rediscount must be satisfied either by reference to the note itself or otherwise that the loan evidenced by the note or any sale, discount, or rediscount thereof complies in all respects with the provisions of section 502 of the act and that the note is eligible for rediscount by a Federal reserve bank under the terms of the law and the provisions of this regulation.

(b) Affidavit of lending bank. - Any note offered to a Federal reserve bank for rediscount must be accompanied by the affidavit required by section 502(h) of the act and the regulations of the director, in form approved by the director, made by an officer of the bank which made the loan, before a notary public or other officer designated for the purpose by regulation of the director, stating that -

(1) Such bank has not charged or collected, or attempted to charge or collect, directly or indirectly, any fee or other compensation in respect of any loan, made by such bank to any veteran under section 502 of the act, except the interest authorized by such section;

(2) The person who obtained the loan evidenced by such note is known to be the veteran named in the certificate securing such note;

(3) Such bank has notified the director that it has made a loan to the veteran named in the certificate, as required by the regulations of the director; and

(4) Such bank has notified the veteran by mail at his last known post-office address of any sale, discount, or rediscount of such note by such bank, as required by section 502(b) of the act.

(c) Affidavit of other banks. - If such note is offered for rediscount by a bank other than the bank which made the loan thereon, it must also be accompanied by an affidavit of an officer of the offering bank and an affidavit of an officer of each other bank which has sold, discounted, or rediscounted such note, which affi-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

davit shall be in form approved by the director and shall state that the bank of which the affiant is an officer has promptly notified the veteran by mail at his last known post-office address of the sale, discount, or rediscount of such note by such bank, as required by section 502(b) of the act.

SECTION V. APPLICATION FOR REDISCOUNT

Every application for the rediscount of such notes shall be made on a form approved by the Federal reserve bank to which such note is offered and shall contain a certificate of the offering bank to the effect that, to the best of its knowledge and belief, such note arose out of a loan made in full compliance with the provisions of the act and the regulations of the director and is eligible for rediscount under the provisions of section 502 of the act and of this regulation.

SECTION VI. PROPER BANK FOR REDISCOUNT

No such note shall be rediscounted by any Federal reserve bank for any bank not located in its own Federal reserve district, except that such notes may be rediscounted by any Federal reserve bank for any other Federal reserve bank.

SECTION VII. RATE OF REDISCOUNT

The rate of interest charged by any Federal reserve bank on any such note rediscounted by it shall be the same as that charged by it for the rediscount of 90-day notes drawn for a commercial purpose, except that when such notes are rediscounted for another Federal reserve bank the rate shall be that fixed by the Federal Reserve Board.

SECTION VIII. REDISCOUNTS FOR NONMEMBER BANKS

No Federal reserve bank shall rediscount such notes for any nonmember bank until such bank has furnished to the Federal reserve bank such information as it may request in order to satisfy itself as to the condition of such bank and the advisability of making the rediscount for it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6832

March 5, 1931.

SUBJECT: Code words to cover telegraphic transactions in new issues of Treasury Certificates of Indebtedness, Series TS2-1931 and TM-1932.

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:

"NOWHIKE", Series TS2-1931, dated March 16, 1931, due September 15, 1931.

"NOWHILL", Series TM-1932, dated March 16, 1931, due March 15, 1932.

These code words should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOWHIGH", on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6833

March 5, 1931.

SUBJECT: New Regulations of Veterans' Bureau Regarding Loans Secured by Adjusted Service Certificates.

Dear Sir:

Pursuant to the Act of Congress approved February 27, 1931, amending Section 502 of the World War Adjusted Compensation Act with reference to loans upon adjusted service certificates, the Administrator of Veterans' Affairs has amended his regulations on this subject so as to conform to the provisions of the law as amended and there are enclosed herewith copies of these regulations in the amended form. Copies of the Federal Reserve Board's Regulation G amended to conform to the new law were forwarded to you in my letter of March 2nd.

By reference to the new regulations of the Administrator of Veterans' Affairs and to the Board's new Regulation G, it will be noted that, as to all loans made on the security of adjusted service certificates on and after February 27, 1931, the rate of interest must not exceed (a) simple interest at a rate not exceeding by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90 day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located, or (b) 4½ per cent per annum compounded annually, whichever is the lower.

It will also be noted that the Administrator of Veterans' Affairs has prescribed in his regulations a new form of note which may be used by banks in making loans on the security of adjusted service certificates, containing a provision that if the principal and interest are not paid at maturity, the maker and all endorsers authorize the holder at his option, evidenced by the holder's endorsement to that effect on the note, to extend its maturity for a period of one year and to repeat such extensions from year to year. The Federal Reserve Board's new Regulation G contains a provision that where there is such a provision for the extension of maturity of a note from year to year at the option of the holder evidenced by his endorsement thereon, the maturity of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

said note (after the first maturity stated therein) shall, for the purpose of determining its eligibility for rediscount be deemed to be that stated in the latest extension endorsed thereon by the holder. The new form of note prescribed by the Administrator of Veterans' Affairs (U.S. Veterans' Bureau Form No. 6615-a) will, therefore, be eligible for rediscount at a Federal reserve bank whenever the maturity date stated in the latest extension endorsed on the note is not more than nine months after the date of rediscount provided, of course, that the note complies in all other respects with the requirements of the law and of the regulations. Banks making loans on notes secured by adjusted service certificates, which do not desire to preserve the eligibility of such notes for rediscount after the first maturity may properly use the same form (U. S. Veterans' Bureau Form No. 6615) which has been used heretofore for making loans on the security of adjusted service certificates.

Copies of this letter and of the enclosures are being sent to all the branches of the Federal reserve banks.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6834

S.471
(Public No. 783, 71st Congress)

SEVENTY-FIRST CONGRESS OF THE UNITED STATES OF AMERICA

At the Third Session,

Begun and held at the City of Washington
on Monday, the first day of December,
one thousand nine hundred and thirty.

AN ACT

Providing for Saturday half holidays for certain Government employees.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That on and after the effective date of this Act four hours, exclusive of time for luncheon, shall constitute a day's work on Saturdays throughout the year, with pay or earnings for the day the same as on other days when full time is worked, for all civil employees of the Federal Government and the District of Columbia, exclusive of employees of the Postal Service, employees of the Panama Canal on the Isthmus, and employees of the Interior Department in the field, whether on the hourly, per diem, per annum, piecework, or other basis: Provided, That in all cases where for special public reasons, to be determined by the head of the department or establishment having supervision or control of such employees, the services of such employees can not be spared, such employees shall be entitled to an equal shortening of the workday on some other day: Provided further, That the provisions of this Act shall not deprive employees of any leave or holidays with pay to which they may now be entitled under existing laws.

NICHOLAS LONGWORTH

Speaker of the House of Representatives

GEORGE H. MOSES

President of the Senate, Pro tempore

Approved
March 3, 1931

HERBERT HOOVER

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For immediate release. March 7, 1931.

The Federal Reserve Board has amended its Regulation G governing the rediscount by Federal reserve banks of notes secured by adjusted service certificates so as to conform to the Act of February 27, 1931, amending Section 502 of the World War Adjusted Compensation Act; and copies of the amended regulation with the new portions indicated by capital letters are released herewith.

The amendments contained in the Act of February 27, 1931, apply to loans by banks as well as to loans by the Veterans' Bureau. The principal changes effected by the amendments are, (1) to increase the loan value of each adjusted service certificate immediately to 50 per cent of the face value of such certificate, and (2) to provide that the rate of interest on any such loan shall in no event exceed 4½ per cent per annum, compounded annually. The original provision of Section 502 of the World War Adjusted Compensation Act to the effect that the rate of interest charged by banks on loans to veterans secured by their adjusted service certificates shall in no event exceed by more than 2 per cent per annum the rate charged at the date of the loan for the rediscount of 90 day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located, remains in effect. Therefore, as to all loans made on and after February 27, 1931, the rate of interest must not exceed, (a) simple interest at a rate not exceeding by more than 2 per cent per annum the rate charged at the date of the loan for the rediscount of 90 day commercial paper by the Federal reserve bank of the district in which the lending bank is located, or (b) 4½ per cent per annum compounded annually, whichever is the lower.

Subsection (e) of Section III of the Board's Regulation G contains a provision to the effect that, when a note given by a veteran for a loan on his adjusted service certificate contains, in the form approved by the Director of the Veterans' Bureau, a provision for the extension of the maturity thereof from year to year, at the option of the holder evidenced by his endorsement thereon, the maturity of said note (after the first maturity stated thereon) shall, for the purpose of determining its eligibility, be deemed to be that stated in the latest extension endorsed thereon by the holder. Notes in this form need be used only where the lending bank desires to retain the eligibility of such notes for rediscount at Federal reserve banks subsequent to the first maturity. Banks not desiring to preserve such eligibility after the first maturity may continue to use U.S. Veterans' Bureau Form No. 6615, which has been used heretofore.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6836

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928

February 1 to 28, 1931.

	$5	$10	$20	$50	Total Sheets	Amount
Boston	100,000	-	20,000	-	120,000	$11,094.00
New York	300,000	100,000	50,000	-	450,000	41,602.50
Philadelphia	100,000	60,000	20,000	-	180,000	16,641.00
Cleveland	80,000	40,000	30,000	-	150,000	13,867.50
Atlanta	50,000	20,000	10,000	-	80,000	7,396.00
Chicago	200,000	-	-	-	200,000	18,490.00
Minneapolis	30,000	10,000	10,000	-	50,000	4,622.50
Kansas City	30,000	-	-	-	30,000	2,773.50
Dallas	30,000	10,000	10,000	3,000	53,000	4,899.85
	920,000	240,000	150,000	3,000	1,313,000	$121,386.85

1,313,000 sheets, ...$92.45 M, . . .$121,386.85

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6838

March 13, 1931.

Mr. M. G. Wallace, Counsel,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

My dear Mr. Wallace:

Please accept my thanks for your letter of March 10th with further reference to the case of Skinner and Company v. Federal Reserve Bank of Richmond.

As I advised you during our conference on March 11th, the Comptroller's Office received a letter on that date from the Receiver of the First National Bank of Greenville wherein the Receiver said that the committee which is obtaining the signatures of depositors of the First National Bank of Greenville to the agreement "freezing the deposits" of that bank is making good progress and confidently expects to have all of the depositors signed up within a very short time. The Receiver, therefore, hopes that a State bank will soon be organized to take over all of the assets and assume all of the liabilities of the First National Bank of Greenville; and, of course, if this is done the Skinner case will be dismissed. The Receiver advises further that they have encountered some difficulties with regard to the amount at which the building and fixtures of the First National Bank of Greenville are to be taken over by the new State bank which is being organized to succeed it; but it is hoped that this may be worked out in some way.

I believe that we agreed during our conference on March 11th that it would be undesirable to file further pleadings in this case or to retain special counsel on a system basis in connection with the case pending the outcome of the efforts described above; and that, therefore, you will communicate with counsel for the plaintiffs and ascertain whether it will not be possible to obtain an extension of time within which to file your answer or other pleadings since that would seem to be to the interest of all parties. I shall appreciate it if you will kindly let me know as soon as possible the outcome of your negotiations with counsel for the plaintiff.

With all best regards, I am

Cordially yours,

(S) Walter Wyatt,
General Counsel.

WW-sad

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF RICHMOND

March 10, 1931

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

I have been informed by my associate that the state court has entered an order removing the action of W. I. Skinner and Company v. Federal Reserve Bank of Richmond, et als, to the United States District Court for the Eastern District of North Carolina in the Washington Division. I am not advised as to whether or not the plaintiffs will make a motion to remand or not. I have asked my associate to docket this case on the chancery side of the federal court as it has at least one aspect of a suit in chancery, and the decisions of the federal court seem to establish that a case which has some aspects of a suit in chancery should be primarily treated as a suit in chancery subject to the right of any party to ask for a division of the controversy and for a trial at law upon any controversy which is in substance an action at law.

It occurs to me that in so far as the action is grounded upon the negligence of this bank it is an action of law, but in so far as the plaintiff seeks to establish a lien upon the reserve balance or the collateral in our hands it is a suit in chancery.

You will recall that I suggested to you that it might be possible to deal with this case on a demurrer or a motion to dismiss. After considering the matter more carefully, I have come to the conclusion that a demurrer or motion to dismiss could not be sustained. In so far as the action is one for negligence the plaintiff alleges that we surrendered these checks to a bank knowing that it was insolvent. I am afraid that it would be going a little too far to expect a court to hold that the surrender of checks to a bank known to be insolvent was not negligent. In the other branch of the case it is alleged that we were directed to charge the amount of these checks to the reserve balance of the failed bank and that the balance was sufficient. While this allegation is, I believe, not true, it would, of course, be treated as true on any proceeding in the nature of a demurrer, and I doubt if we could sustain the proposition that a Federal reserve bank was not obliged to charge checks against a balance in its hands if the balance was sufficient and the authority to charge was received before notice of closing was received.

For the reasons stated above I am now inclined to think that it would be best to answer the complaint in this case and to try the matter

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Walter Wyatt,
Federal Reserve Board,
Washington, D. C. -2- March 10, 1931

on evidence. As you know, it was agreed, I believe, that Mr. Baker would be consulted in this case before any definite action was taken. I am therefore writing you my views in order that you may either take the matter up with Mr. Baker or let me know whether or not you wish me to do so.

My associate did not give the exact date upon which the removal was ordered, but stated that he was advised of it on March 7th. I assume that the removal occurred one or two days before that; consequently, our answer should be filed sometime between now and the first of April.

I have no further news with respect to the probability of the completion of the plans for the organization of a new bank in Greenville.

Very truly yours,

(S) M. G. Wallace,
Counsel.

MGW R

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

SAN FRANCISCO FEB. 13

Wyatt

Washn.

In view of Wallace's past experience in North Carolina and in view of prime importance of obtaining clear cut decision upholding Regulation J, Series 1930, as well as in view of the allegation contained in the Skinner complaint charging reserve bank with actual or constructive notice of insolvency of drawee I believe that this litigation should be handled as a system matter.

Agnew

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

FEDERAL RESERVE BANK

OF MINNEAPOLIS

February 18, 1931.

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

Skinner & Co. vs. Federal Reserve Bank
of Richmond et al.

My dear Mr. Wyatt:

I cannot see how in this case the Malloy case can be successfully invoked against Regulation J as amended, and therefore wired you as I did on the 13th. But now that I have your letters of the 13th and 16th with quotations of what some counsel of other Federal reserve banks say about employing System Counsel, I laid the matter this morning before Gov. Geery, Deputy Gov. Yaeger and Mr. Mitchell, the Chairman of the Board, and they authorized me to say that, as far as this Bank is concerned, they are willing to leave it to the Federal Reserve Board whether or not to retain System Counsel, and that if the Board decides to retain such counsel and the other 11 Federal reserve banks agree to contribute to that expense pro rata on the basis of their respective capital and surplus, this Bank will also contribute on that basis.

Yours very truly,

(Signed) A. Ueland
Counsel.

AU/MG

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Law Offices
WILLIAMS, BRITTAIN & SINCLAIR

PHILADELPHIA

February 13, 1931.

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

Dear Mr. Wyatt :

I write in reply to your wire of the 12th and your letter of the 7th, concerning the Skinner case.

As is usual, we shall be very glad to accede to any suggestions made by a majority of the Counsel. Our usual statement in matters of this kind must be repeated, namely, that our lack of litigation in this district makes it difficult for us to give points of view other than those that are purely academic.

Certainly, it is evident from Mr. Wallace's letter, as well as from the bill of complaint, that the validity of the amended Regulation J will be an issue. If possible, our view is that it would be desirable to have such an issue presented in a Federal Court. However, Mr. Wallace and counsel for the receiver of the closed bank would be in a better position to decide this question in view of their knowledge of the practical situation.

The opinion of Mr. Justice Holmes in the Early case appears to us to be based primarily upon the contract between the parties as evidenced by the provisions of Regulation J and the Check Collection Circular issued by the Richmond Bank pursuant thereto. It would seem to follow that if the Regulations have been changed and the Circular modified accordingly, the conclusion should be in accord with the changed Regulations and Circular, unless it should be held that the Federal Reserve Board has exceeded its power in amending the Regulation in the manner recommended by the conference of Counsel.

If you and the other Counsel feel that the case should be a System matter at its inception we shall be very glad to cooperate.

Yours sincerely,

(Sgd.) John S. Sinclair
for Williams, Brittain and Sinclair

GRL

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6839

SUPREME COURT OF NORTH CAROLINA -- Spring Term 1931.

Federal Reserve Bank
of Richmond, Va.,

vs.

No. 178 Craven.

G. S. Atmore, trading as
Neuse Motor Company, and
G.S. Atmore, individually.

Appeal by defendant from order of Small, J., at January Term, 1931, of the Superior Court of Craven County. Affirmed.

This is an action on two promissory notes, negotiable in form, and executed by defendant, G.S. Atmore, trading as Neuse Motor Company. Both said notes were endorsed by the defendant, G.S. Atmore, individually, before their delivery to the payees named therein, respectively.

One of said notes, for the sum of $5,000.00, dated 28 September 1929, and due on 29 October 1929, was payable to the order of the maker. This note with the endorsement of the maker was negotiated to the First National Bank of New Bern, N.C., and by said Bank to the plaintiff, now the holder thereof.

The other note, for the sum of $2,000.00, dated 8 October 1929, and due thirty days after date, was payable to the order of the First National Bank of New Bern, N.C. This note with the endorsement of the payee was negotiated to the plaintiff, now the holder thereof.

In its complaint, plaintiff alleges, both specifically and generally, that it is the holder in due course, and for value, of each of said notes. Defendant, in his answer, denies both the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

specific and general allegations of the complaint to the effect that plaintiff is the holder of said notes in due course and for value. In addition to said denials, in defence of plaintiff's right to recover in this action, defendant alleges certain matters, both of law and of fact, all of which challenge the right of plaintiff to recover in this action as a holder in due course, and for value, on the notes set out in the complaint.

The action was heard on plaintiff's motion that certain matters alleged in the answer be stricken therefrom, on the ground that said matters, specifically pointed out in the motion, which was in writing, are irrelevant and immaterial, impertinent and frivolous. This motion was allowed.

From the order directing that certain matters alleged in the answer, ans specifically pointed out in the order, be stricken from the answer, in accordance with the motion of the plaintiff, defendant appealed to the Supreme Court.

W. H. Lee
M. G. Wallace for plaintiff.

Guion & Guion for defendant.

Connor, J. The defendant admits in his answer the execution and endorsement by him of each of the notes sued on in this action

He alleges that he executed and endorsed the note for $5,000.00, for the accomodation of the First National Bank of New Bern, N.C., and that he received no value for said note from said Bank. C.S. 3009. It is alleged in the complaint that this note was negotiated by the First National Bank of New Bern, N.C., to the plaintiff,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The defendant admits in his answer, that he received value for the note for $2,000.00, from the payee, the First National Bank of New Bern, N.C. He alleges, however, that he has a set-off or counter-claim against the First National Bank of New Bern, N.C., with respect to said note. It is alleged in the complaint that this note was negotiated by the First National Bank of New Bern, N.C., to the plaintiff.

Neither of the defences alleged in the answer will avail defendant in this action if, as alleged in the complaint, the plaintiff is the holder in due course, and for value, of each of said notes. C.S. 3033, C.S. 3038. If, however, it is shown at the trial of the action, that defendant executed and endorsed the note for $5,000.00, for the accommodation of the First National Bank of New Bern, N.C., and received no value from said Bank for said note; or if it is shown at the trial that defendant has a valid off-set or counter-claim again the First National Bank of New Bern, N.C., with respect to the note for $2,000.00, then, in either case, the burden will be on plaintiff to prove, as alleged in the complaint, that plaintiff is the holder in due course, and for value of said notes, or of either of them. C.S. 3040. Whitman vs. York, 192 N.C. 87, 133 S.E. 427. Otherwise, each of said notes, although held by the plaintiff at the commencement of this action, as the result of its negotiation to plaintiff by the First National Bank of New Bern, N.C., is subject to the same defences as are available to the defendant against said Bank. C.S. 3039. Whitman vs. York, _supra_.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Defendants' answer, after the matters alleged therein have been stricken therefrom, as irrelevant and immaterial, is sufficient to raise issues both of law and of fact, involving the right of plaintiff to recover in this action, as the holder in due course of the notes sued on. The matters stricken from the answer are at least irrelevant and immaterial. The order striking said matters from the answer does not deprive defendant of any substantial right or defence at the trial of the action founded upon his equities against the First National Bank of New Bern, N.C.

Plaintiff's motion was made in apt time. C.S. 537. It was not addressed to the discretion of the Court, but was made as a matter of right. Hosiery Mills vs. Hosiery Mills, 198 N.C. 596, 152 S.E. 794. The order was therefore subject to review by this Court on defendants' appeal. However, there was no error in the order, and it is therefore affirmed.

The validity of the order made in this action by Judge Small, at November Term, 1930, of the Superior Court of Craven County, directing that the Receiver of the First National Bank of New Bern be made a party defendant to this action, is not involved in this appeal by the defendant from the order made at January Term, 1931. Plaintiff excepted to the order making the Receiver a party, but has not appealed from said order. We therefore do not pass upon the question discussed in the brief of plaintiff, as appellee on this appeal, as to the effect of the order at January Term, 1931, upon the order of November Term, 1930.

The order involved in this appeal is

Affirmed.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

STATEMENT OF EUGENE MEYER, GOVERNOR OF THE
FEDERAL RESERVE BOARD, BEFORE THE
WAR POLICIES COMMISSION,
SENATE OFFICE BUILDING, WASHINGTON, D.C.
MARCH 16, 1931. TEN A.M.

FINANCIAL CONTROL IN WAR

Control of financial operations during war is only one element in the broad general problem of financing the operations of war. The broad general problem involves the raising of funds for war-time expenditures by the government involved, both for the expenditures of the government itself, and for advances to its allies, if any, and it also involves many collateral problems such as protection of the financial markets for the government's own operations, the effect of such operations on the banking system of the country and, as a necessary corollary, some form of financial assistance to private enterprises necessary or contributory to the prosecution of the war, or to the maximum possible maintenance of normal private life on the part of the non-combatant population. Financial control and financial assistance must also look forward to some extent to the problems of peace and reconstruction, though there is danger here in confusing the certain and known needs of war with the uncertain and unknown requirements of the period immediately following the war.

The method of financing a war, and the financial controls and corollary assistances required, of course, depend upon the type and size of the war operations, the number of nations involved, the extent and character of their inter-relations, and the social and economic conditions existing in the belligerent nation at the time. Therefore we can generalize very little with regard to underlying principles, and my remarks

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

will be devoted largely to a review of finances and financial controls during the participation of the United States in the World War - April 6, 1917 to November 11, 1918 - with comments on the lessons that have been learned and the inferences that may be drawn, if any, with regard to financial control in any other wars in which this nation might be involved in the future.

COST OF THE WORLD WAR.

The World War, commencing almost out of a clear sky in August, 1914, finally drew into the conflict most of the nations of Europe, all the Americas north of Mexico, nearly all of Africa and more than half of the area and population of Asia. It involved as belligerents probably nearly three-quarters of the world's population, and affected to a profound degree the foreign and domestic commerce and even the internal affairs and private lives of practically all the peoples of the few neutral nations.

The cost of the World War in money has been estimated at approximately 186 billion dollars. To get some measure of what this colossal sum means, it is interesting to note that the entire value of all property in the United States, i.e., the entire wealth of the United States, was estimated by the Census Bureau at 186 billion dollars in 1912. It is also of interest to note that just prior to the outbreak of the World War the total public debts of all the nations of the world and their subdivisions were estimated at approximately $42,900,000,000. If the extent of the World War costs had been foreseen in advance, and if the statement had been made that the World War would cost a sum in dollars equal to the then estimated wealth of the United States, the richest nation in the world, and more than four times the total outstanding public debts of the nations of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the world, the financing of such an operation would have been set down as incredible and impossible.

As a matter of fact, at the beginning of the war many authorities stated that its duration necessarily would be very brief because of the impossibility of financing the immense military operations involved. Competent authorities stated that within a comparatively few months the entire financial structures of the governments involved would break down under the strain; yet, in the face of the apparent impossibilities, the World War continued for somewhat more than four years, bringing in from time to time additional nations and proceeding on an increasingly larger scale.

The lesson to be learned from this is that the course of war depends upon resources in manpower, supplies and morale, and that finance is only incidental to these; for, after all, money is only a medium of exchange and to the extent that men, material and morale are available, some medium of exchange will be available or will be developed so as to permit their continued functioning to the maximum limit, and this limit will not be imposed by any considerations of finance existing at the outbreak of the war.

METHODS OF FINANCING THE WORLD WAR.

The financial problems of the World War were met in different ways by the different nations involved, depending upon controlling conditions. The principal European belligerents financed their operations largely through currency inflation in varying degrees.

The methods adopted by the Government of the United States necessarily were based upon the situation of the country as a whole at the time of our entrance into the World War and it is important to review these briefly, for the reason that they bear such an important relation to subse-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

quent financial developments.

It was fortunate that the World War found the United States in a strong economic and financial position. The Federal Reserve Act had been passed in 1913, just in time to be of use in the period of financial disturbance and readjustment following the outbreak of the war in August 1914. Also, the United States entered the World War nearly three years after the War had commenced, and therefore had an adequate period within which to readjust its affairs, its banking structure, and its finances to war-time conditions. Furthermore, the citizens of the country, as neutrals, had had extensive dealings with the belligerents. By the time of our entry into the World War income and production were at the highest levels that had ever been reached, the banking structure was sound, the condition of the Treasury was good, and the gold supply was at the highest level in history. It is interesting to note, in this connection, that the stock of gold in the United States increased from $1,858,708,000 on July 31, 1914, to $3,156,-264,000 on October 31, 1918, and was then somewhat over one-third of the entire stock of gold in the world. It is also interesting to note that there had been an immense expansion in our foreign trade, the favorable balance of trade having increased from some $470,000,000 for the fiscal year 1914 to over $2,135,000,000 for the fiscal year 1916. With the establishment of the Federal Reserve System, the country had been able to adjust itself with surprising ease and rapidity to all these conditions.

COST OF OUR PARTICIPATION.

The total operating expenses of the United States Government increased from an average of $2,578,000 per day in January, 1917, to a peak of $55,168,000 in November, 1918. It has been estimated that the United States Government spent in round figures $22,978,000,000 on its own account in the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

World War, and in addition advanced, to July 1919, approximately $9,102,-000,000 to its allies in the war, making the total financing involved some $32,080,000,000. This figure does not include advances to the War Finance Corporation and several smaller items. With these items, the total cost, including advances to allies, is said to have been approximately $32,427,-000,000.

METHOD OF FINANCING U. S. EXPENDITURES.

The program of the Treasury at the commencement of our participation in the war was to finance approximately one-third of the total expenditures, including loans to foreign governments, out of taxation and other current income, and the remainder through loans. After the close of the war, it was estimated that 29% of the total cost had been paid from current revenues and the balance from loans, which under the circumstances represented a fairly close realization of the aims of the Treasury.

The amount raised by loans therefore was approximately $23,000,-000,000, of which approximately $21,433,000,000 came from the sale of Liberty Bonds and Victory Notes, nearly $1,000,000,000 from the sale of War Savings Certificates, and the balance from Certificates of Indebtedness and other sources.

LIBERTY BONDS AND VICTORY NOTES.

About 93% of the money raised by the United States Government from loans during its participation in the war was through the issue of government obligations known as Liberty Bonds and Victory Notes. In this financing, it had the benefit of European experience and in addition was able to operate under very favorable circumstances, for the reason that the existing government debt was very small and government expenditure was normal. On the other hand, the amounts required to be raised were far beyond any

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

sums which might have seemed probable a few years earlier, for the reason that the United States entered its war finance program at a high level of prices and in rising labor and commodity markets.

These financing operations commenced in 1917 with the First Liberty Loan, and concluded after the Armistice with the Victory Loan. The interest rates carried by the various issues increased from 3½% in the case of the First Liberty Loan to 4¾% for the Victory Loan.

The drives to place these loans involved propaganda of various sorts, chiefly, however, appeals to patriotism, stimulated by mass meetings, and, in general, all the well-known and widely used devices available for the purpose of increasing public interest and encouraging public participation. The First Liberty Loan was oversubscribed 52% and the second 54%, the latter representing the peak of oversubscription. The Third Liberty Loan was oversubscribed 39%, the Fourth Liberty Loan, which in amount was double that of any preceding issue, 16½%, and the Victory Loan 16-2/3%.

The total subscriptions to Liberty Bonds and Victory Notes aggregated $24,072,000,000, of which $21,435,000,000 was allotted, and $21,433,-000,000 finally paid in.

The War Savings Certificates, aggregating slightly less than $1,000,000,000, were an incidental part of the financing program, representing less than 5% of the amount raised through Liberty and Victory loans, and were intended to broaden the participation of the public in the program of war finance by providing a means for the investment of comparatively small sums.

The banking system of the country became a very essential part of the financing operations conducted through the sale of Liberty Bonds and Victory Notes, for many purchases of these issues were made on borrowed money.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In particular, the drive in connection with the placing of the Third Liberty Loan issue made use of a slogan "Borrow to Buy", which resulted in a large increase in bank loans on Liberty Bonds. As an illustration, the loans in the Federal Reserve Banks on war paper rose to $642,429,000 on April 26, 1918, which at that time represented 71.2% of all paper discounted at the Federal Reserve Banks; these loans increased to $1,467,000,000 by December, 1918.

Since the funds raised through the sale of the various government issues came in at varying intervals and the expenditures went on continuously and at a constantly accelerating rate, it was necessary to resort to the issue of temporary certificates of indebtedness in the periods between the funding operations. As an illustration, $4,660,000,000 of certificates of indebtedness were issued in anticipation of the Fourth Liberty Loan, and $6,157,000,000 in anticipation of the Victory Loan. The total issues of certificates of indebtedness during the war aggregated nearly $30,000,000,000. The Treasury placed these certificates of indebtedness through the twelve Federal Reserve Banks as its fiscal agents.

FINANCIAL CONTROL; CAPITAL ISSUES COMMITTEE.

The immense volume of the financing operations carried on by the United States Government during its participation in the war almost preempted the security markets in the United States, since these issues necessarily had priority over all others. The people throughout the country, having had the benefit of high wages and high prices for commodities, and acquiring the habit of purchasing securities as a result of the various Liberty Loan drives, began to develop an increasing interest in the purchase of securities of other types. Therefore, some measure of financial control was deemed advisable, but it is interesting to note that the only

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

specific measure of capital control set up was the formation of the Capital Issues Committee - I mean control in the sense of Government direction.

The Capital Issues Committee was created under Title II of the War Finance Corporation Act of April 5, 1918. The Committee consisted of seven members appointed by the President of the United States, with the advice and consent of the Senate. The Act provided that "the Committee may, under rules and regulations to be prescribed by it from time to time, investigate, pass upon, and determine whether it is compatible with the national interest that there should be sold or offered for sale or for subscription any issue, or any part of any issue, of securities hereafter issued by any person, firm, corporation, or association, the total or aggregate par or face value of which issue and any other securities issued by the same person, firm, corporation, or association since the passage of this act is in excess of $100,000. Shares of stock of any corporation or association without nominal or par value shall for the purpose of this section be deemed to be of the par value of $100 each. Any securities which upon the date of the passage of this act are in the possession or control of the corporation, association, or obligor issuing the same shall be deemed to have been issued after the passage of this act within the meaning hereof".

The provision above quoted is the sole definition of the Committee's powers and it is of particular interest to note that the Act contained no penalty clause and that therefore the regulations of the Committee were not legally enforceable. The Act as originally drawn contained a suitable penalty clause which would have conferred legal powers on the Committee, but this was eliminated in Congress. Therefore, the Committee found itself with power to investigate any proposed sale of securities, but without means to compel applicants to submit such new issues to the Committee. However, the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Committee had behind it the tremendous force of public opinion and patriotic cooperation; the country as a whole accepted its functions in spirit, and proposed issues were quite generally submitted for its consideration.

The Capital Issues Committee commenced to function on May 17, 1918 and continued the operations of an informal body which had been constituted by the Federal Reserve Board earlier in the year. It ceased active operations on December 31, 1918 and closed up its affairs, by direction of the President, on August 30, 1919. During the life of the Committee it passed upon applications for new security issues aggregating $3,777,313,000, of which tho total amount disapproved aggregated $917,133,000. This, however, does not represent the full measure of its activities, for the reason that numbers of applications were withdrawn voluntarily after being presented to the Committee, and large numbers of prospective applicants yielded to informal suggestions made by the Committee and its District Committees that their enterprises or projects should be postponed until after the war. In addition, many other proposed issues of securities were no doubt deferred or discouraged by the knowledge of the existence of the Committee or as a result of the Committee's public appeals for cooperation.

The function of the Capital Issues Committee was to determine whether or not proposed issues were sufficiently in the public interest, sufficiently necessary or contributory to the prosecution of the war, to warrant their being offered in a market so preempted by the financing operations of the United States Government. It also carried out a certain measure of public service by discouraging unsound flotations for which,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

as a result of the unusually prosperous economic conditions of the country as a whole, there was so fertile a field. The members of the Committee were so impressed by the volume of doubtful security issues which were being or might be offered to the public for sale that the first report of the Committee urged the desirability of continuing some form of federal supervision of securities during peace-times. This recommendation, however, was never put into effect.

Thus it appears that the only specific financial control exercised during the war, using the words in their narrowest sense, was comparatively limited in scope and without legal authority to enforce any measure of control. The real control was incidental to other operations; such control resulted from the inability of any new enterprise, or proposed expansion on the part of existing enterprises, to secure without government approval the men and materials required for construction or operation. Obviously, the control of manpower was primarily in the War Department through the draft, and the control of material was largely with the War Industries Board as far as domestic allocations were concerned, and with the War Trade Board as far as imported materials were concerned. In my judgment, the operations of these agencies, through authorizing, licensing, giving priority to, or otherwise supporting, essential activities, rather than prohibiting unessential activities, constituted the most important and extensive control of finances that was exercised during the war.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

SPECIE CONTROL.

Due to the formation of the Federal Reserve System at the beginning of the World War, the specie problems were by no means as important as they would have been under our earlier banking system. Neither did the United States find it necessary to resort to the various methods for collecting coin, particularly gold, used by the other belligerents. The reason for this is obvious, in that the United States had approximately one-third of the monetary gold supply of the world in its treasury, and through its immense volume of export balances in the years immediately preceding our entry into the war, we had been accumulating currency whereas other nations, on the whole were being drained of currency or bullion to pay for outside purchases. However, the Treasury as far as practicable discouraged the circulation of gold coin and also, under powers given to the President by the Espionage Act and enforced under regulations administered by the Secretary of the Treasury, took control of the export of coin, bullion or currency from the United States. These regulations were abolished by proclamation of the President on June 26, 1919, except as to the export of bullion, currency or coin to parts of Russia. The Treasury appointed a Gold Export Committee of three members to control the movement of gold. Before the operations of this Committee had proceeded very far, it was apparent that the control of gold movement was quite definitely tied up with problems of foreign exchange. Consequently, the Treasury, acting through the Federal Reserve Board as its Agent, set up a division for foreign exchange in New York.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It became necessary to assist the currency exchanges of France, Great Britain and Italy, and, as war restrictions prevented settlement of trade balances by gold export, everything possible was done that war limitations on tonnage would permit to settle balances by the export of non-essential commodities. The whole question of foreign exchange transactions and settlements involved numerous ramifications, and the material available is too voluminous to permit more than passing mention here.

Certain specific problems were presented in connection with silver. There was a large volume of trade with the Orient involving jute, hides and many other essential war materials. In particular, there was a very urgent demand for additional currency for India on account of the large volume of necessary war supplies being purchased there, such as mica, jute, shellac, and graphite. The use of silver as currency was general in the Orient, and it was necessary to make payments there in silver. The amount of silver required was far in excess of the available stocks or production outside of the monetary reserves of the United States. Consequently the Pitmann Act was passed, on April 23, 1918, which authorized the retirement of silver certificates, and the melting down of the silver dollars held against them in amounts up to 350,000,000 ounces. The Act provided that any silver sold must be repurchased later in corresponding amounts at $1 per ounce.

The United States Government, acting under these provisions, melted down 200,000,000 ounces of silver dollars held under the silver certificates and sold this amount to the Government of Great Britain, for the use of the Government of India, at $1 per ounce. The silver certificates retired

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

were replaced by Federal Reserve notes secured by United States certificates of indebtedness or United States two-year gold notes. As the silver was repurchased from time to time later, the Federal Reserve notes were retired.

COROLLARIES TO FINANCIAL CONTROL.

Because of the fact that the Government preempted the security markets, and further because of the fact that it exercised some measure on control of private finance through the Capital Issues Committee, and a very definite control of private operation through the control of men and material, as previously mentioned, it became necessary for the Government to set up various bodies which could aid directly or indirectly in private, or combined public and private, financing of operations necessary or contributory to the prosecution of the war. Such bodies included the War Credits Board and the War Finance Corporation. The War Trade Board, while functioning primarily for the purpose of regulating import and export of commodities and preventing trade with the enemy, had an incidental relation to financial control because of the bearing of foreign trade on foreign exchange. Various auxiliaries of the Government were also empowered to make advances of Government funds in the form of loans for the purpose of assisting private enterprise in specific cases, as, for example, the Emergency Fleet Corporation.

WAR CREDITS BOARD.

Previous to the war, the law provided that payments on government contracts could not exceed the value of services rendered or goods

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

delivered prior to such payment. In the early stages of the war, this situation was met temporarily by furnishing contractors raw materials and facilities. However, it became obvious that private finance could not be depended upon for the facilities, supplies and working capital required in so large a volume for the manufacture of munitions under government contracts. This was partly for the reason that the markets for private issues were so largely preempted by the Government's own operations, and partly for the reason that a considerable measure of risk was necessarily involved in financing the construction and operation of plants intended primarily, and often solely, for war purposes. The situation was met by an Act passed October 6, 1917, which authorized the Secretary of War and the Secretary of the Navy to make advance payments to contractors in amounts not exceeding 30% of the contract price of supplies purchased "during the period of the existing emergency". This authority in effect suspended for the period of the war the provisions of existing law with respect to advances against contracts by the Navy or War Departments.

In order to make possible the necessary control of advances under the authority thus conferred, the War Department organized the War Credits Board, which, during the period of its active existence, approved advances of approximately $248,000,000, and collected all but about $1,000,000. As the amount advanced represented only about 1% of the total expenditures of the United States Government in its own operations during the war, it is obvious that the resources of the contracting firms, together with such assistance as they were able to obtain from private sources, were sufficient to cover the greater part of their

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

requirements. However, a large part of the money expended by the Government was for operations under its own control and ownership, so that the percentage is not the full measure of the importance of the transactions of this financing agency.

The War Credits Board found itself involved rather unexpectedly in the broad general problems of financial control on account of interest rates, in that in the beginning advances were made at 5% interest, whereas in time the interest rates through ordinary banking channels became much higher. There was therefore a tendency for contractors to draw away from well established banking credit channels and resort to loans from the War Credits Board as a matter of monetary saving rather than war emergency. As the Board was not seeking to attract business by low interest rates, this situation later was met by monthly revision of interest rates in consultation with the Treasury.

Looking back over the history of our participation in the war, it would appear that the War Credits Board performed a necessary function and that a similar organization is perhaps fundamental to the successful financing and financial control of large-scale war operations. The activities of the War Credits Board, and the volume of advances handled by it, would have increased progressively with the further duration of the war, and no doubt there would have arisen many new problems to face.

WAR FINANCE CORPORATION.

With the operations of the Government itself financed by Government funds, and with munitions contractors assisted by the advances of the War Credits Board, it became necessary to consider some of the increasing problems of finance encountered by private enterprise necessary or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

contributory to the prosecution of the war, whose capital requirements were being met by sale of securities to the public, in a market becoming increasingly narrower as a result of the preemption of such markets for Government issues. It was thought that this might be accomplished by setting up facilities through which banks could, in effect, rediscount the longer term issues of private enterprises through a Government-owned corporation, just as the short-term obligations of commerce were rediscounted through the Federal Reserve Banks. It was also realized that in certain cases direct assistance might have to be given to private enterprise.

Therefore, by act of April 5, 1918, the War Finance Corporation was created. It was empowered and authorized (Section 7) to make advances for periods not exceeding five years to banks, bankers or trust companies in the United States which after the entry of the United States into the war had made, and had outstanding, loans to persons, firms, corporations or associations conducting established and going businesses in the United States, and whose operations were necessary or contributory to the prosecution of the war, such advances to be limited to 75% of the face value of the loans made by the bank. Similar loans could also be made to banks, bankers, or trust companies on bonds purchased from customers engaged in necessary or contributory operations, also limited to 75%. There was, however, a provision authorizing loans to banks, bankers or trust companies up to 100% of the face value of loans made by them if at least 33% additional security was provided, the corporation to retain power to require additional security at any time.

There was a further provision (Section 8) permitting advances to savings banks and to building and loan associations, this on the theory

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that savings banks might otherwise find it necessary to realize on their investments in a depressed bond market.

A further section (Section 9) provided that the corporation should be empowered in exceptional cases to make advances directly to any person, firm, corporation or association conducting an established and going business in the United States whose operations were necessary or contributory to the prosecution of the war, for periods not exceeding five years from the date of such advances, but only for the purpose of conducting such business in the United States, and only when in the opinion of the Board of Directors of the Corporation, such person, firm, corporation or association was unable to obtain funds upon reasonable terms through banking channels or from the general public.

In considering the broad problems of war finance and financial control, it is interesting to note how clearly the operations of the War Finance Corporation show the impossibility of foreseeing even for the immediate future just what the needs of the country and its business will be, and just how they will be distributed. For example, the underlying theory of the Act, as stated above, was that the Corporation would be used primarily to serve as a rediscounting medium for the longer term obligations of banks, presumably secondarily to protect savings banks, and finally, in exceptional cases, to make direct advances.

However, the Corporation loaned under its war powers a total of $306,-756,020, of which only $4,718,377 was to banks, bankers and trust companies under Section 7, and only $550,000 to savings banks or building and loan associations under Section 8. The balance, $301,487,643, or about 98% of the total, was loaned under the exceptional case clause, Section 9.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It appears that developments differed from the fundamental theory of the Act, and that the exceptional case was the rule, and the basic case the exception. As to this, however, it should be noted that the operations of the war ended comparatively soon after the establishment of the Corporation, and a continuance of war operations for several years might have made a very different picture. In planning for the future, therefore, I think consideration should be given to the advisability of making provision for both classes of cases in any similar legislation.

The advances made during the war, or in connection with commitments made during the war, under the exceptional case clause, directly to persons, firms or corporations, included $39,797,400 to public utilities, $23,814,674 to industrial corporations, $25,211,500 on warehouse receipts, and $7,827,278 in cattle loans. Advances under the exceptional case clause also included $204,794,520 to railroads under federal control after the Armistice. These figures illustrate the division of the Corporation's activities under the war-time provisions.

The Corporation also, during the war period and for more than a year thereafter, acted as the agent for the Treasury in the purchase of Government bonds for the sinking fund or for the purpose of steadying Government bond markets. At one time, the Corporation had need for more funds than its entire capital stock issue of $500,000,000 subscribed by the United States Government, and on April 1, 1919 issued $200,000,000 of bonds, which were redeemed on maturity, April 1st, 1920. The Corporation's powers were extended after the war to enable it to assist in financing exports of American products and to render aid to agriculture.

The accomplishments of the War Finance Corporation, both during the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

war and in the period of reconstruction immediately following, are not to be measured alone by the actual number of dollars advanced in loans. The psychological value of its operations was even greater than the dollar value involved; for the knowledge that funds were available in an emergency from this Government-owned corporation gave a greater confidence to private finance and made possible the placing of loans through private channels to an extent, and on terms, which would have been impossible otherwise.

WAR TRADE BOARD.

The operations of the War Trade Board had a bearing on the subject under consideration. The essential functions of this Board were the commercial isolation of the enemy by control of our exports to border neutral nations, the financial isolation of the enemy by control of enemy goods or credits in or with the United States or its citizens, the provision of essential supplies by conservation of domestic resources and maintenance of essential imports and the conservation of ocean tonnage through import and export restrictions and bunker control.

In addition, it served indirectly as a price fixing agency, in that price agreements or Government options were often attached to import licenses.

It is obvious that the operations of the War Trade Board had an important bearing on financial control in that import and export movements are directly involved in considerations of foreign exchange. The isolation of the enemy from a financial standpoint also formed a part of financial control. However, the problems involved in the import and export of coin, bullion or currency, were handled by the Treasury and not by the War Trade Board.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

OTHER AGENCIES.

While many Government agencies other than the War Department or the Navy Department made large expenditures of Government funds, such as the Shipping Board, Emergency Fleet Corporation, Housing Corporation and Grain Corporation, a review of their operations goes too far afield for the scope of this discussion.

CONCLUSIONS.

The principal conclusions to be drawn from the experiences of the United States Government in the World War, from the standpoint of finance and financial control, can be summarized very briefly:

To begin with, it is obvious that finance is not the controlling factor in war. To the extent that men, material and morale are available, the operations of war will be financed to the utmost limit of these fundamental resources in one way or another and the limit will not be imposed by any financial considerations, except so far as financial considerations reflect the resources, or the lack of resources of men, material, and morale.

The details of financing and financial control cannot be planned in advance, for the reason that it will depend upon the kind and scope of the war and the economic, social and political conditions of the nation involved, and at the time. Furthermore, financial problems do not function like automatic machines under the hand of any operator, but, even more than any other phase of the war problem, their successful solution is dependent upon the men available to operate the financial agencies. Therefore, to a considerable measure, financial agencies

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and controls must be adjusted to the men who are available to operate them.

By this, I mean that the circumstances under which the country enters the war, the area of the war, and the fact that men function more effectively and efficiently in carrying out plans, at least some considerable part of which originate in their own minds, than they do in executing rigidly fixed plans prepared in advance.

Finally, one of the most important lessons of the last war, from the financial aspect and from many other aspects, is that the known and certain needs of war should not be confused with the unknown and uncertain problems of succeeding peace-times, for otherwise the efficient prosecution of the war is handicapped and the permanent problems of peace are complicated.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6841

FEDERAL RESERVE BANK

OF NEW YORK

January 23, 1931.

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

Dear Mr. Wyatt:

I am enclosing a copy of the opinion of Judge Coleman in the case of Greenough v. Munroe, et al., in the United States District Court for the Southern District of New York, in which I think you will be interested. The case involved acceptances of a private banking firm which had failed. The court granted a motion, made by the importer who had arranged a credit, for leave to pay the receiver of the accepting bankers the amount due such bankers under the terms of trust receipts, such payment to be made under a provision that the money be impressed with a trust for the payment of the acceptances. The decision is based on the ground that while the goods on which the acceptances were based remained in specie, or while their proceeds were held in a separate fund, the accepting bankers had rights in such goods or proceeds solely as security for their reimbursement, and that the importer, and the vendors (who were also the drawers of the acceptances), became subrogated to the acceptors' rights in such security. By way of dicta the court expressed its opinion that the accepting bankers were not trustees of an express trust for the importer or for the vendors or for the holders of the acceptances, and that the importer would not be liable to the vendors in an action at law upon the contracts of sale.

It seems to me that both the decision and the dicta are correct. We understand that the decision will be appealed.

Very truly yours,

(S) Walter S. Logan,
Deputy Governor and General Counsel.

Encl.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6841

UNITED STATES DISTRICT COURT

Southern District of New York

---------------------------------------x

CHARLES W. GREENOUGH, :

Complainant :

No. E56 - 230

-against- :

Opinion No. 6233

HENRY MUNROE, STEPHEN GALATTI, :
LOUIS de KERMAINGANT and JULES
EMY, individually and as co- :
partners doing business under the
firm name and style of :
John Munroe & Company.
:

Defendants
:
---------------------------------------x

In Equity, Petition of Olivier Straw Goods Corporation for a direction to the receiver of the defendants to make certain disposition of assets of the estate; Chartered Bank of India, Australia & China intervening and joining in the same prayer for relief.

Hunt, Hill & Betts, (John W. Crandall)
For Petitioner

Duer, Strong & Whitehead (Seldon Bacon, of counsel)
For Intervenor

Zalkin & Cohen, (Nathan Coplan, of counsel)
For Receiver

F. J. Coleman, J.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

MEMORANDUM

A receiver of the defendants having been appointed in this creditor's action, the Olivier Straw Goods Corporation petitions for relief founded upon the following facts, and the Chartered Bank of India, Australia & China, intervening, joins in the prayer:

The defendants were a firm of private bankers in New York and the petitioner was one of their customers engaged in importing. In order to arrange for payment of goods purchased in the Far East, the petitioner caused the defendants to issue five irrevocable letters of credit to the vendors in the Orient. The latter drew drafts upon the defendants under the letters of credit and discounted them, accompanied by bills of lading, etc., with certain Oriental banks. The drafts and bills of lading, etc., were forwarded to New York by their holders and presented to the defendants who accepted them retaining the bills of lading and other accompanying documents but returning the drafts to their holders in New York. Thereafter, in order to make the goods available to the purchaser, the defendants turned over to the petitioner the bills of lading and other accompanying documents taking back trust receipts under which title to the goods or their proceeds was retained by the defendants until certain payments

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

were made by the petitioner. Between the time when the defendants delivered the bills of lading to the petitioner and the date for payment by the petitioner to the defendants the present action was brought and a receiver of the defendants appointed.

Petitioner now asks for leave to pay the receiver the amounts due to the defendants under the trust receipts, but with a provision that the monies be held in trust for the payment of the drafts; or in the alternative that the petitioner be permitted to pay the drafts in the hands of their holders and to obtain the trust receipts from the receiver. The intervenor, the Chartered Bank of India, Australia & China, is the holder of some of the drafts and joins in the prayer. If the relief is granted the holders of the drafts will receive full payment of their claims against the defendants whereas other creditors will receive merely such dividend as may ultimately be declared upon a distribution of the estate. The petitioner contends that if the application is denied the petitioner may be subjected to a double liability, first to the receiver upon the trust receipts and in the second place to the Oriental vendors upon the original contracts of purchase.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It is undisputed that a present liability on the part of the petitioner to either the vendors or to the holders of the drafts would entitle the petitioner to the relief asked. The petitioner, however, is not liable to the holders because its name is not on the drafts: and an extremely doubtful question is presented as to whether it is liable to the vendors. It is further contended that even in the absence of such liability the relief should be granted on either of two grounds: first, that the documents made the defendants trustees of an express trust to hold the goods or their proceeds for the payment of the drafts: or second, that the equitable principals of subrogation entitle the vendors or the holders of the drafts to have the goods, or such proceeds as are still held separate applied in payment of the drafts.

Considering the transactions more in detail, it appears that the petitioner on making application for the letters of credit agreed with the defendants to pay them "a sufficient amount in cash to cover all drafts drawn under said credits .... All sight drafts to be paid on demand, all acceptances to be paid one day prior to maturity or in time to reach the place of payment in the regular course of the mails one day prior to maturity."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Petitioner further agreed "that the title to all property pledged, purchased or shipped under each of said credits .... and the proceeds thereof shall be and remain in you (the defendants) until all drafts under said credits and other indebtedness to you shall be paid."

The letters of credit sent to the vendors stated that an irrevocable credit was opened by the defendants "for account of Olivier Straw Goods Corporation, New York, (petitioner) ..... available by your (the vendor's) drafts on us at four months sight to be accompanied by bills of lading," etc. The letters of credit further provided that the bankers "agree that the holders of Drafts drawn under and in compliance with the terms of this credit that the name shall be duly honored on due presentation and delivery of documents as specified..........."

When the defendants accepted the drafts and retained the accompanying bills of lading they notified their customer, the petitioner, and received from the latter an acknowledgment reading: "We (the petitioner) agree to reimburse you on or before maturity for the following acceptances." When the defendants delivered the bills of lading to the petitioner they received trust receipt providing that in consideration for the delivery of the bills

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of lading the petitioner

> "agrees to hold said credits as the property of John Munroe & Company and always capable of separation, identification and location as such until the acceptance of (the draft) given or to be given as the purchase money of said merchandise ...... shall have been paid John Munroe & Company with liberty, however, to sell the same or a portion thereof for the account of John Munroe & Company. We agree to pay over, endorse and deliver to John Munroe & Company all proceeds of sales of every account as soon as received to apply when paid against the acceptance...... We further agree that the said credits and proceeds thereof shall be deemed security to John Munroe & Company for any other indebtedness which may now or at any time hereafter exist .... The intention of this agreement is to protect, and preserve unimpaired the title of John Munroe & Company to said merchandise".

The petitioner has sold some of the goods held under the trust receipts and still possesses the balance in specie. The goods and the proceeds which are still held by the petitioner are ample to cover all the outstanding drafts.

The sales by the vendors in the Far East to the petitioner were arranged by cable and letter and were in most instances finally confirmed in abbreviated memoranda which briefly mention quantities, prices, payments, shipments, etc. In some instances an item read: "Payment: draft at 4 m/3 under letter of credit". In other instances the corresponding item read: "Terms: Irrevocable letter of credit to be opened by cable immediately at

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

120 days sight in favor of (vendor) for the full amount of this order": In still other instances the item read: "Terms of payment" Letter of Credit to be established in favor of (vendor)". In still other instances there was no formal memorandum of confirmation, but a cablegram constituting part of the contract of sale contained the direction "open letter of credit by telegraph".

Some of the contracts of sales were made before the issuance of the respective letter of credit and some were made after. In no case did the contract of sale mention what banker was to issue the letter of credit nor what terms it was to have except the time of the drafts. In no case, however, did the vendor part with title to the goods until he received the letter of credit and accepted it by drawing a draft against it.

It thus appears that each entire complicated transaction consisted of a sale by the merchant in the Orient to the petitioner wherein the defendants were used as a conduit for the transference of both the title and the purchase money. While title was given to the defendants it was done solely to secure their reimbursement. I do not think the defendants were trustees of an express trust for the petitioner or for the vendors or for the holders

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the drafts: but on the other hand while the goods remained in specie or their proceeds were held in a separate fund, defendants' rights in them were limited to security for reimbursement. The transaction was not, as the receiver contends, in effect a sale by the vendors to the defendants and a resale by the latter to the petitioner.

I do not think it is necessary to decide whether in an action at law the petitioner would still be liable to the vendors upon the contracts of sale, though I believe it would not be. The absence of such legal liability, however, should not prevent a Court of equity from protecting the rights of the vendors and the holders of the drafts if by subrogation they have any interest in the goods or the separate fund arising from the proceeds.

In Catskill National Bank v. Dumary 206 N. Y. 550 the New York Court of Appeals laid down principles of subrogation which I think are applicable to the present case. The defendants and the vendors are both liable on the drafts to the present holders, and the vendors acting under an agreement with the petitioner gave the defendants title to the goods merely for the purpose of securing their reimbursement for that liability. In view of the defendants' default on their liability, I believe a Court of equity

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

should subrogate the vendors and the holders to the defendants' rights in such security as is still intact, including the goods in specie and the proceeds held in a separate fund. This rule was applied in a very similar case in Ex Parte Dever, in re Suse, 13 Queens Bench Division 766, where a vendor (W. R. Sentance) the drawer of the drafts and remitter of the goods was held entitled to such goods as were still in specie in the hands of the insolvent acceptor. The rule would, of course, be different if the goods had been sold and the proceeds mingled with defendants' general assets, (Taussig v. Carnegie Trust Co. 156 App. Div. 519)

I, accordingly, grant the motion to the extent of permitting the petitioner to pay the receiver under a provision that the money be impressed with a trust for a payment of the drafts.

Frank J. Coleman

U.S.D.J.

January 5, 1931

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6842

March 18, 1931.

SUBJECT: Holidays during April, 1931.

Dear Sir:

The Federal reserve banks and branches listed below will be closed on the dates specified, during April, 1931, account holidays:

Friday	April 3	Philadelphia Pittsburgh Baltimore New Orleans Nashville Jacksonville Havana Agency Memphis Minneapolis	Good Friday
Monday	April 6	Detroit	Election Day
Monday	April 13	Charlotte	Halifax Day
Monday	April 13	Birmingham	Birthday of Thomas Jefferson
Wednesday	April 15	Salt Lake City	Arbor Day
Monday	April 20	Boston	Patriot's Day
Tuesday	April 21	Dallas El Paso Houston San Antonio	San Jacinto Day
Wednesday	April 22	Omaha	Arbor Day
Monday	April 27	Atlanta Birmingham Jacksonville	Southern Memorial Day

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

On the dates indicated, the offices 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, and make no shipments of Federal reserve notes, fit or unfit, for account of the head offices concerned on the holidays mentioned.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6843

March 18, 1931.

SUBJECT: Increase in Federal reserve note printing charge.

Dear Sir:

The Bureau of Engraving and Printing advises that on account of the Saturday half-holiday Act of March 3, 1931, increasing the non-productive time of employees of the Bureau with full pay by seventeen and one-half days a year, the cost of producing Federal reserve notes has been increased $3.00 per 1,000 sheets, and that it will, therefore, be necessary to increase the charge for notes, effective March 1, 1931, from $92.45 to $95.45 per 1,000 sheets.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO THE GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6845

March 19, 1931.

SUBJECT: Continuation Certificates as to Bonds of Federal Reserve Agents and Assistant Federal Reserve Agents.

Dear Sir:

It has been the practice in some cases, when premiums are paid upon bonds of Federal reserve agents, or assistant Federal reserve agents, for the surety company to issue what is known as a "continuation certificate". This continuation certificate states that in consideration of the sum paid, the surety company "hereby continues in force" the bond in question "for the extended term beginning" on a certain day and ending one year thereafter. This certificate is signed by the company's attorneys in fact and in some cases the signatures of such attorneys in fact are witnessed.

The acceptance of such a continuation certificate might be regarded as an agreement or understanding that the effective period of the bond itself should terminate on the date of expiration stated in the certificate. The standard form of bond heretofore approved by the Federal Reserve Board does not contain any expiration date but runs for an indefinite period, and it is important that there be no confusion on this point. A modification of the provisions of the standard bond through the acceptance of yearly continuation certificates might have the effect of jeopardizing or complicating the enforcement of the liability of the surety company on the bond.

The Federal Reserve Board desires that in the future such continuation certificates as to surety bonds should not be accepted and that in lieu thereof simple receipts for payment of premiums due be taken. If a continuation certificate of the kind described above has been heretofore accepted with regard to any bond now outstanding covering yourself or any of your assistants, it is requested that a new bond be executed at this time in each such case. This procedure will eliminate any possible confusion or uncertainty in this matter.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS EXCEPT NEW YORK.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6846

March 20, 1931.

SUBJECT: Expense, Main Line, Leased Wire System, February, 1931.

Dear Sir:

Enclosed herewith you will find two mimeographed statements, X-6846-a and X-6846-b, covering in detail operations of the main line, Leased Wire System, during the month of February, 1931.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY, 1931.

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	22,693	2,073	24,766	3.31
New York	108,810	-	108,810	14.53
Philadelphia	28,611	1,113	29,724	3.97
Cleveland	67,843	2,225	70,068	9.35
Richmond	49,671	1,235	50,906	6.80
Atlanta	51,221	6,349	57,570	7.69
Chicago	79,605	2,367	81,972	10.94
St. Louis	66,144	2,066	68,210	9.11
Minneapolis	25,733	2,745	28,478	3.80
Kansas City	73,934	2,060	75,994	10.14
Dallas	58,685	8,822	67,507	9.01
San Francisco	81,497	3,542	85,039	11.35
Total	714,447	34,597	749,044	100.00

F. R. Board business . . . . 248,073 — 997,117

Treasury Department business Incoming and Outgoing 84,968

Total words transmitted over main lines. 1,082,085

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6846-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, FEBRUARY, 1931.

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	$ 713.43	$ 260.00	$ 453.43
New York	1,134.14	-	-	1,134.14	3,131.74	1,134.14	1,997.60
Philadelphia	225.00			225.00	855.68	225.00	630.68
Cleveland	306.66	-	-	306.66	2,015.27	306.66	1,708.61
Richmond	190.00	-	230.00(&)	420.00	1,465.65	420.00	1,045.65
Atlanta	270.00	-	-	270.00	1,657.47	270.00	1,387.47
Chicago	3,700.47(#)	6.00	-	3,706.47	2,357.97	3,706.47	1,348.50(*)
St. Louis	195.00	-	-	195.00	1,963.54	195.00	1,768.54
Minneapolis	200.00	-	-	200.00	819.04	200.00	619.04
Kansas City	287.50	-	-	287.50	2,185.54	287.50	1,898.04
Dallas	251.00	-	-	251.00	1,941.98	251.00	1,690.98
San Francisco	380.00	-	-	380.00	2,446.34	380.00	2,066.34
Federal Reserve Board	-	-	$15,754.55	15,754.55	-	-	-
Total	$ 7,399.77	$ 6.00	$ 15,984.55	$ 23,390.32	$ 21,553.65	$ 7,635.77	$ 15,266.38
				1,836.67(a)			1,348.50(b)
				$ 21,553.65			$ 13,917.88

(&) Main Line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $1,836.67 from Treasury Department covering business for the month of February, 1931.
(b) Amount reimbursable to Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Copy of letter received from

COLQUITT, PARKER, TROUTMAN & ARKWRIGHT
ATTORNEYS AT LAW
ATLANTA, GA.

March 26, 1931.

Mr. Ward Albertson,
Asst. Federal Reserve Agent,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Albertson:

You have advised that the original Charters of certain member banks incorporated, respectively, under the laws of Alabama and Georgia were limited by their terms to expire at various dates since such banks were admitted to membership.

These banks are still in business and are still members of the Federal Reserve System.

The Federal Reserve Board has inquired whether upon the expiration of the original Charters, the same were renewed or whether new Charters were obtained and new corporations formed to take over the affairs of the old corporations.

You have furnished me with copies of the proceedings for the renewal of the Charters of the following named banks:

Birmingham Trust & Savings C.	Birmingham,	Ala.
Bank of Commerce,	Clayton,	"
Marion Central Bank,	Marion,	"
Peoples Bank & Trust Company,	Selma,	"
Georgia Savings Bank & Tr. Co.	Atlanta,	Ga.
Citizens Banking Company,	Eastman,	"
LaGrange Banking & Trust Co.,	LaGrange,	"
Bank of Millen,	Millen,	"
Savannah Bank & Trust Co.	Savannah,	"
Marion County Banking Co.,	Guin,	Ala.

I have examined the copies furnished and give it as my opinion that in each instance the bank obtained a renewal of its existing Charter under a statute providing for such renewal and preserved the corporate existence for an additional term.

I am of the opinion that each of the banks mentioned above is the same corporation which originally applied for and obtained stock in the Federal Reserve Bank. In none of the cases mentioned has there been any break of continuity of corporate existence.

Very truly yours,

RSP/w.

(Signed) Robt S. Parker.

P. S.: Your file is returned herewith.

\- - -

(Original of above filed under: 411. Charters, State Banks, Expiration of,etc.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6850

April 1, 1931.

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:

"NOXBALERS" Series dated April 2, 1931 and maturing July 1, 1931.

"NOXBAND" Series dated April 3, 1931 and maturing July 2, 1931.

These words should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBADY", on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6851

March 31,
1931.

Mr. Walter S. Logan,
Counsel and Deputy Governor,
Federal Reserve Bank of New York,
New York City.

My dear Walter :

I have received your letter of March 26th requesting my views on the question whether Section 11 of the Uniform Bank Collection Code (Section 350j of the New York Negotiable Instruments Law), giving the collecting bank the option to treat a check as dishonored when the drawee's remittance draft therefor drawn on another bank is not paid in due course, would be held to be applicable to national as well as State banks.

As I told you over the telephone yesterday afternoon, I am inclined to agree with your view that this section does not conflict in any way with any provisions of the National Bank Act and that it would be applicable to checks drawn on national banks. It seems to me that it deals only with the respective rights, duties and liabilities of the drawer, drawee, endorsers and holders of such check and is not intended to interfere with the ratable distribution of the assets of an insolvent national bank which is required by the provisions of the National Bank Act. It is true that it contemplates that, where such a check has been charged to the drawer's account, the entries will be reversed thus increasing the amount of the drawer's claim against the insolvent bank. This, however, merely has the effect of transferring the claim of the holder of the check back to the drawer, where it belongs; it does not diminish the assets of the bank nor increase its liability; and it does not give any one a preferred claim against the bank. Off hand, the only way in which I can see that it will effect the liquidation of the bank will be by increasing the offset of the drawer of the check against any indebtedness he has to the bank.

I have discussed this subject briefly with Mr. Awalt and Mr. Barse; but this question was entirely new to them and they were unwilling to express any opinion on it until they had had time to give it careful study. As soon as I hear from them, I shall communicate with you.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Walter S. Logan.

In the meantime, I am sending a copy of your letter to Counsel for each of the other Federal reserve banks with a request for an expression of their views on the question which you have raised and for a citation of any authorities they may know of which may have a bearing on this question. I am asking them to write direct to you, sending me copies of their letters.

If I can be of any further assistance to you, please do not hesitate to call upon me.

Cordially yours,

Walter Wyatt
General Counsel

WW OMC

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

FEDERAL RESERVE BANK

OF NEW YORK

March 26, 1931.

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

Dear Walter:

You will recall that a short time ago we exchanged letters on the question of whether the provisions of the Bank Collection Code granting preferences against closed banks were applicable to national banks. The information you gave me at that time and our own examination of some of the authorities convinced me that the provisions were not applicable to closed national banks.

It seems to me, however, that the provisions of Section 11 of the Bank Collection Code (which is Section 350-j of the New York Negotiable Instruments Law), giving the collecting bank the option to treat an item as dishonored when the drawee's remittance draft therefor drawn on another bank is not paid in due course, would be held to be applicable to national as well as state banks. For your convenience I quote below a part of the section in question:

> "§11. Election to treat as dishonored items presented by mail. Where an item is duly presented by mail to the drawee or payor, whether or not the same has been charged to the account of the maker or drawer thereof or returned to such maker or drawer, the agent collecting bank so presenting may, at its election, exercise with reasonable diligence, treat such item as dishonored by non-payment and recourse may be had upon prior parties thereto in any of the following cases:
>
> (1) Where the check or draft of the drawee or payor bank upon another bank received in payment therefor shall not be paid in due course;
>
> * "

This section does not conflict with any provision of the National Bank Act so far as I know; and the exercise of the option would not in any way harm the general creditors of a closed national bank, but would merely operate to transfer to the maker of the check the general claim which the owner of the check would otherwise have against the closed bank. On the other hand, the exercise of the option would prevent any loss to the owner (unless the drawer of the check were also insolvent), and would result in the loss being transferred to the maker of the check where in fairness it belongs. Moreover, and this is of course the reason

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that the Federal Reserve Banks are particularly interested in this question, by the exercise of the option a collecting bank could in most cases protect itself against liability to the owners of the items who might claim that the collecting bank had been negligent in forwarding the items direct to the drawee bank in view of the drawee bank's condition.

I am sorry to bother you again, but I would greatly appreciate any information or expression of opinion on this point. I would have telephoned to you about this, instead of writing, except that I thought it would be more satisfactory from your standpoint to have a definite statement of the question I have in mind. I shall, of course, be delighted to talk to you about it on the telephone, and so far as I am concerned any information you can give me by telephone will be just as useful and satisfactory as if conveyed by letter.

With best regards and thanking you for any help you can give me, I am

Yours faithfully,

(Signed) Walter S. Logan,

Walter S. Logan,
General Counsel.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

FEDERAL RESERVE BANK
OF
ST. LOUIS

April 1, 1931.

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

Dear Mr. Wyatt:

FEDERAL RESERVE BANK OF ST. LOUIS
vs.
RAY D. KEITH.
Benton County National Bank, Bentonville, Ark.
matter.

I was in the midst of the hearing on the pleadings in this case when Mr. Gilmore telephoned the contents of your telegram. Immediately after its receipt, and, before any hearing of testimony (and over our objection) the case was by the Court continued until September.

The facts out of which this suit arose may be summed up as follows:

On November 14, 1930 the Federal Reserve Bank of St. Louis held the Benton County National Bank of Bentonville, Ark. 15 day note, dated November 6, 1930 for $39,550.90 secured by eligible paper aggregating $44,580.90

On that date, the Benton County National Bank forwarded to the Federal Reserve Bank $24,141.65 worth of additional collateral and its' 15 day note, of that date, executed in blank, and, requested the Federal Reserve Bank to fill in the amount it would be willing to loan on the combined securities, i.e. on the $68,722.56 worth, and, requested it to cancel and return the November 6, 1930 note. The Reserve Bank filled in the new note for $65,000., being the aggregate of the old note for $39,550.90 and the new advance of $25,449.10

The KEITH note sued on was included in the new collateral sent in with the $65,000. note, and, on the strength of which the $25,449.10 additional amount was advanced.

The $65,000. note was taken up at its due date, and, a new note taken for an additional amount and additional collateral accompanied the new note.

The Benton County National Bank closed its doors on the 5th of December, 1930, and, before it had paid off its 15 day note.

At the time the Benton County National Bank closed, Mr. Keith had with it a deposit of $65. or $75; his mother a like deposit; and, the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

partnership grocery store - of which Keith was a partner - a larger amount. Upon advice of his counsel (a former partner of the Circuit Judge) Mr. Keith refused to pay the note until he had received credit for these deposits.

Suit was filed by a local Attorney who is also the Attorney for the Receiver. The Petition alleging that the note had been endorsed, assigned and delivered to the Federal Reserve Bank, for value and before maturity, and, that the Federal Reserve Bank was a holder in due course.

The ANSWER alleged that the Benton County National Bank was insolvent at the time the transfer was made and that the transfer was VOID under Section 5242 of the NATIONAL BANK ACT.

A DEMURRER was filed to the ANSWER and overruled; the Court expressing the view that the Benton County National Bank was insolvent when the note was transferred, and, consequently, the transfer was void.

We endeavored to convince the Court that the Reserve Bank had actually advanced more to the Benton County National Bank on the day the KEITH note was taken as collateral than the face of the collateral offered on that day, including the KEITH note; consequently, the transaction could not violate the provisions of Section 5242 of the National Bank Act, even though the bank were later found to have been insolvent on the date of transfer. He intimated that unless we amended the PETITION to show that we held it as collateral the PETITION would be stricken from the records. Being satisfied that we were a holder for value even if the note had been taken as collateral, we amended the Petition in accordance with his suggestions.

Mr. Keith's Attorney then procured a Court order directing the Receiver of the Benton County National Bank to bring the Ledger and Statement of Condition of the bank to the Court. The Receiver told the Court that his instructions were not to allow such information to be given out without authority had been first obtained from the Comptroller and that he would telegraph the Comptroller.

Defendant's Attorney then asked for a continuance on the ground that he had been prevented from producing his evidence. At that time, however, the Court took the matter out of the defense Attorney's hands and suggested "you do not want a continuance on this ground but rather on the ground that there has been an amendment to the Complaint - so that you are unable to proceed at this time - " and, upon this, continued the case to September.

Defense Counsel suggested in open Court that he would file a Counter claim for the excess collateral we held.

I am satisfied there is no merit in either defense; nevertheless, when the case comes to trial the Court will do all he can against us, and, I am confident the Jury will find against us; I am equally confident, however, that the evidence will entitle us to an instructed verdict, and, if not given by the Trial Court the Supreme Court will give it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

I do not believe the defense is in good faith, but only for the purpose of holding off these suits with the hope that the Reserve Bank will be paid off and some of these notes returned to the Receiver so that set-offs will apply.

I do not believe it involves the ATTMORE and/or the LUCAS questions; neither do I believe at this time it has reached System importance. If the threatened counter-claim is filed, then it may - - - - raise a question of System importance.

As soon as I can get them will send you copy of original Petition, Answer, and Amended Petition, and, as soon as we receive Answer to the Amended Petition will send you a copy, and keep you posted as to the several steps.

How I would like to be able to get into the Federal Court on this question.

With kindest regards.

Very truly yours,

(Signed) Jas G. Mc Conkey

Jas G. Mc Conkey,
Counsel

Please return clippings when finished with them.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

From Record and Democrat, Bentonville, Ark.

Thursday, March 19, 1931.

ECHO OF BANK FAILURE BROUGHT UP BY SUIT

Depositors Of Local Bank Will Watch Outcome

Of This Case With Interest

One of the most important cases to be tried at the present term of circuit court is the case of The Federal Bank of St. Louis versus Ray D. Keith; this is a suit on a promissory note made by the defendant to the Benton County National Bank at Bentonville and which note was alleged to have been sold and transferred by the Benton County National Bank to the Federal Reserve Bank of St. Louis on November 15, 1930.

Keith acknowledges the execution of the note in question and that it is now due and remains unpaid; and Keith by his attorney, Earl Blansett sets up a special defense to the payment of the note in question; by alleging in his answer that at the time of the transfer of the note by the Benton County National Bank to the Federal Reserve Bank at St. Louis, that the Benton County National Bank was insolvent or in a failing condition and was done with a view of making a preferred creditor out of the Federal Reserve Bank and thereby preventing a distribution of the assets of the Benton County National Bank, rateably among its creditors.

Attorney Vol T. Lindsey filed a demurrer to the answer and the court heard the argument by the attorneys on this the 17th. Mr. Blansett defended his answer and stated if the demurrer was overruled by the court as it should be, then he, Blansett would undertake to prove to the jury that the bank was insolvent at the time of the transfer and that the sale or attempted sale and transfer was void under the Federal statutes. Blansett states that if his client Keith prevails in this case that it will force more than one hundred thousand dollars back into the Benton County National Bank as its assets, to be distributed among the depositors of the Benton County National instead of remaining in the hands of the Federal Reserve Bank. The court overruled the demurrer of the plaintiff --Federal Reserve Bank, and will permit the defendant Keith, and his attorney, Earl Blansett, to be heard by the jury.

No doubt this case will be the controlling faction in considerable future litigation and is looked forward to with much interest. The case is set for trial on Wednesday, March 25th at 10 o'clock a. m. This is a pioneer case of its kind and but few lawyers are familiar with the special procedure that will be followed by the defense.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Keith will pay this note but his attorney says that he wants it paid to the proper parties or the proper bank and not to the wrong bank. He states further that it should be paid to the receiver of the Benton County National Bank and not to the Federal Reserve Bank.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

From The Rogers (Ark.) Daily News.

Friday, March 20, 1931.

SUIT MAY HAVE WIDE EFFECT ON BANK SITUATION

Keith Contends St. Louis Bank Was Made Preferred Creditor

TO TRIAL MARCH 25

Favorable Verdict Would Mean Return of Large Block of Assets

A suit brought by the Federal Reserve bank of St. Louis against Ray D. Keith and scheduled for trial at the present term of circuit court, is being watched with interest, for the outcome may have a widespread effect upon liquidation of closed banks in the county.

In its suit the Federal Reserve bank seeks to collect upon a promissory note made by Keith to the defunct Benton County National bank, which note was alleged to have been sold and transferred to the St. Louis bank on Nov. 15, 1930, about 21 days before the Benton County National bank suspended business.

Keith acknowledges execution of the note in question and that it is now due and remains unpaid, and through his attorney, Earl Blansett, he alleges that at the time of the transfer the Benton county bank was insolvent or in a failing condition and that the transfer was made with a view to making the Federal Reserve bank a preferred creditor and thereby preventing distribution of the assets of the Benton County National bank pro rata among its creditors.

Attorneys for the St. Louis bank filed a demurrer, which was overruled by Judge Combs, and the case will come up for a jury trial.

A decision in favor of the defendant, Mr. Blansett said, would mean the return of more than $100,000 in assets, now held by other banks, to the Benton County National bank for distribution.

The case is expected to be a deciding factor in other litigation growing out of liquidation of the Bentonville bank, with a possibility of the same situation extending to the Rogers bank. The case has been scheduled for trial Wednesday, March 25, beginning at 10 a. m.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

IN THE DISTRICT COURT OF THE UNITED STATES

FOR THE EASTERN DISTRICT OF NORTH CAROLINA

W. I. Skinner & Company, Incorporated vs Federal Reserve Bank of Richmond, Virginia, National Bank of Greenville, and W. F. Wright, Receiver of National Bank of Greenville.	)	In Equity No. ________ ANSWER

Defendant Federal Reserve Bank of Richmond answering the bill of complaint in this cause filed or so much thereof as it is advised that it is material that it should answer says:

1. Defendant Federal Reserve Bank of Richmond admits the allegations of the first paragraph of the bill of complaint.

2. Defendant Federal Reserve Bank of Richmond admits the allegations of the second paragraph of the bill of complaint.

3. Defendant Federal Reserve Bank of Richmond admits the allegations of the third paragraph of the bill of complaint, except that it says that the name of of the Receiver of the National Bank of Greenville is not W. P. Wright but V. P. Wright.

4. Defendant Federal Reserve Bank of Richmond is without knowledge or information sufficient to form a belief concerning the allegations of the fourth paragraph of the bill of complaint, and therefore denies the same.

5. Defendant Federal Reserve Bank of Richmond admits that on December 8, 1930, it received from the First and Merchants National Bank of Richmond certain checks drawn on the National Bank of Greenville, North

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Carolina, as hereafter set forth; but defendant Federal Reserve Bank of Richmond has no knowledge or information sufficient to form a belief concerning the other matters and things alleged in the fifth paragraph of the bill of complaint, and therefore denies all allegations thereof except in so far as they are hereinafter admitted, and especially denies that it has received the check in the bill of complaint mentioned as agent for the plaintiff, and says that all checks which it received from the Frist and Merchants National Bank of Richmond were received by it as agent for that bank only.

6. Defendant Federal Reserve Bank of Richmond admits that on December 8, 1930, it sent directly to the National Bank of Greenville certain checks as hereinafter set forth upon the terms and conditions hereinafter set forth. Inasmuch as plaintiffs have failed to fully describe or to state the amount of the check mentioned in the bill of complaint, defendant Federal Reserve Bank of Richmond is unable to say whether or not that check was ever received or handled by it, and therefore denies that it was received or handled by it, and defendant especially denies that any check handled by it was handled carelessly or negligently, and says that it is a general and universal custom among banks in the States of Virginia and North Carolina and elsewhere to send checks which they have received on deposit or for collection directly to the banks on which such checks are drawn if such banks have accounts with the collecting banks, and to allow such banks to remit or pay for such checks in cash, bank drafts, transfers of funds, bank credits, or other forms of payment and remittance as the banks making such payment or remittance may choose; and in order that the banks on which such checks are drawn may have an opportunity to examine

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

such checks before paying or remitting therefor, it is a general and universal custom to send such checks by mail to the banks on which they are drawn and to surrender them to the said banks before payment or remittance in the manner above stated is received. Defendant Federal Reserve Bank of Richmond says that such custom was known to the First and Merchants National Bank of Richmond and to the plaintiff; and defendant Federal Reserve Bank of Richmond says that the First and Merchants National Bank of Richmond knew that the National Bank of Greenville was a member of the Federal Reserve System and kept an account with the defendant Federal Reserve Bank of Richmond and knew that all checks deposited by the First and Merchants National Bank of Richmond with the defendant Federal Reserve Bank of Richmond would be handled in the manner above stated. Defendant Federal Reserve Bank of Richmond denies all of the allegations of the sixth paragraph of the bill of complaint, except in so far as they are herein admitted.

7. Defendant Federal Reserve Bank of Richmond has no knowledge or information sufficient to form a belief as to whether or not the National Bank of Greenville was insolvent on December 8, 1930, or as to when it became insolvent, and therefore denies that it was insolvent when the Federal Reserve Bank of Richmond mailed to it the checks received by the defendant Federal Reserve Bank of Richmond from the First and Merchants National Bank of Richmond, and defendant Federal Reserve Bank of Richmond denies that it knew or should have known that the said National Bank of Greenville was insolvent at that time; and denies all allegations of the seventh paragraph of the bill of complaint except in so far as they are herein admitted.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

8. Defendant Federal Reserve Bank of Richmond has no knowledge or information sufficient to form a belief concerning the allegations of the eighth paragraph of the bill of complaint and therefore denies the same, except in so far as they are hereinafter admitted.

9. Defendant Federal Reserve Bank of Richmond has no knowledge or information sufficient to form a belief concerning the allegations of the ninth paragraph of the bill of complaint, and therefore denies the same, except in so far as they are hereinafter admitted.

10. Defendant Federal Reserve Bank of Richmond admits that prior to December 10, 1930, it had rediscounted for the National Bank of Greenville notes, bills of exchange, and other obligations, the aggregate amount of which was one hundred twelve thousand two hundred eighteen dollars and eighty-six cents ($112,218.86), and the said National Bank of Greenville had endorsed the same and by its said endorsement waived presentation, protest, and notice of dishonor, and became absolutely and unconditionally liable for the payment thereof, and the said notes, bills of exchange, and other obligations were not due but were unpaid on December 10th, at the time when the National Bank of Greenville suspended business, and were then held by the Federal Reserve Bank of Richmond as the owner thereof, and are still so held by it, except for a few which have been paid. Defendant Federal Reserve Bank of Richmond denies all the allegations of the tenth paragraph of the bill of complaint except in so far as they are herein admitted.

11. Defendant Federal Reserve Bank of Richmond admits that before December 10, 1930, the National Bank of Greenville had transferred to it certain other notes, bills of exchange, and other obligations, having a face value of thirty-eight thousand nine hundred and fifty-five dollars

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

($38,955.00) to be held by the defendant Federal Reserve Bank of Richmond as security for the liability of the National Bank of Greenville as endorser on the notes, bills of exchange, and other obligations rediscounted as above. Defendant Federal Reserve Bank of Richmond has collected certain of the notes, bills of exchange, and other obligations so transferred to it as security and the residue are still held by it; but Federal Reserve Bank of Richmond has not collected upon said notes, bills of exchange, and other obligations held by it as security, such sum as will, with the amount of the reserve balance of the National Bank of Greenville hereinafter mentioned and all other credits due from defendant Federal Reserve Bank of Richmond to the National Bank of Greenville, be sufficient to discharge and satisfy the liability of the National Bank of Greenville to the defendant Federal Reserve Bank of Richmond upon the notes, bills of exchange, and other obligations discounted by the defendant Federal Reserve Bank of Richmond on the endorsement of the National Bank of Greenville, and which are unpaid. Defendant Federal Reserve Bank of Richmond denies all allegations of the eleventh paragraph of the bill of complaint, except in so far as they are herein admitted.

Defendant Federal Reserve Bank of Richmond admits that the Receiver of the National Bank of Greenville, whose true name is V.P. Wright and not W.P. Wright, claims some interest in the notes, bills of exchange, and other obligations transferred by the National Bank of Greenville to the Federal Reserve Bank of Richmond as aforesaid, and defendant Federal Reserve Bank of Richmond is advised and therefore alleges that the said Receiver is entitled to receive all of said notes, bills of exchange, and other obligations whenever all liabilities of the said National Bank of Greenville to defendant Federal Reserve Bank of Richmond are fully paid and satisfied.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FURTHER AND AFFIRMATIVE DEFENSE.

1. Defendant Federal Reserve Bank of Richmond further answering the bill of complaint in this cause filed says:

That by reason of the failure of the plaintiff to describe with certainty the check drawn by Person-Garrett Company to the order of the plaintiff or to allege or state the amount for which such check was drawn, defendant has been unable to ascertain whether or not it ever received or handled such a check, and therefore denies that it ever received or handled the said check.

2. Defendant Federal Reserve Bank of Richmond says that prior to September 2, 1930, the Federal Reserve Board had duly adopted and promulgated a certain regulation known as Regulation J, which became effective September 2, 1930, defining the terms and conditions on which all Federal reserve banks were authorized to accept checks on deposit or for collection, which regulation was in full force and effect on December 8, 1930, and at all times hereafter mentioned, and the terms and conditions of which were known to the First and Merchants National Bank and to the National Bank of Greenville. A copy of the said regulation is hereto attached, marked Exhibit A, and made a part hereof, as though it were here set forth in full.

3. In pursuance of said regulation defendant Federal Reserve Bank of Richmond had issued a certain circular or circular letter stating the terms and conditions on which it was authorized to accept checks on deposit or for collection and the manner in which the said checks would be handled and collected or returned by it. A copy of the said circular is hereto attached, marked Exhibit B, and made a part hereof as though it were here set forth in full.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

4. Defendant Federal Reserve Bank of Richmond had delivered copies of the said circular to all member banks in the Fifth Federal Reserve District, and especially to the First and Merchants National Bank of Richmond and the National Bank of Greenville, and the receipt of said circular had been acknowledged and the terms thereof accepted by the two member banks mentioned by written acknowledgements duly signed by the two banks mentioned, which were in words and figures as follows, to-wit:

FEDERAL RESERVE BANK OF RICHMOND,
RICHMOND, VA.

Gentlemen:

The undersigned member bank hereby acknowledges receipt of Circular No. 166, of the Federal Reserve Bank of Richmond, regarding the "Collection of Cash Items," effective September 2, 1930, which circular supersedes Circular No. 158 of February 1, 1929.

Yours very truly,

First & Merchants National Bank
Bank

Richmond Virginia
Location

Sep't.6 - 1930
Date

By O. C. White
Asst. Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK OF RICHMOND,
RICHMOND, VA.

Gentlemen:

The undersigned member bank hereby acknowledges receipt of Circular No. 166, of the Federal Reserve Bank of Richmond, regarding the "Collection of Cash Items," effective September 2, 1930, which circular supersedes Circular No. 158 of February 1, 1929.

Yours very truly,

NATIONAL BANK OF GREENVILLE
GREENVILLE, N.C.

SEP 6- 1930
Date

By James L. Little, Prest.

5. On December 8, 1930, defendant Federal Reserve Bank of Richmond received from various member banks or other Federal reserve banks on deposit or for collection in accordance with the terms of said circular checks drawn on the National Bank of Greenville amounting to twenty-seven thousand two hundred eighty-nine dollars and one cent ($27,289.01), which said checks were on that day sent by mail by defendant Federal Reserve Bank of Richmond to the National Bank of Greenville for payment or remittance in the manner prescribed in said circular.

6. Several of the said checks so sent to the National Bank of Greenville were received by defendant Federal Reserve Bank of Richmond from the First and Merchants National Bank of Richmond; but because of the reasons set forth above defendant Federal Reserve Bank of Richmond is not able to determine whether or not the check of Person-Garrett Company to the order of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the plaintiff was among them, but defendant Federal Reserve Bank of Richmond alleges that all of said checks received from the First and Merchants National Bank of Richmond were sent to it for deposit or collection in accordance with the terms of the said circular, and that the First and Merchants National Bank of Richmond knew and intended that such checks would be handled by defendant Federal Reserve Bank of Richmond in the manner prescribed in said circular and in accordance with the terms thereof. In accordance with the time schedules mentioned in said circular the amount of all checks on the National Bank of Greenville received from the First and Merchants National Bank of Richmond were credited to the reserve account of the First and Merchants National Bank of Richmond two days after receipt, but such credit was subject to final payment as set forth in the said circular. Defendant Federal Reserve Bank of Richmond did not know that any of the said checks sent to it by the First and Merchants National Bank of Richmond were not owned by that bank and accepted all checks from it as agent for that bank alone and not as agent for any other person.

7. On December 10, 1930, defendant Federal Reserve Bank of Richmond, received from the National Bank of Greenville certain checks which had been sent to it on December 8, 1930, amounting to sixty-four dollars and seventy-three cents ($64.73), which checks were returned by the National Bank of Greenville unpaid; and at the same time Federal Reserve Bank of Richmond received from the National Bank of Greenville a remittance letter and a charge ticket or order which were in the following words and figures:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REMITTANCE LETTER

Use this form in remitting to Federal Reserve Bank of Richmond for cash letter described below. (REMIT SEPARATELY FOR COLLECTION ITEMS)

From

National Bank of Greenville,
Greenville,
66-153 N.C.

DEC. 8, 1930
(Date of Remittance)

To FEDERAL RESERVE BANK OF RICHMOND,
RICHMOND, VA.

We are remitting as indicated below for your cash letter of date shown above $27,289.01
Less: Total amount of unpaid items and protest fees........... $ 64.73
NET AMOUNT DUE.................. $27,224.28

REMITTANCE AS FOLLOWS:

Draft on ______________________________ $________

Currency shipment today as per advice mailed under separate cover.. $________

....

FOR USE OF MEMBER BANKS desiring reserve account to be charged. Be sure to insert net amount to be charged

CHARGE OUR RESERVE ACCOUNT.................................. $27,224.28
in settlement of cash letter of date shown below. (Net Amount)

National Bank of Greenville,
Greenville,
N.C.

DEC. 8, 1930

66-153

F. J. Forbes
Cashier

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

8. The National Bank of Greenville was a member of the Federal Reserve System and maintained a reserve account with the defendant Federal Reserve Bank of Richmond, and at the opening of business on December 10, 1930, the available balance on deposit in said reserve account to the credit of the National Bank of Greenville was the sum of seventeen thousand nine hundred three dollars and ninety-six cents ($17,903.96), and on the said day the defendant Federal Reserve Bank of Richmond received for the credit of the National Bank of Greenville other sums amounting in the aggregate to eight thousand eight hundred twenty dollars and forty-three cents ($8,820.43) and credited such sums to the reserve account of the National Bank of Greenville, and charged its account the sum of twenty-nine cents ($0.29) due and payable on that day by the National Bank of Greenville to defendant Federal Reserve Bank of Richmond, so that at the close of business on December 10, 1930, defendant Federal Reserve Bank of Richmond had to the credit of the National Bank of Greenville the sum of twenty-six thousand seven hundred twenty-four dollars and ten cents ($26,724.10), and at no time on that day did it have to the credit of the National Bank of Greenville an amount equal to the amount of the order set forth above.

9. At or about 1:16 P.M. on December 10, 1930, the Federal Reserve Bank of Richmond was notified that the National Bank of Greenville had suspended or closed. At that time the Federal Reserve Bank of Richmond had not paid, acted upon, or honored the order above set forth issued by the National Bank of Greenville, and defendant Federal Reserve Bank of Richmond thereafter charged the amount of all checks which it had received as above stated from the First and Merchants National Bank of Richmond to the account of that bank and notified it that it had not received actual and final payment for said

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

checks.

And not having fully answered, defendant Federal Reserve Bank of Richmond prays that plaintiff may take nothing by its bill, and that defendant Federal Reserve Bank of Richmond may be hence dismissed and recover judgment against the plaintiff for all costs by defendant Federal Reserve Bank of Richmond in this suit expended.

And defendant Federal Reserve Bank of Richmond will ever pray, etc.

____

____

Solicitors for Defendant Federal Reserve Bank of Richmond.

STATE OF VIRGINIA)
) to-wit.
CITY OF RICHMOND)

George H. Keesee, being duly sworn, deposes and says that the Federal Reserve Bank of Richmond, a defendant in this suit, is a corporation, and that he is an officer thereof, to-wit: its Cashier, and that he has read the foregoing answer and that the matters and things therein alleged are true, except in so far as they are therein stated upon information and belief, and in so far as they are so stated he believes them to be true.

____

Subscribed and sworn to before me

this __________ day of ________ 1930.

____

Notary Public.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6856

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

March 2 to 31, 1931.

	$5	$10	$20	Total Sheets	Amount
Boston	100,000	120,000	-	220,000	$20,999.00
New York	250,000	200,000	70,000	520,000	49,634.00
Philadelphia	100,000	50,000	20,000	170,000	16,226.50
Cleveland	100,000	40,000	42,000	182,000	17,371.90
Richmond	50,000	30,000	-	80,000	7,636.00
Chicago	200,000	-	-	200,000	19,090.00
Atlanta	50,000	20,000	10,000	80,000	7,636.00
Minneapolis	20,000	12,000	-	32,000	3,054.40
Kansas City	30,000	-	-	30,000	2,863.50
Dallas	30,000	20,000	-	50,000	4,772.50
	930,000	492,000	142,000	1,564,000	$149,283.80

1,564,000 sheets, @ $95.45 M, $149,283.80

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6857

April 9, 1931.

SUBJECT: Code Word to Cover Telegraphic Transactions in New Issue of Treasury Certificates of Indebtedness, Series TD2-1931.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Certificates of Indebtedness:

"NOWHIM", Series TD2-1931, dated
April 15, 1931, due
December 15, 1931.

This code word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOWHILL" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6859

April 13, 1931.

SUBJECT: Topics for Governors' Conference.

Dear Sir:

There are submitted below, for your advance information, two subjects which the Board desires to discuss with the governors during the conference which has been called beginning Monday, April 27th and on which the Board desires to receive an expression of opinion from the conference.

1. Change in weekly Federal reserve bank statement. On quarterly tax payment dates, and frequently for several days thereafter, the Treasury has a substantial overdraft at the Federal reserve banks, to cover which it gives the Federal reserve banks special one-day Treasury certificates of indebtedness. It has been the practice to refer to these special certificates in the text accompanying the weekly statement of condition of the Federal reserve banks but not to show them separately in the body of the statement. The suggestion has been made that inasmuch as it is the condition statement itself rather than the text which is used for reference purposes, the failure to show these special certificates separately in the condition statement has at times lead to some misunderstanding of the significance of figures published in the statement. It has been recommended that hereafter these special one-day certificates be shown separately in the body of the weekly Federal reserve bank statement against the caption "Special Treasury Certificates".

2. Compensation for officers and employees of Federal reserve banks after death and during periods of incapacitation and extended illness. On one or two occasions in the past, upon the death of an officer of a Federal reserve bank, the directors have voted to make a payment to the widow or estate of the deceased officer equal to several months salary. The Federal Reserve Board has been advised by its Counsel that in his opinion such payments are ultra vires, but that the question is a close and doubtful one as there is no specific provision of law covering the matter. A question of policy is also involved inasmuch as all of the Federal reserve banks are carrying life insurance policies covering their officers and employees. The Board considers it important that some

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

definite understanding should be arrived at concerning this matter and, if possible, also regarding the matter of salary payments to officers and employees absent on account of illness or injury not received in the line of official duty.

By direction of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6860

April 14, 1931.

SUBJECT: Daylight Saving Schedule, 1931.

Dear Sir:

Beginning Monday, April 27th, and ending Saturday, September 26th, the following Federal reserve banks and branches will operate under daylight saving schedule:

Boston
New York
Buffalo
Philadelphia
Pittsburgh
Chicago

The Federal reserve branch banks listed below will observe special banking hours:

Helena Branch from May 1st to August 31st, inclusive, 9:30 a.m. to 2:00 p.m., except Saturday, when the hours will be 9:00 a.m. to 12:00 noon, mountain time.

Salt Lake City Branch from May 1st to September 30th, inclusive, 9:00 a.m. to 2:00 p.m., except Saturday, when banking hours will be 9:00 a.m. to 12:00 noon, mountain time.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6861

April 15, 1931.

SUBJECT: Revised Code Word Covering Treasury Certificates of Indebtedness, Series TD2-1931.

Dear Sir:

This letter will confirm the telegram sent to governors of all Federal reserve banks today, as follows:

> "Referring to Board's Circular letter X-6857 of April 9th, subject "Code word covering Treasury Certificates TD2-1931". In order to avoid confusion with words previously issued, code word "NOWHIM" is cancelled and you are requested to substitute therefor word "NOWHINGE", repeat, "NOWHINGE", to cover series TD2-1931, dated April 15, due December 15, 1931. This substitution to be effective noon, Eastern standard time, today. Kindly notify branches. Letter of confirmation follows."

This substitution is necessary because of the confusion resulting from similarity of telegraphic symbols between the words "NOWHILL" and "NOWHIM", the first day's transactions having resulted in several errors.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6862

April 15, 1931.

SUBJECT: Expense, Main Line, Leased Wire System, March, 1931.

Dear Sir:

Enclosed herewith you will find two mimeographed statements, X-6862-a and X-6862-b, covering in detail operations of the main line, Leased Wire System, during the month of March, 1931.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MARCH, 1931.

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	27,657	3,147	30,804	3.55
New York	128,937	-	128,937	14.85
Philadelphia	32,329	1,391	33,720	3.88
Cleveland	76,057	2,703	78,760	9.07
Richmond	57,191	1,851	59,042	6.80
Atlanta	57,776	8,801	66,577	7.67
Chicago	102,338	3,491	105,829	12.18
St. Louis	72,663	2,648	75,311	8.67
Minneapolis	30,586	3,370	33,956	3.91
Kansas City	78,479	2,323	80,802	9.30
Dallas	62,017	11,696	73,713	8.49
San Francisco	96,885	4,127	101,012	11.63
Total	822,915	45,548	868,463	100.00

F. R. Board business 296,048   1,164,511

Treasury Department business Incoming and Outgoing 177,632

Total words transmitted over main lines. 1,342,143

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6862-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, MARCH, 1931.

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	$721.18	$260.00	$461.18
New York	1,134.15	3.00	-	1,137.15	3,016.74	1,137.15	1,879.59
Philadelphia	225.00	-	-	225.00	788.21	225.00	563.21
Cleveland	306.66	-	-	306.66	1,842.55	306.66	1,535.89
Richmond	190.00	-	230.00 (&)	420.00	1,381.41	420.00	961.41
Atlanta	270.00	-	-	270.00	1,558.14	270.00	1,288.14
Chicago	3,668.93 (#)	4.00	-	3,672.93	2,474.34	3,672.93	1,198.59 (*)
St. Louis	195.00	1.00	-	196.00	1,761.29	196.00	1,565.29
Minneapolis	202.25	-	-	202.25	794.31	202.25	592.06
Kansas City	287.50	-	-	287.50	1,889.27	287.50	1,601.77
Dallas	251.00	.75	-	251.75	1,724.72	251.75	1,472.97
San Francisco	380.00	-	-	380.00	2,362.61	380.00	1,982.61
Federal Reserve Board	-	-	15,804.30	15,804.30	-	-	-
Total	$7,370.49	$8.75	$16,034.30	$23,413.54	$20,314.77	$7,609.24	$13,904.12
				3,098.77(a)			1,198.59 (b)
				$20,314.77			$12,705.53

(&) Main Line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $3,098.77 from Treasury Department covering business for the month of March, 1931.
(b) Amount reimbursable to Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6864

April 16, 1931.

SUBJECT: Holidays during May, 1931.

Dear Sir:

The Federal reserve banks and branches listed below will be closed on account of holidays on the dates specified, and therefore will not participate in either the gold settlement fund or the Federal reserve note clearing:

Monday	May 11	Charlotte	Confederate Memorial Day
Wednesday	May 20	Charlotte	Mecklenburg Independence Day
Wednesday	May 20	Havana Agency	Cuban Independence Day

On Saturday, May 30th, Memorial Day, there will be neither gold settlement fund nor Federal reserve note clearing and the books of the Board will be closed. The offices of the Board and all Federal reserve banks and branches, with the exception of the following, will be closed on that day: Charlotte, Atlanta, New Orleans, Birmingham, Little Rock and Havana Agency.

Credits of May 11th and 20th for the Charlotte Branch may be included with those of the following business days in the gold fund clearing.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6865

April 17, 1931.

SUBJECT: Code word to cover telegraphic transactions in 3-3/8% Treasury Bonds of 1941 - 1943.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOWCABAL" has been designated to cover the new issue of 3-3/8% Treasury Bonds of 1941 - 1943.

This code word should be inserted in the Federal reserve telegraph code book, following the code word "NOWBERRY" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6866

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

STATEMENT BY EUGENE MEYER, GOVERNOR OF THE FEDERAL RESERVE BOARD.

For immediate release. April 20, 1931.

My attention has been called to the continued discussion of Governor Norman's recent visit to Washington. This discussion has contained much conjecture and the intimation, frequently reiterated, of a secrecy and mystery surrounding his conferences here. Inasmuch as I have had numerous inquiries concerning it, let me repeat that there is no secret, there is no mystery, connected with his conferences. No understandings resulted from them, and the lack of information is due simply to the fact that there was nothing of general interest or importance to disclose.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6869

April 22, 1931.

SUBJECT: Code Word to Cover Telegraphic
Transactions in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXBAYHEAD" has been designated to cover a new issue of Treasury Bills, dated April 27, 1931, and maturing July 27, 1931.

This word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBAND" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6870

April 22, 1931.

SUBJECT: Applications for Trust Powers.

Dear Sir:

In 1915 the Federal Reserve Board addressed a letter to the Federal reserve agents of the various Federal reserve banks setting forth certain principles for their guidance in making recommendations to the Board on applications of national banks for authority to exercise trust powers. Attention is again invited to this letter, copy of which is attached.

The procedure in handling these applications has since been amended, in that the Federal reserve agents now transmit them with a recommendation of the Executive Committee or Board of Directors of their respective banks. In most cases, however, little, if any, information is given the Board as to the basis of the recommendation, other than is furnished in the analysis, which accompanies the application, of the report of the last examination of the applying bank. The Board feels that it should have the benefit of more detailed comment from the Federal reserve agents regarding the condition of an applicant bank, the need of the community which it serves for trust powers, the character of its general management and, particularly, with reference to the type of supervision which will be given to trust activities if and when authorized by the Board. The Board requests, therefore, that the Federal reserve agents hereafter supplement each such report with a statement as to the reasons for the recommendation made, and specific information as to the qualifications and experience of the person or persons selected to discharge the duties of trust officer in the applicant bank.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO ALL F. R. AGENTS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y September , 1915.

Federal Reserve Agent,

S i r :

By direction of the Board this letter is sent for your guidance in passing upon the applications of National banks for the privilege of exercising the powers of trustee, registrar, executor and administrator.

All applications from applying banks must be transmitted first to the Federal Reserve Agent of the district in which the bank is located, who will forward the applications with his recommendations, to the Federal Reserve Board. The Federal Reserve Agent in making his recommendations is expected to take into consideration the general standing of the bank, character of its management and its fitness to exercise the fiduciary powers applied for, as well as the benefits that the community in which the bank is located will be apt to receive from the exercise of such powers by the bank. Special weight will be given by the Federal Reserve Board to the approval or disapproval of the Federal Reserve Agent. Applications that are recommended by him for approval will be referred by the Board to a committee which, after a careful examination of the records on file in the office of the Comptroller of the Currency relating to the business and the management of the bank, will report to the Board favorably or adversely, as the case may be, upon the application.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In addition to the points above outlined, the Board's committee considers the strength of the bank as shown by its statements and by the examiner's reports, and especial weight is attached to the observance on the part of the bank of the requirements of law and of the regulations and admonitions which are sent out from time to time by the Comptroller's office.

It is not, as rule, deemed advisable to grant permits for the exercise of fiduciary powers to a National bank,

(1) Where its surplus does not amount to at least 20% of its capital stock;

(2) Where reports show that it is carrying an excessive amount of past due or doubtful paper;

(3) Where it is carrying real estate loans not authorized by law;

(4) Where it is shown that the bank is in the habit of granting excessive overdrafts continuously;

(5) Where the loans of the bank are not well distributed, by reason of an excessive proportion of the total loans having been granted to a few interests or where loans made to officers and directors are too large in proportion to the total amount of loans, or are not well secured.

(6) Where the examiners have reported that the directors do not direct or are lax or negligent in their attendance at Board meetings or in giving attention to the bank's management and direction.

Federal Reserve agents, in making their recommendations, are expected to pay particular attention to the strength of the management of the bank from a moral standpoint, and should decline to recommend any application where they feel that the officers of the bank as individuals, would not be worthy of being entrusted with the management of trust funds or the administration of estates.

Respectfully,

Secretary.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6871

April 22, 1931.

Dear Sir:

The Federal Reserve Board is interested in knowing the degree of promptness with which the Federal reserve banks are now able to serve member banks, and in this connection would like to have you furnish it with the following information:

1. The name, location, and loans and investments as of March 25, 1931, of each member bank in your district which is not within overnight mail time from the Federal reserve bank or one of its branches, if any.
2. A map showing by colored lines the boundary of the territory (banking points) in your district which is within overnight mail time from (a) the Federal reserve bank and (b) each branch, if any.

By overnight mail time is meant that items placed in the mail by member banks after the close of business reach the Federal reserve bank or branch in time for clearing the following morning.

It is suggested that the map furnished the Board show the head office and branch zones and the names of the principal cities and towns in the district and that it be of relatively small size, say from 18 to 24 inches in length. A photostatic copy of an existing map or any inexpensive map which is available to the bank will be satisfactory to the Board for this purpose.

It is appreciated, of course, that in certain districts the colored lines showing the areas within overnight mail time from the head office and each branch will intersect, inasmuch as some banking points are within overnight mail time from more than one Federal reserve office.

It is quite probable that in a few cases member banks which are normally within overnight mail time will not be within overnight mail time during the daylight saving period. If so, such banks should be listed as not within overnight mail time and designated by an asterisk.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL F. R. AGENTS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CONFIDENTIAL. April 27, 1931.

C. E. MITCHELL.

Review. (By C. S. Hamlin).

-I-

Banking Conditions at Time of Statement, March 26, 1929.

There was a near approach to a panic on the New York Stock Exchange on Tuesday, March 26, 1929. The break was one of the sharpest in stock exchange history. Call loan rates reached 20%, the highest figure since 1920.

The so-called direct pressure to reduce total borrowings of the banks had been in force since February 7, 1929, the date of the Board's warning.

There was a feeling abroad that the banks had finally determined to adopt the most drastic methods, and would refuse even to extend credit facilities which, under ordinary circumstances, they would have granted as a matter of course, such as to meet temporary withdrawal of funds by corporations for quarterly interest and dividend payments, or withdrawals from New York to interior parts of the country.

Brokers loans both for the New York banks' own account, and "for others" had been declining during the week ending March 27, 1929.

The call loan renewal rates were as follows:

March	25	9%
"	26	12%
"	27	15%
"	28	15%

Undoubtedly one cause of the crisis which arose on that day, March 26th,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

was the acute credit stringency in Chicago, arising from the heavy liquidation on the Chicago Stock Exchange beginning on March 21st, which resulted in large withdrawals of funds from New York.

Frightened traders all over the country were selling stocks blindly on that day. By 1:30 p.m. the volume of trading on the New York Stock Exchange had reached over 5½ million shares, and the ticker tape was 58 minutes behind the market.

Under these circumstances, Mr. Mitchell, on Tuesday, March 26th, came to the relief of the money market, advancing six millions of dollars on call loans.

-II-

Mr. Mitchell's Statement.

In the afternoon of Tuesday, March 26th, Mr. Mitchell gave out the following interview, as taken from the New York Herald-Tribune of Wednesday, March 27th:

> "So far as this institution is concerned, we feel that we have an obligation which is paramount to any Federal reserve warning, or anything else, to avert, so far as lies within our power, any dangerous crisis in the money market.
>
> "While we are averse to resorting to rediscounting for the purpose of making a profit in the call market, we certainly would not stand by and see a situation arise where money became impossible to secure at any price."

Mr. Mitchell is quoted by the New York Times of March 29, 1929, Friday, as saying that his Bank was prepared to make available 5 millions for the call loan market at 16%, and a like amount for each gain of 1% up to 20%.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

He also made it clear that his action was based not so much on concern over the movement of the rates, but to kill the idea that money could not be had no matter what was offered for it. From the time the offer was made, the call money rates did not go above the minimum rate, but did go down, closing at 8%.

(190-1)

The New York World of March 30, 1929, quotes Mr. Mitchell as follows:

> "Should another crisis develop, will you stand by again?" was the next question. Mr. Mitchell answered, "It can be safely assumed that we will endeavor at all times to prevent a critical situation going out of bounds. We won't be alone. Other banks will subscribe as strongly as we to that doctrine."

-III-

Senator Glass on Mr. Mitchell.

The New York Times edition of Friday, March 29, publishes an attack on Mr. Mitchell by Senator Glass, who was quoted as follows:

> "The Federal Reserve Board has adopted the administrative policy of having Federal reserve banks remonstrate with member banks against permitting the facilities of the Federal Reserve System to be used for stock speculative purposes.
>
> "This should have been done long ago, before the situation got out of hand. Now that it has been done, a Class A director of a Federal Reserve Bank, himself President of a great banking institution, vigorously slaps the Board squarely in the face and treats its policy with contempt and contumely. He avows his superior obligation to a frantic stock market over against the obligation of his oath as a director of the New York Federal Reserve Bank, under the supervisory authority of the Federal Reserve Board.
>
> "Mr. Mitchell's proclamation is a challenge to the authority and the announced policy of the Federal Reserve

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Board. The challenge ought to be promptly met and courageously dealt with.

"The Board should ask for the immediate resignation of Mr. Mitchell as a Class A Director of the New York Federal Reserve Bank.

"If the National City Bank in New York, or any other member bank of the System anywhere, imagines it is greater than the Federal Reserve System and may defy and reject the considered policy of the Federal Reserve Board, it should at least be given to understand that the President of such a bank will not be permitted to have an official part in the management of the Federal Reserve System.

"I do not know what the Federal Reserve Board will do about it, but I have a very decided conviction as to what it should do, and that swiftly.

"The whole country has been aghast for months and months at the menacing spectacle of excessive stock gambling, and when the Federal Reserve Board mildly seeks to abate the danger by an administrative policy, fully sanctioned by law, rather than by a prohibitive advance in rediscount rates, which might penalize the legitimate business of the entire country, an officer of the System issues a defiance and engages in an attempt to vitiate the policy of the Federal Reserve Board.

"Whatever his abilities as a banker may be, or however high his character, the spirit manifested by Mr. Mitchell totally unfits him for the position of director of a great Federal Reserve Bank. This is not an age for the manifestations of a Nicholas Biddle."

Senator Glass, in the New York Times of April 2, 1929, in reply to the attack of Ex-Senator Owen who had defended Mr. Mitchell, declared that the Reserve Board had the power to remove Mr. Mitchell and to compel reserve banks to refuse the rediscount privilege to those engaged in speculation. Senator Glass further stated:

"Whether or not the Federal Reserve Board should have removed Charles E. Mitchell for his open defiance of the Board's authority and his avowed attempt to frustrate its administrative policy, is, of course, a matter of opinion. It was my conviction, and still is,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"that the Board should have taken exactly that action.

"This should have been done promptly, not so much, perhaps, for the offer by Mr. Mitchell's Bank of 25 millions to a dangerously extended speculative stock market which the Board was conservatively trying to curb, as for his dramatic assertion of a superior obligation to the stock speculators over against his obligation to the Federal Reserve System, of which Mr. Mitchell is a sworn director.

"He was well aware of the policy being pursued by the Federal Reserve Board; nevertheless he set out with apparent deliberation to thwart it and to bring the authority of the Board into contempt. In this he succeeded.

"The authority of the Board to suspend or remove Mr. Mitchell or any other officer or director of the New York Federal Reserve Bank is not a matter of opinion. It is so plain that denial of it betrays ignorance of the law.

"There is no implied limitation on the procedure thus sanctioned. If there were any, it is inconceivable that it would relate to an offense involving a vitiation of the Board's vital administrative policies.

"In scores of ways the Act lodges with the central Board at Washington supremacy of control. If the President of the National City Bank, who is also a Class A Director of the New York Federal Reserve Bank, can be persuaded to believe that the Federal Reserve Act authorizes reserve banks to rediscount paper for stock speculative purposes he is too simple to hold either position. Of course, Mr. Mitchell knows better; otherwise there was no point in his public defiance of the Federal Reserve Board. He would have thrown his Bank's $25,000,000 in the speculative swirl as a customary transaction.

"This stock speculating with funds of Federal reserve banks is by law precluded, as it was distinctly intended to be. To say Federal reserve banks are not subject to the authority of the Federal Reserve Board in making loans is to betray ignorance of the law."

The New York Times of October 25, 1929, also contains the following interview by Senator Glass:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"The present trouble is due largely to Charles E. Mitchell's activities. That man more than 40 others is more responsible for the present situation. Had the Federal reserve acted and dismissed him, the trouble might be less. The crash has shown that stock gambling has reached its limit."

(196-151)

-IV-

Comment, - Editorial and Otherwise.

Representative Hamilton Fish in the New York Times of April 2, 1929, attacked Senator Glass and defended Mr. Mitchell, stating that he had averted a panic. He also endorsed the recommendation of Mr. Mitchell's Bank for an increase in rediscount rates to 6%, expressing the belief that such a step would be sufficient to end excesses in the stock market. He further stated that Mr. Mitchell's quick thinking and acting should have been commended instead of condemned by Senator Glass.

The New York Journal of Commerce, March 28, 1929, speaks of Mr. Mitchell's announcement:

"Reserve officials claim that every attempt has been made by the Federal Reserve Bank of New York, with the hearty support of its directors, to cut down the practice of resorting to reserve banks for rediscounts."

It points out that:

"At the end of 1928 local bankers rediscounted heavier in order to ease the strain in the money market, and now they propose to do so again. On the basis of such facts as these, the market and the public at large has gradually come to the conclusion that the appeals of reserve banks and their directors are not intended to be taken very literally, and that they are really in the nature of exhortations rather than in the nature of financial precept or advice. There has been a great deal in the whole conduct of the Reserve System to sustain this point of view,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"including, of course, the well-known statement of Governor Young to a Congressional Committee to the effect that all was well, followed by speeches of bankers to the same purport, and then finally by his urgent request of last February not to loan for speculation and not to encourage speculative activities."

It also speaks of the lack of confidence which has been gradually engendered through the belief that leaders of financial opinion do not mean exactly what they say. States that it would help immensely if we could get to some definite accepted basis of understanding on the whole question which would be just as sound and forceful when one man's stocks are going down as when those of another have been subjected to pressure.

Mr. David Lawrence in the Washington Star of Friday, March 29, 1929, states that the Board has been disturbed not so much by the action taken by Mr. Mitchell as by his statement, which Mr. Lawrence quotes. Mr. Lawrence adds that:

"Naturally Mr. Mitchell had to borrow the 25 million dollars at the Federal Reserve Bank of New York, and by agreeing to loan this money the New York institution, by inference, acquiesced in his action, for the Federal Reserve Board was only interested in breaking down speculation and not in forcing a situation in which money could not be had by anybody at any price. To the extent that the New York Board of directors are presumed to have been acting in harmony with the Federal Reserve Board, the statement of Mr. Mitchell is recorded as unfortunate, in that it may be construed by the banking world as a criticism on his part of the famous Federal Reserve Board warning of February 14th."

"It was not what Mr. Mitchell did, but what he said, that caused discussion in official quarters here, and for that reason the Board itself is not likely to raise an issue at this time; in fact, Mr. Mitchell's point of view was outlined at Thursday's meeting of the directors of the Federal Reserve Bank of New York which was attended by representativesof the Federal Reserve Board at Washington."

"The Federal Reserve Board is determined to go to the limit of its powers."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

He finally added that:

"The raising of the rediscount rate is the normal weapon used, but in a situation like the present, which is abnormal, something more drastic than a mere raising of the rediscount rate is talked about. It is, in a nutshell, the ordering of the Federal reserve banks and branches to refuse to rediscount at all the paper of member banks when presented to get funds to aid speculation. It is difficult to draw the line between a speculative and a commercial credit, but the burden of proof would be on the banking institution, and the mere announcement of the order or regulation, it is felt here, would be sufficient to tell the speculative element that the Federal Reserve Board is in earnest, and will not be defied."

The New York Times, in an editorial in the edition of March 30, 1929, stated in part as follows:

"Yet it appears that the great emphasis and positiveness with which he (Senator Glass) has denounced the action of the National City Bank, and some other banks in New York, in striving to avert a money panic this past week were somewhat misplaced.

"Senator Glass seems to have confused a temporary emergency with a permanent policy.

"The banks did not come forward with funds to promote speculation but to prevent what threatened to be a serious crisis in the money market .....

"The endeavor was to surmount a threatening crisis. It was obviously successful, and the presumption was that these particular bank funds were thereupon withdrawn from the money market.

"There has been some idle talk that there was an agreement to "peg" the call money rate at 15%. The mere statement of this shows how ridiculous it is to suppose that the movement was one to bolster wild speculation. Paying 15% for money to speculate with ceases to be speculation and becomes insanity.

"Senator Glass does well to hold up the hands of the Federal Reserve Board in the efforts which it has made to keep the whole credit system of the nation from being upset.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"In this position it is probable that the great majority of cautious and responsible bankers agree with him."

(190-2)

-V-

Further Comment.

Approval of Mr. Mitchell's course.

Annalist
D. W. Ellsworth.
Mar. 29, 1929. 190 - 17.

Brooklyn Daily Eagle. 190 - 58.

Baltimore Sun
Apparently approves what he did but criticises what he said.
190 - 58.

Financial News.
April 2, 1929. 190 - 145 (2)

Fish, Hamilton, Cong.
April 3, 1929, 190 - 33.

Fisher, Prof. Irving.
April 1, 1929. 190 - 24.

Hartford Courant. 190 - 58.

New York Evening Post. 190 - 58.

New York Herald-Tribune.
March 29, 1929. 190 - 3.

New York Times.
March 30, 1929. 190 - 2

New York World.
Mar. 28, 1929. 189 - 142.
Mar. 30, 1929. 190 - 16.

Owen, Ex-Senator
Mar. 31, 1929. 190 - 14.

Spokane Spokesman-Review.
Apparently approves what he did but criticises what he said.
190 - 58.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Springfield Republican.
Approves what he did.
Criticises what he said.
190 - 58.

Approval of Senator Glass's criticism of Mr. Mitchell.

San Francisco Chronical. 190 - 58.

Lawrence, David. 190 - 5.

Raleigh News and Observer. 190 - 58.
Neutral

Chicago Daily News. 190 - 58.

Kansas City Journal-Post. 190 - 58.
Ambiguous

New York Journal of Commerce. 189 - 138.

Resume

The above quotations seem to show that as a rule the press of the country approved, or at least did not object to, what Mr. Mitchell did to relieve the money market and to avert a threatened panic.

Many of the papers, however, while approving what he did, criticised him severely for what he said.

--VI-

Proceedings in the Federal Reserve Board.

March 28, 1929:

Dr. Miller telephoned from New York that the bankers are very angry because of Mr. Mitchell's interview; that they did not object to his relieving the market to avoid panicky conditions, but that his interview overthrew banking control of the situation and started up speculative activity anew.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Governor Young was asked by the Board to call up Mr. Mitchell and ask him to inform the Board in writing just what he said in his interview.

March 29, 1929:

Dr. Miller stated that he met Mr. Mitchell at a meeting of the New York directors; that Mr. Mitchell was very irritable and petulant; that he (Mitchell) told him he was in a belligerent mood, and that the Federal Reserve Act must be changed to take away the power of the Board.

Dr. Miller stated that the sentiment in New York was against Mr. Mitchell as having given his interview for the selfish prestige of his Bank at the expense of his banking competitors; that other New York banks had done as much as, or more than, Mr. Mitchell to relieve financial stress.

Dr. Miller said all was going well until Mr. Mitchell gave out his interview; that we could not yet say whether that interview had blocked direct pressure or not (previously he had told C. S. H. he feared it had.)

The Board finally agreed on a letter to Mr. Mitchell, and ordered it sent. Governor Young at first objected, saying that Mr. Mitchell might put the Board in a hole. Later, however, he dictated a letter couched more moderately, and all agreed to it.

Mr. James said that the Board should remove Mr. Mitchell, as demanded by Senator Glass in yesterday's papers.

Most of the Board felt that we should send the letter and later decide what further to do.

There was little, if any, criticism made in the Board as to what Mr. Mitchell did, but severe criticism as to what he said.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No action was taken by the Board and the matter still remains on the docket as "unfinished business".

-VII-

Correspondence Between Federal Reserve Board and Mr. Mitchell.

On March 29, 1929, Governor Young sent the following letter:

> "The New York Herald-Tribune of Wednesday, March 27, published the following statement attributed to you:
>
> > 'So far as this institution is concerned, we feel that we have an obligation which is paramount to any Federal reserve warning, or anything else, to avert, so far as lies within our power, any dangerous crisis in the money market.
> >
> > 'While we are averse to resorting to rediscounting for the purpose of making a profit in the call market, we certainly would not stand by and see a situation arise where money became impossible to secure at any price.'
>
> "At the request of the Federal Reserve Board anf for its information, I would appreciate it very much if you would let me know whether you were correctly quoted."

On April 1, 1929, Mr. Mitchell replied as follows:

> "I acknowledge receipt of your letter of March 29th asking on the part of the Federal Reserve Board, if, in a statement accredited to me in the New York Herald Tribune of Wednesday, March 27th, I was correctly quoted. You will realize that I did not write or give out any statement, but as the result of talking with a reporter for perhaps two or three minutes I was quoted in the article in question. Generally speaking, I think the reporter correctly expressed my view.
>
> "That a credit crisis was not only threatened but did exist on Tuesday, March 26th, is a fact that has general acknowledgment.
>
> "If there can be objection on the part of your Board to the statement, I assume it must have reference to the following words, 'so far as this institution is concerned we feel that we have an obligation which is paramount to any Federal reserve warning, or anything else.'

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"One of the actuating reasons for the formation of the Federal Reserve System was to avoid credit and currency crises and though in the formation of the System that became a Federal reserve responsibility, nevertheless I do not believe, and I do not conceive the public as believing, that such banks as ours were thereby relieved of a like responsibility, and I conclude that the obligation for the fulfillment of that institutional responsibility at any critical moment is paramount to the maintenance of a Federal Reserve Board general policy. It was our assumed obligation in that critical moment that is referred to in the article in question.

"Our position regarding the necessity of curbing speculation and of restraining the unhealthy growth of the credit structure has so often been publicly stated and so well known everywhere that I assume there is no need for elaboration thereon to your Board."

-VIII-

What Mr. Mitchell Did, as distinguished from what he Said.

The following table shows borrowings from the Federal reserve banks and call loans made (1) By the National City Bank, (2) By 22 banks in New York City, from Friday, March 22nd, through Saturday, March 30th:

(In millions of dollars)

Date	NATIONAL CITY BANK		22 banks in New York City	
	Borrowings from Federal reserve bank	Call loans	Borrowings from Federal reserve banks	Call loans
Fri. Mar. 22	14	137	114	812
Sat. " 23	0	138	157	833
Mon. " 25	25	144	191	842
Tues. " 26	24	150	177	809
Wed. " 27	35	141	190	802
Thurs." 28	-	135	154	785
Frid. " 29	-	135	137	826
Sat. " 30	-	135	154	848

(208 - 116.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It is interesting also to note that the National City Bank in the following 12 weeks, borrowed only on 11 days.

It seems to me that the above figures could hardly serve as a conclusive demonstration of borrowing from the Federal reserve bank in order to increase call loans.

Between Friday, March 22nd, and Saturday, March 23rd, borrowings decreased to nothing, while call loans increased slightly.

From Monday, March 25th, to Tuesday, March 26th, borrowings decreased 1 million, while call loans increased 6 millions.

From Tuesday, March 26th , to Wednesday, March 27th, borrowings increased 11 millions, while call loans decreased 9 millions.

From Wednesday, March 27th, through the rest of the week, the borrowings were all paid off, while the call loans were reduced on Thursday to 135 millions and remained at that figure through Thursday, Friday, and Saturday.

Such a record would of itself hardly have justified the Board in removing Mr. Mitchell on the ground of having borrowed specifically in order to obtain Federal reserve credit for speculative uses, even though such uses, in unreasonable amounts, would undoubtedly have been in violation of the Federal Reserve Act and of the policies of the Board as announced, by Regulations or otherwise, thereunder.

-IX-

Discussion as to what Mr. Mitchell actually said in his Interviews.

The question left for consideration would seem to be whether the Board would have been justified in removing Mr. Mitchell from office

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

as a Class A Director, because of what he said in the above quoted interviews.

The purport of what he said was that he considered that his Bank had an obligation, paramount to any Federal reserve warning or anything else, to avert, as far as it lay in his power, any dangerous crises in the money market, with an intimation, very clearly expressed, that he would not hesitate to rediscount at the Federal reserve bank for this purpose.

This was clearly, and was intended to be, a deliberate defiance of the authority of the Federal Reserve Board, and an attack on its policies as he apparently conceived them.

This defiance and attack was made by a Class A Director of the Federal Reserve Bank of New York who had taken oath that he would not knowingly violate, or willingly permit to be violated, any of the provisions of the Federal Reserve Act.

This interview, moreover, constituted a direct incentive to speculators to proceed in their orgy under the belief that the speculative market would be supported by the banks by the use of Federal reserve credit.

In my opinion, this statement of Mr. Mitchell would have justified the Board in removing him, even on the assumption, as to which I express no opinion, that his action in relieving the money market may have been justifiable, and even though, in fact, he did not secure any additional rediscounts to provide the funds he placed, or proposed to place, on the call loan market.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

-X-

Final Conclusion.

Assuming all of the above to be true, however, it was necessary for the Board to consider possible consequences which might arise from the exercise of its power of removal in this case.

It should be remembered that the banking situation at that time was in a state of high tension, and that the break was one of the sharpest in Stock Exchange history.

It should be further remembered, that even at the lowest prices of Tuesday, March 26, 1929, the industrial averages were left higher than at the peak of the boom in November, 1928, so that there was ample room for a further disastrous break should the tension continue, or should some new source of apprehension arise.

Looking backward, I fear that the removal of Mr. Mitchell at that time might have brought about the very collapse which finally came in October - six months later. If such had been the result of the Board's action, I am sure it would have felt that the price paid was too high for expelling Mr. Mitchell.

The Federal Reserve Board, as it stated in its warning of February 7, 1929, neither planned nor desired a crash in the New York stock market. On the contrary, I believe it saved the country from such a crash by its refusal to adopt the affirmative rate increase policy of the Federal Reserve Bank of New York.

The Board, by its policy of direct pressure under the 5% rate,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

simply sought to protect agriculture and commerce by gradually withdrawing Federal reserve credit from the speculative channels into which it had seeped, and I felt at the time there was at least some hope that this could be done without bringing on a crisis in the stock market.

The final crash of October, 1929, in my opinion, came not from the withdrawal of Federal reserve credit from speculative channels, but from the increase of speculative credit in those channels brought about by the avalanche of "bootlegging" credit consisting of loans "for others" over which the Federal Reserve System had no control, - which avalanche made the speculative credit structure so top-heavy that it finally broke of its own weight.

It would certainly have been most unfortunate if the Board, having saved the country from a collapse in the stock market by blocking the policy of the Federal Reserve Bank of New York in entering upon incisive, repeated increases in discount rates, had found that by the expulsion of Mr. Mitchell, under the tense banking conditions at the time, it had brought on the very crisis it hoped it could avoid through the operation of direct pressure upon banks to reduce their borrowings, and I am of the opinion that the Board showed good judgment in failing to visit this penalty upon him, however richly it may have been deserved.

In this connection, attention should be called to Mr. Mitchell's grotesque misinterpretation of credit conditions between the time of the above interviews and the final crash in October. For example, on

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

September 23, 1929, he stated in an interview that there was no occasion for worrying about brokers loans or credit conditions; on October 22, 1929, returning from Europe, he stated that conditions were sound, and that many securities were selling at prices below their real value; on the same day, he announced, with almost sardonic humor, that the public was suffering from brokers loanitis!

As above stated, this matter is now on the docket of the Board as unfinished business, and can be brought up at any time for final determination by any member.

In my opinion, however, it would be better for the Board to leave Mr. Mitchell in the morass in which he has placed himself, and not incur the risk of making a martyr of him by any further proceedings.

- - - - -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DIGEST OF STATE LAWS RELATING TO MEMBERSHIP OF STATE BANKS AND TRUST COMPANIES IN FEDERAL RESERVE SYSTEM AND RESERVES REQUIRED OF SUCH MEMBERS.

(Final draft)

The following digest was prepared in the office of the General Counsel to the Federal Reserve Board, with the assistance of the Counsel for the various Federal reserve banks, at the request of the Committee on Bank Reserves of the Federal Reserve System. The digest shows the provisions of the State laws permitting banks and trust companies to join the Federal Reserve System and authorizing member banks and trust companies to maintain the reserves required by the Federal Reserve Act in lieu of those required by the State law; and where the provisions on either of these points have been amended, the digest also shows the original provisions and the dates of and changes effected by all amendments.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ALABAMA.

Banks and trust companies permitted to become members of Federal Reserve System.

An act of the Legislature of Alabama approved on September 17, 1919, provides that any State bank or trust company "shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank ***". (Laws of 1919, Act approved September 17, 1919, sec. 1; Civil Code, sec. 6416; Banking Law Pamphlet, 1928, sec. 6416, p. 46.)

Compliance with Federal Reserve Act reserve requirements accepted as compliance with State law requirements.

The Act of September 17, 1919, also provides that a member bank or trust company "shall keep and maintain as a lawful reserve the same reserves as are required by the Federal Reserve Act and the amendments thereto of other banks members of the Federal Reserve System, and a compliance by such bank or trust company of this State with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves, and such bank or trust company shall not be required to carry reserves other than such as are required under the terms of the Federal Reserve Act and its amendments." (Laws of 1919, Act approved September 17, 1919, sec. 1; Civil Code, sec. 6418; Banking Law Pamphlet, 1928, sec. 6418, p. 46.)

ARIZONA.

Bank or trust company authorized to become member of Federal Reserve System.

On March 18, 1919, an act of the Legislature of this State was approved in which it was provided "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank." (Laws of 1919, Act approved March 18, 1919, ch. 99, sec. 2.)

In 1922, the Legislature enacted a new Code of the banking laws of this State and a provision covering membership in the Federal Reserve System substantially the same as the 1919 provision is included in the Code. The new Code provides "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of the Federal Reserve System created and organized under an Act of Congress of the United States and known as the Federal Reserve Act." (Session Laws of 1922, ch. 31, sec. 72; General Banking Laws, 1922, sec. 72, p. 47.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Compliance with Federal Reserve Act reserve requirements accepted as compliance with State law requirements.

The act approved March 18, 1919, also provided that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act, shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act." (Laws of 1919, Act approved March 18, 1919, ch. 99, sec. 4.)

The new 1922 Banking Code also substantially incorporates the 1919 provisions permitting a compliance with the reserve requirements of the Federal Reserve Act in lieu of the requirements of State law. In this connection, the new Code provides that "Any such bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this State relating to the maintenance of reserves." (Session Laws of 1922, ch. 31, sec. 74; General Banking Laws, 1922, sec. 74, p. 47.)

A revised code of the laws of Arizona was published in 1928, and the membership and reserve provisions set forth above have been incorporated into one section of this code. This section provides that: "Any bank may subscribe to the capital stock and become a member of the federal reserve system created and organized under an act of congress of the United States and known as the federal reserve act. The compliance of such bank with the reserve requirements of said act shall be in lieu of, and shall relieve such bank from compliance with the provisions of the laws of this state relating to the maintenance of reserves. The superintendent may * * *. (Secs. 72, 74-5, i.d. cons. a rev.)" (Revised Code of Arizona, 1928, sec. 268.)

The revised code also provides that "the term bank shall include commercial banks, savings bank and trust companies * * *. " (Revised Code of Arizona, 1928, sec. 209.)

ARKANSAS.

Banks and trust companies may own stock in Federal Reserve Bank.

An act of March 22, 1919, of the Legislature of this State provides that State banks and trust companies may "own such amount of stock in a Federal Reserve Bank as may be required by the Federal Reserve Act for all banks, trust companies or savings banks becoming members thereof." (Acts of 1919, Act of March 22, 1919, Act 339, p.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

251, sec. 3; C. & M. Digest, 1926, sec. 740; Banking Law Pamphlet, 1929, sec. 100, p. 75.)

Compliance with Federal Reserve Act requirements held compliance with State law requirements.

The Act of March 22, 1919, also provides that member banks and trust companies "shall keep and maintain as a lawful reserve, the same reserves as are required of other bank members of the Federal Reserve System" and such a compliance by member banks and trust companies "shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves." (Acts of 1919, Act of March 22, 1919, Act 339, p. 251, sec. 1; C. & M. Digest, 1926, sec. 738; Banking Law Pamphlet, 1929, sec. 103, p. 77.)

CALIFORNIA.

Banks expressly and trust companies impliedly authorized to become members of Federal Reserve System.

In 1913, the so-called Bank Act of California was amended so as to provide in part that any bank "is hereby authorized and empowered to join or associate itself with any 'national reserve association of the United States' or branch thereof, or any plan now or hereafter created or established by act of congress whether such banking or currency association or plan be created by congress under the above or any other name". (California Bank Act, as amended in 1913, sec. 56.) The section of the laws containing the above provision was amended in 1915, but the wording of the provision in question was not changed.

In 1919, the bank act was further amended so that it now provides in part that "Any bank is hereby authorized and empowered to become a member of a Federal reserve bank. Nothing in this act shall prohibit any such bank from becoming a member of a Federal reserve bank, in the manner provided in the federal reserve act, nor from investing any part of its capital or surplus or reserve fund in the capital stock of such federal reserve bank, in accordance with the terms and provisions of such federal reserve act; * * *." (California Bank Act, as amended in 1919, sec. 56.)

In 1919 legislation also amended the laws covering trust companies so as impliedly to authorize such companies to become members of the Federal Reserve System, the provision in question providing in part that "Any trust company upon becoming a member of a federal reserve bank is authorized and empowered * * * ". (California Bank Act, as amended in 1919, sec. 90.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The California Bank Act provides that the word "bank" as used therein shall include any corporation "transacting a trust business". (California Bank Act, sec. 2.)

Compliance with reserve provisions of Federal Reserve Act as relieving compliance with State law.

Prior to 1919, member banks and trust companies were not permitted to maintain the reserves prescribed by the Federal Reserve Act in lieu of the reserves prescribed by the State law, as legislation enacted in 1915 only permitted such banks and trust companies to maintain as reserves on deposit with a Federal reserve bank such portion of their total reserves as was required by members of the Federal Reserve System. (California Bank Act, as amended in 1915, sec. 20.)

In the Bank Act, as amended in 1919, there were two provisions relating to reserve requirements which read as follows:

"Sec. 20. Every commercial bank shall maintain total reserves * * *

"If any bank shall have become a member of a federal reserve bank, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of, and shall relieve such bank from compliance with, the provisions of this section. * * *."

"Sec. 68. Every savings bank or savings department of a bank shall at all times maintain total reserves * * *

"If any bank shall have become a member of a federal reserve bank, it shall at all times maintain the reserves required by the federal reserve act for time deposits, and in addition thereto shall be required to maintain a reserve of at least two per centum of its aggregate deposits, exclusive of United States, postal savings, state, county and municipal, and other public money deposits, which are secured as is required by law, which two per centum shall consist of gold bullion, or any form of money or currency authorized by the laws of the United States."

That part of Section 20 above quoted has not been amended since its enactment in 1919, but that part quoted from Section 68 was amended in 1921 to read as follows:

"If any savings bank shall have become a member of a federal reserve bank, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of, and shall relieve such savings bank or savings department of a departmental bank from compliance with the provisions of this section." (L. 1921, ch. 780, sec. 28, p. 1400.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It will be noted that in the above quoted provisions of section 20 there is no specific reference to the reserve requirements of trust companies; and, although the word "bank" is defined by the Bank Act as including any corporation "transacting a trust business" (California Bank Act, sec. 2), it would seem to be a question of construction as to whether or not trust companies could be included within the meaning of the word "bank", as the word is used in that part of section 20 relating to banks which have become members of the Federal Reserve System, inasmuch as the opening sentence of the section refers to commercial banks.

COLORADO.

Banks and trust companies permitted to become members of Federal Reserve System.

Under the terms of an act approved April 4, 1919, a State bank or trust company is given "power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Laws of 1919, Act approved April 4, 1919, p. 298, sec. 2; Courtright's Mills Annotated Stats., 1930, sec. 403 i - 403 j, p. 192 b; Banking Law Pamphlet, 1928, sec. 167, p. 80.)

Compliance with Federal Reserve Act reserves relieves compliance with reserve requirements of State law.

In 1923, the legislature of this State enacted legislation prescribing when member banks and trust companies may be relieved from complying with State reserve laws, the provision in this connection providing that "with the approval of the State Bank Commissioner, any corporation now or hereafter organized under the laws of this state as a trust company or banking trust company, or enjoying and exercising the rights, powers and privileges of a bank and trust company, under the laws of the state, if a member of a Federal reserve bank, may by a compliance with the requirements of the Federal Reserve Act and the regulations of the Federal Reserve Board as to the maintenance of reserves, be relieved to the requirements of the laws of this state relating to such reserves." (Laws of 1923, p. 191, sec. 1; Courtright's Mills Annotated Stats., 1930, sec. 341a, p. 146a; Banking Law Pamphlet, 1928, sec. 149, p. 73.)

CONNECTICUT.

Banks and trust companies may purchase stock in Federal Reserve Bank.

Prior to 1931 the laws of this State did not contain any provisions expressly authorizing banks or trust companies to purchase

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

stock in and become members of federal reserve banks. Under the terms of an act approved June 8, 1927, however, banks and trust companies "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed twenty-five per centum of its combined capital, surplus and undivided profits and provided its investment in the stock of any one corporation shall not exceed ten per centum of the stock of that corporation or exceed ten per centum of the percentage prescribed herein, whichever may be the greater, * * * " (Public Acts, 1927, Act approved June 8, 1927, ch. 251.) The Act just referred to was included, without change in the language quoted above, in the General Statutes of Connecticut, Revision of 1930, Vol. II, Title 37, ch. 206, sec. 3885.

Section 3885 of the General Statutes was amended by ch. 162 of the Public Acts of 1931, effective July 1, 1931, and as so amended it expressly recognizes the right of banks and trust companies to hold federal reserve bank stock. As amended it provides in part, that a bank or trust company "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed ten per centum of its combined capital, surplus and undivided profits, and provided its investment in the stock of any one corporation shall exceed neither five per centum of the stock of that corporation nor three per centum of such combined capital, surplus and undivided profits, except that such corporate stocks as were owned on April 1, 1931, may be retained, but such limitations shall not apply to the stock of any federal reserve bank, * * *."

State reserve laws do not apply to members of Federal Reserve System.

On May 29, 1925, an act of the General Assembly of this State was approved which provides that "The provisions of the general statutes relating to reserves and cash balances of state banks and trust companies shall not apply to any bank or trust company which is a stockholder in any federal reserve bank". (Connecticut Public Acts, 1925, Act approved May 29, 1925, ch. 135.) The provision above referred to is now incorporated in the General Statutes of Connecticut, Revision of 1930, Vol. II, Title 37, ch. 206, sec. 3898, exactly as quoted with the exception of the word "general", which has been omitted.

DELAWARE.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, legislation was enacted in this State which makes

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it lawful for State banks and trust companies to become members of the Federal Reserve System. (Act of March 8, 1915, Laws of Delaware, ch. 107, p. 322; Banking Law Pamphlet, 1929, sec. 18, p. 38.)

Member banks and trust companies only required to maintain reserves required by Federal Reserve Act.

An act enacted in 1919, by the General Assembly of this State, provides in part that the "State bank commissioner in determining, in the course of his examination, the amount of lawful money reserve required under any law of this State to be maintained, at all times, by State Banks and Trust Companies, shall not require such State Banks and Trust Companies as may be members of the Federal Reserve Bank in the Federal Reserve District embracing the State of Delaware to maintain a greater reserve than that required by the Federal Reserve Act". (Session Laws of 1919, ch. 111, p. 255, sec. 9; Banking Law Pamphlet, 1929, sec. 9, p. 10.)

FLORIDA.

Banks and trust companies authorized to invest in stock of Federal Reserve Banks.

The legislature of this State, by an act of June 4, 1917, provided "That it shall be unlawful for any bank or trust company

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"organized under the laws of this State and doing business in this State, to directly or indirectly invest any of the funds of said bank or trust company in stock of any incorporated company in this State or elsewhere, except in the stock of the Federal Reserve Bank of this district; * * * " (Acts of 1917, Act of June 4, 1917, ch. 7629, sec. 2.)

The Act of June 4, 1917, was amended in 1929, but the wording above quoted was not changed. (Acts of 1929, ch. 13576, sec. 11; Banking Law Pamphlet, 1930, sec. 4152, p. 16.)

No provisions permitting compliance with reserve provisions of Federal Reserve Act.

The laws of this State do not appear to contain any provisions specifically authorizing a member bank or trust company to maintain reserves in accordance with the provisions of the Federal Reserve Act in lieu of State law requirements.

GEORGIA.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, legislation was enacted in this State which expressly authorized State banks and trust companies "to subscribe for stock and become members of the Federal Reserve Bank of the district to which they may properly be assigned by the Federal Reserve Board * * *; provided the same is approved by resolution of the Board of directors of such bank and in accordance with the requirements of the Federal Reserve Act". (Acts of 1915, p. 33.)

On August 16, 1919, an act was approved which repeals the above provision, but which contains a provision authorizing banks to become members of the Federal Reserve System and which is in many respects similar to the repealed provision. The 1919 act provides in part that "Banks are authorized and empowered to subscribe for stock and become members of the Federal Reserve Bank of the district to which they properly may be assigned by the Federal Reserve Board, in accordance with the Acts of Congress regulating Federal Reserve Banks, and any bank becoming such member shall be authorized to conform to the requirements and regulations of such Federal Reserve Bank, and of the Federal Reserve Board". (Laws of 1919, Act approved August 16, 1919, Art. XIX, sec. 38; Banking Law Pamphlet, as amended to and including August 26, 1925, Art. XIX, sec. 38.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The act of August 16, 1919, also contains the provision that "No bank shall subscribe for or purchase any stocks except stock in the Federal Reserve Bank * * *, necessary to qualify for membership therein, * * * ". (Laws of 1919, Act approved August 16, 1919, Art. XIX, sec. 23.); and, although the section of the laws containing this provision was amended in 1924 and 1930, the effect of the provision was not changed.

It will be noted that the 1915 legislation expressly authorized both banks and trust companies to become members while the sections of the 1919 provisions (sec. 23, as amended in 1924 and 1930, and sec. 38) expressly authorize only banks to join the Federal Reserve System. The laws of Georgia, however, define the word "bank", as used in the banking laws, as including trust companies doing a banking business. (Laws of 1919, Act approved August 16, 1919, Art. 1, sec. 1; Banking Law Pamphlet, as amended to and including August 26, 1925, Art. 1, sec. 1, p. 1.)

Compliance with reserve provisions of Federal Reserve Act deemed compliance with provisions of State law.

By an Act approved August 20, 1918, the General Assembly of this State provided that any State bank or trust company "which is or which becomes a member of a Federal Reserve bank shall keep and maintain as a lawful reserve the same reserves as are required of other banks members of the Federal Reserve System, and a compliance by any such bank or trust company in this state with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves, and such bank or trust company shall not be required to carry reserves other than such as are required under the terms of the Federal Reserve Act". (Laws of 1918, Act approved August 20, 1918, sec. 1.)

In 1919, the above provision was repealed, and with reference to reserves, the new legislation provided "that any bank which is a member of the Federal Reserve System may in lieu of the reserve herein required keep and maintain such reserve as is required under the Acts of Congress relating to Federal Reserve Banks". (Laws of 1919, Art. XIX, sec. 27.) This provision appears to cover trust companies (Laws of 1919, Art. 1, sec. 1.); and although the section of the laws in which the provision in question was contained was amended in 1920, the wording remained the same. (Michie's Annotated Code, 1926, sec. 2366 (173); Banking Law Pamphlet, as amended to and including August 26, 1925, Art. XIX, sec. 27, p. 77.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

IDAHO.

Banks and trust companies authorized to subscribe to Federal Reserve Bank stock.

In 1915, the legislature of this State enacted legislation which authorized a "bank" to subscribe to the stock of a Federal Reserve Bank. This legislation provided that "Any bank in this state is authorized to subscribe to the stock of a Federal Reserve Bank, as provided by the laws of the United States." (Laws of 1915, ch. 81, sec. 5, p. 196.)

In 1921, the above provision was amended so as to authorize trust companies also to become members of the Federal Reserve System. (Laws of 1921, ch. 231, p. 519.)

In 1925, the legislature adopted a new code of the banking laws for this State, which provides that "Any bank incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank." (Laws of 1925, ch. 133, Art. 1, sec. 47; Banking Law Pamphlet, 1925, sec. 47, p. 24.) It will be noted that this provision only mentions "any bank"; but inasmuch as the new code includes a "trust company" within its definition of a bank, it apparently does not affect the right of trust companies to join the Federal Reserve System. (Laws of 1925, ch. 134, Art. 1, sec. 2; Banking Law Pamphlet, 1925, sec. 2, p. 2.)

Compliance with reserve requirements of Federal Reserve Act deemed compliance with reserve requirements of State law.

The 1915 legislation also provided that "Any bank becoming a member of a Federal Reserve Bank is authorized to comply with the laws of the United States, and the rules and regulations of the Federal Reserve Board and the Comptroller of the Currency, anything in this act or in the laws of this State to the contrary notwithstanding". (Laws of 1915, ch. 81, sec. 5, p. 196.) In 1921 this provision was amended to read "Any bank or trust company becoming a member of a Federal Reserve Bank, is authorized to comply with * * * all the provisions of the Federal Reserve Act and its amendments and the regulations of the Federal Reserve Board applicable to such bank or trust company and to have all the powers and assume all the liabilities conferred and imposed by said act." (Laws of 1921, ch. 231, p. 519.) These provisions perhaps authorized members to maintain reserves in accordance with the provisions of the Federal Reserve Act in lieu of the provisions of the State law.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In 1925, however, the legislature adopted a new banking code which specifically permits member banks and trust companies to comply with the reserve provisions of the Federal Reserve Act in lieu of the State law requirements, the provisions in question providing that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1925, ch. 133. Art. 1, sec. 47; Banking Law Pamphlet, 1925, sec. 47, p. 24.) Another provision of the new code also provides that "Any bank which is or becomes a member of the Federal Reserve System, shall comply with the reserve requirements of the Federal Reserve Act". (Laws of 1925, ch. 133, Art. 1, sec. 26; Banking Law Pamphlet, 1925, sec. 26, p. 16.)

ILLINOIS.

No provisions on subject.

The laws of this State do not appear to contain any provisions specifically covering either membership of banks or trust companies in the Federal Reserve System or the reserves required of such banks or trust companies.

INDIANA.

Banks and trust companies may become members of Federal Reserve System.

In 1921, the Indiana Legislature passed an act which authorizes loan, trust and safe deposit companies "to purchase and hold, for the purpose of becoming a member of a federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank, * * *; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member by the federal reserve act; * * * " (Acts of 1921, p. 42; Banking Law Pamphlet, 1929, sec. 10 (9), p. 33 (37).)

It will be noted that the above quoted provision expressly authorizes only "loan, trust and safe deposit companies"

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to purchase stock in and become member banks of a Federal Reserve Bank; and the laws do not appear to contain any provisions specifically granting a similar authorization to so-called "banks of discount and deposit". It appears, however, that such banks and savings banks are now authorized by implication to become members of the Federal Reserve System in view of the particular language used in the following provision dealing with reserves of "any bank, trust company or savings bank * * * which is or which becomes a member of a federal reserve bank".

Compliance with reserve provisions of Federal Reserve Act held compliance with provisions of State law.

In 1927, legislation was enacted in this State which provides "That any bank, trust company, or savings bank organized and doing business under the laws of this state, which is or which becomes a member of a federal reserve bank, shall keep and maintain as a lawful reserve the same reserves as are required of other bank members of the federal reserve system, and a compliance by any such bank, trust company or savings bank with the reserve requirements of the federal reserve act shall be held to be a full compliance with the provisions of the laws of this state on the subject of bank reserves, and such bank, trust company, or savings bank shall be required to carry only such reserves as are required under the terms of the federal reserve act." (Acts of 1927, ch. 152, p. 461, sec. 1; Banking Law Pamphlet, 1929, sec. 1, p. 80.)

IOWA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the General Assembly of this State passed an act which provides "That any state bank, savings bank or trust company organized under the laws of this state is authorized and empowered, upon a vote of the shareholders thereof owning not less than fifty-one per cent of the capital stock of such state bank, savings bank or trust company, to become a member of the federal reserve bank and to invest their funds in the stock of the federal reserve bank in the federal reserve district in which such banks or trust companies are located, and to incur liability therefor." (Laws of 1915, sec. 1889-O; Code of 1927, sec. 9269.)

Compliance with reserve provisions of Federal Reserve Act only required of member banks and trust companies.

In 1919, the General Assembly of this State passed legislation

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

requiring member banks and trust companies to carry only the reserves prescribed by the Federal Reserve Act. That legislation provides that "Any state bank, savings bank, or trust company incorporated under the laws of this state, which is or hereafter may become a member of the federal reserve bank system of the United States of America, shall be required to carry during the period of such membership only such cash reserve funds as may be required from time to time to be maintained by national bank members of said federal reserve bank system." (Laws of 1919, ch. 319, sec. 1; Code of 1927, sec. 9270; Banking Law Pamphlet, 1929, sec. 9270, p. 35.)

KANSAS.

Banks expressly permitted to become members of Federal Reserve Bank.

In 1915, the legislature of this State amended the laws prohibiting a bank from making certain investments of its funds so as to provide that "any bank may become a stockholder in, and member of, the Federal Reserve Bank of the Federal Reserve district where such state bank is located". (Laws of 1915, ch. 88, sec. 1; Rev. Stats. of 1923, sec. 9-111.) The section of the laws containing this provision was amended in 1921, and again in 1927; but neither of these amendments altered the effect of the 1915 provision.

Trust companies apparently permitted to become members of Federal Reserve System.

The laws of this State do not contain any provisions expressly permitting or authorizing trust companies to become members of the Federal Reserve System; but it would seem that such institutions have this right under a provision which empowers them "to buy and sell all kinds of government, state, county, municipal and corporation bonds, and all kinds of negotiable and non-negotiable paper, securities and stocks: Provided, That the total investment of any such trust company in bank stock shall at no time exceed one-fourth its paid-up capital: * * * ". (Laws of 1901, ch. 407, sec. 2, as amended by Laws of 1903, ch. 528, sec. 1, as amended by Laws of 1907, ch. 425, sec. 1, Act of March 21, 1907; Rev. Stats. of 1923, sec. 17-2002; Banking Law Pamphlet, 1929, sec. 2 (8), p. 37.). It is understood, however, that at the present time there are no trust companies in this State which are members of the Federal Reserve System.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No provisions permitting compliance with reserve requirements of Federal Reserve Act in lieu of State law requirements.

The laws of this State do not appear to contain any provisions permitting members of the Federal Reserve System to maintain reserves in accordance with Federal Reserve Act requirements instead of State law requirements.

KENTUCKY.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1914, the legislature of this State passed an act which provides that "Any bank or trust company organized under the laws of this Commonwealth may subscribe for and own stock of the Federal Reserve Bank within the Federal reserve district where such bank or trust company is located and may take any steps necessary to become a member of such Federal reserve bank." (Laws of 1914, ch. 16, sec. 1; Carroll's Kentucky Stats., 1930, sec. 584a; Banking Law Pamphlet, including 1926 legislation, sec. 584a, p. 25.)

Provisions regarding reserves.

On March 14, 1914, an Act of the General Assembly was approved permitting State banks and trust companies to purchase stock in a Federal reserve bank and prescribing new reserve requirements for State banks and trust companies. (Acts of 1914, ch. 16, p. 61,). With reference to reserves, the act provided that "each bank and trust company, organized under the laws of this Commonwealth and authorized by law to receive deposits shall keep on hand, at all times, at least twelve per cent of its total demand deposits and five per cent of its total time and savings deposits; and, in cities which are reserve or central reserve cities, under the Act of Congress of December 23, 1913, known as the Federal Reserve Act, at least fifteen per cent of its total demand deposits and five per cent of its total time and savings deposits; one-third of which reserve shall be in money and the remainder may be in balances due from other banks and subject to call. * * *." This act, however, contained no provision expressly authorizing member banks and trust companies to maintain the reserves required by the Federal Reserve Act in lieu of those required by the State law. The provision just quoted became Section 584 of "Kentucky Statutes, Carroll's 1915 Edition", which, together with the Baldwin Law Book Company's 1918 Supplement was adopted as the law of Kentucky on March 24, 1922 (Acts 1922, ch. 104, p. 295.).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Section 2 of the Act of March 26, 1918, provided, "That Section 584, Kentucky Statutes, (Carroll 1915) be and same hereby is amended and reenacted", so as to add a new paragraph providing in part that "any such (member) bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this Commonwealth relating to the maintenance of reserves" (Acts of 1918, ch. 34, sec. 2, p. 100); and the entire section was designated as Section 584 in the 1922 edition of Carroll's Kentucky Statutes.

Chapter 127 of the Kentucky Acts of 1922, p. 377 (which became a law without being either approved or disapproved by the Governor) provides, in part, that: "Section 584, Kentucky Statutes, (Carroll's 1915 Edition), be and the same is hereby amended by eliminating the words twelve per cent, five per cent and fifteen per cent, wherever same appear in said section, and substituting therefor the words seven per cent, three per cent and ten per cent, so that said section, when amended and re-enacted, will read as follows:"

Following this, there is quoted the provisions of Section 584 of the Kentucky Statutes (Carroll's 1915 Edition) with the changes in the percentages of reserves to be maintained; but the new paragraph added to Section 584 of the Kentucky Statutes (Carroll's 1915 Edition) by Section 2 of the Act of March 26, 1918, was omitted. Under these circumstances, it is difficult to determine whether the General Assembly intended to repeal the provision permitting the maintenance by member banks and trust companies of the reserves required by the Federal Reserve Act in lieu of those required by State law, or whether the Legislature intended only to amend the paragraph pertaining to the percentages of reserves to be maintained by all State banks and trust companies, member and nonmember. There is, however, printed on pages 378 and 379 of the Kentucky Acts of 1922, apparently as part of Chapter 127 thereof, a resolution adopted on September 8, 1920, by the 28th annual meeting of the Kentucky Bankers' Association, from which it is clear that the purpose of this law was to reduce the reserves required of State banks to the amount required by the Federal Reserve Act of member banks of the Federal Reserve System, and the resolution contains no indication of any intention to deprive State members of the Federal Reserve System of the privilege of maintaining the reserves required by the Federal Reserve Act in lieu of those required by State law. (The only difference is that, under the State law, one-third of the reserves is required to be in money and the remainder in balances due from other banks and subject to call, whereas, under the Federal Reserve Act the entire reserve is required to consist of an actual net balance with the Federal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Reserve Bank.) The compiler of this digest is informed that member banks and trust companies in the State of Kentucky continue to maintain the reserves required by the Federal Reserve Act in lieu of those required by State law; so that, in practice, Chapter 127 of the Kentucky Acts of 1922 apparently has been construed as not repealing the paragraph on this subject added to section 584 of the Kentucky Statutes (Carroll's 1915 Edition) by the Act of March 26, 1918.

LOUISIANA.

Banks and trust companies permitted to become members of Federal Reserve System.

All State banks, savings banks and trust companies organized under the laws of Louisiana are "authorized and empowered to subscribe for stock and become members of the Federal Reserve Bank of the District to which they may properly be assigned by the Federal Reserve

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Board in accordance with the Act of Congress adopted December 23, 1913, provided the same is approved by resolution of the Board of Directors of such bank and in accordance with the requirements of the Federal Reserve Act." (Acts of 1914, Act No. 305, sec. 1; Banking Law Pamphlet, 1928, sec. 1, p. 79.)

No provisions permitting compliance with Federal Reserve Act reserve requirements in lieu of State law requirements; but reserves in Federal Reserve Bank construed as "cash on hand".

The laws of this State do not contain any provisions permitting or authorizing banks and trust companies, which are members of the Federal Reserve System, to comply with the reserve requirements of Federal Reserve Act in lieu of the requirements of State law; but the laws were amended in 1918 so as to permit such member banks and trust companies to construe cash reserves deposited in Federal Reserve Banks "as cash on hand." (Act 179 of 1902, sec. 14, as amended by Act 91 of 1918; Act 45 of 1902, sec. 5, as amended by Act 92 of 1918; Banking Law Pamphlet, 1928, sec. 14, p. 10, and sec. 5, p. 29.)

MAINE.

Trust Companies authorized to become members of Federal Reserve Bank.

The laws of this State do not make any distinction between a so-called commercial bank and a trust company; and by an act approved March 31, 1915, the legislature provided that "any trust company may become a stockholder in a Federal Reserve Bank within the Federal Reserve District where said trust company is situated * * * ". (Laws of 1915, Act approved March 31, 1915, ch. 262, amending sec. 80, ch. 48 of Revised Statutes of 1903, as amended by ch. 15, Public Laws of 1905.)

On April 4, 1923, another act was approved revising and consolidating all of the banking laws; but a provision reading precisely the same as the provision above quoted is incorporated therein. (Laws of 1923, Act approved April 4, 1923, ch. 144, sec. 80, p. 199; Banking Law Pamphlet, 1927, sec. 80, p. 53.)

Federal Reserve Act reserve requirements substituted for State law requirements.

The Act of March 31, 1915, also provided that "while such trust company continues as a member bank * * * (it) shall be subject to the provisions of said 'Federal Reserve Act', and any amendments thereof relative to bank reserves in substitution for the requirements"

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the State law relating to reserves. (Laws of 1915, Act approved March 31, 1915, ch. 262, amending sec. 80, ch. 48 of Revised Statutes of 1903, as amended by ch. 15, Public Laws of 1905.)

The Act of April 4, 1923, revising and consolidating the banking laws, also uses the same wording as the above quoted 1915 provision in dealing with reserves of trust company members of the Federal Reserve System. (Laws of 1923, Act approved April 4, 1923, ch. 144, sec. 80, p. 199; Banking Law Pamphlet, 1927, sec. 80, p. 53.)

MARYLAND.

Banks and trust companies may become members of Federal Reserve System by implication; expressly permitted to carry only Federal Reserve Act reserves.

The laws of this State do not contain any provisions expressly permitting State banks and trust companies to become members of the Federal Reserve System; but it would seem that they impliedly are given this permission by legislation enacted in 1918 permitting banks which are members to carry only such reserves as are required by the Federal Reserve Act. This legislation provides that "Notwithstanding anything in this Article contained, any banking institution which is a member of the Federal Reserve System, shall not be required to keep any reserve or reserves other than those required and prescribed for banking institutions which are members of said Federal Reserve System." (Laws of 1918, ch. 33, sec. 62 c; Annotated Code of Maryland, 1924, Art. 11, sec. 65; Banking Law Pamphlet, 1928, sec. 65, p. 32.)

The laws of Maryland define a banking institution "to mean incorporated Banks, Savings Institutions and Trust Companies, and not to apply to or include building and loan associations." (Laws of 1910, ch. 219, sec. 51; Annotated Code of Maryland, 1924, Art. 11, sec. 52; Banking Law Pamphlet, 1928, sec. 52, p. 27.)

MASSACHUSETTS.

Trust companies impliedly authorized to become members of Federal Reserve System; but expressly permitted to comply with Federal Reserve Act reserve requirements in lieu of State law requirements.

The laws of this State do not make any distinction between a so-called commercial bank and a trust company; and in 1914, legislation was enacted which impliedly authorizes trust companies to become members of the Federal Reserve System, but expressly permits

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

them to comply with the reserve requirements of the Federal Reserve Act in substitution of the requirements of the State law. (Laws of 1914, ch. 537, sec. 1; General Laws, ch. 172, secs. 48 and 81; Banking Law Pamphlet relating to Trust companies, 1929, sec. 48, p. 24, and sec. 81, p. 32.)

MICHIGAN.

Banks and trust companies transacting banking business authorized to purchase stock in a Federal Reserve Bank.

In 1915, the legislature of this State passed an act authorizing banks "to purchase capital stock in a federal reserve bank, or do any other act required to be done by a bank to become a member bank * * * " (P. A. 1887, Act 205, sec. 4 (7th), as amended by P. A. 1913, Act 11 and P. A. 1915, Act 25; Comp. Laws of 1897, sec. 6093 (7th), as amended.)

The section of the laws containing the above provision was amended in 1917, 1919, 1925, and 1927; and in 1929, the legislature passed an act revising and codifying all of the laws relating to banking, but none of these amendments changed the wording of the provision in question. (For 1929, legislation see P.A. 1929, Act 66, sec. 4 (7th); Banking Law Pamphlet, 1929, sec. 4 (7th), p. 9.)

It will be noted that the provisions above referred to specifically authorize only banks to become members of the Federal Reserve System; and the laws do not appear to contain any provisions expressly authorizing a trust company engaged solely in the transaction of a trust business to become a member. Furthermore, it is understood, that there are no institutions of this general character which are now, or which have ever been, members of the System. Trust Companies, however, are permitted to do a banking business, and when they do engage in such a business in addition to their trust business they "shall, as to such business, have all the rights and benefits and be subject to all the applicable provisions of the general banking law." (P. A. 1929, Act 67, sec. 23; Banking Law Pamphlet, 1929, sec. 136, p. 68.) Accordingly, it would seem that trust companies transacting a banking business may become members of the Federal Reserve System.

Reserves of member fixed by Federal Reserve Act and not by State law.

The 1915 legislation also provided "That the amount of reserve required to be kept on hand by any such bank becoming a member bank under the said Federal Reserve Act shall be as fixed by said federal reserve act or any amendment thereto, and not as fixed by the provisions of this act." (P. A. 1887, Act 205, sec. 4 (7th), as amended by P. A. 1913, Act 11, and P. A. 1915, Act 25; Comp. Laws of 1897, sec. 6093 (7th), as amended.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The section of the laws containing the above provisions was amended in 1917, 1919, 1925, and 1927; but none of these amendments changed the wording of the provisions in question.

In 1929, the legislature passed an act revising and codifying all the laws relating to banking, and although the wording of the above provision is changed slightly the effect of the provision remains the same. The 1929 legislation provides specifically "That the amount of reserve required to be kept on hand by any bank which is a member of the federal reserve system shall be as fixed by the federal reserve act or any amendment thereto, and not as fixed by the provisions of this act". (P. A. 1929, Act 66, sec. 21; Banking Law Pamphlet, 1929, sec. 30, p. 21.) As stated above, trust companies transacting a banking business apparently may become members of the Federal Reserve System; and the provisions under which they may become such members would also seem to authorize them to carry reserves in accordance with the above quoted reserve provision.

MINNESOTA.

Banks and trust companies permitted to become members of Federal Reserve Bank.

On March 6, 1915, an act of the legislature of this State was approved which provides that "Any incorporated State bank or trust company may become a member of the Federal Reserve Bank of the Federal Reserve District in which said bank or trust company is located and may invest in and hold stock therein". (Laws of 1915, Act approved March 6, 1915, ch. 28, sec. 1; Mason's Minnesota Statutes, 1927, sec. 7649; Banking Law Pamphlet, 1929, p. 23.)

No provisions permitting compliance with Federal Reserve Act reserve requirements in lieu of State law requirements.

The laws of this State do not appear to contain any provisions permitting State banks and trust companies which are members of the Federal Reserve System to maintain reserves required by the Federal Reserve Act in lieu of those required by State law.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

MISSISSIPPI.

Banks and trust companies permitted to become members of Federal Reserve System.

An act of the legislature of this State approved on March 9, 1914, provided that "no part of the stock of any bank, except regional reserve banks, doing business in this State, shall be owned by any bank under the provisions of this act". (Laws of 1914, ch. 124, Act approved March 9, 1914, sec. 64; Miss. Code, 1930, sec. 3821.)

In 1918, the legislature of this State legislated more specifically with reference to membership in the Federal Reserve System. That legislation provides that any State bank or trust company "shall have power to subscribe to the capital stock and become a member of a Federal Reserve Bank" created under the Federal Reserve Act. (Laws of 1918, ch. 248; Brown's Mississippi and Federal Statutes, 1925, sec. 87, p. 83; Miss. Code, 1930, sec. 3842.)

Reserves required by Federal Reserve Act may be maintained in lieu of reserves required by State law.

The 1918 legislation also provides that member banks and trust companies "shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from, compliance with the provisions of the laws of this State relating to the maintenance of reserves." (Laws of 1918, ch. 248; Brown's Mississippi and Federal Statutes, 1925, sec. 88, p. 83; Miss. Code, 1930, sec. 3843.)

MISSOURI.

Banks and Trust companies authorized to become members of Federal Reserve Bank.

In 1915, the General Assembly of this State enacted legislation which authorized every bank "to purchase and hold, for the purpose of becoming a member of a Federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * *; to become a member of such Federal reserve bank and to have and exercise all powers, not in conflict with the laws of this State, which are conferred upon any such member bank by the 'Federal reserve act' and any amendments thereto." (Laws of 1915, p. 132; Revised Stats., 1929, sec. 5354.) The 1915 legislation also contained similar provisions authorizing trust companies to join the Federal Reserve System.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Laws of 1915, p. 165; Revised Stats. of 1929, sec. 5421; Banking Law Pamphlet, 1919, sec. 11789 (13) p. 98.) The section of the laws containing the provisions covering banks was amended by an act approved March 23, 1927, but the portion authorizing banks to become members of the Federal Reserve System is unchanged. (Revised Stats., 1929, sec. 5354; Laws of 1927, Act approved March 23, 1927, sec. 4. p. 219.)

Member banks and trust companies only required to maintain Federal Reserve Act reserves.

The General Assembly of 1915 also passed legislation to the effect that "any bank becoming a member of a federal reserve bank, and while it continues such member, shall be required to maintain only such reserves as are required by the Federal Reserve Act and any amendments thereto". (Laws of 1915, p. 155). This legislation also granted a similar permission to trust companies. (Laws of 1915, p. 177). The sections of the laws containing these provisions were amended in 1927, but the wording of the provisions in question is unchanged. (Revised Stats., of 1929, secs. a5360 and a5432; Laws of 1927, Act approved March 23, 1927, sec. 6, p. 227, and Act approved April 5, 1927, sec. 3, p. 242.)

MONTANA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

By an act approved March 6, 1915, the legislature of this State provided that "Any bank is hereby authorized and empowered to join or associate itself with the National Reserve Association of the United States, or any branch thereof, and nothing herein contained shall prevent or prohibit any bank from joining or associating itself with any such association or branch thereof or from investing any part of its capital or surplus in the stock of such association or branch thereof, * * * . " (Laws of 1915, Act approved March 6, 1915, ch. 89, sec. 23). This legislation defined a "bank", wherever it was used therein, as including a trust company, so that trust companies apparently were also authorized to join the "National Reserve Association" by the above provision. (Laws of 1915, Act approved March 6, 1915, ch. 89, sec. 2).

The above quoted provisions were not amended until March 8, 1927, when an act revising and codifying the banking laws of this State was passed. The new banking code, however, does not

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

change the effect of either of the provisions, and the only change made in the provision authorizing banks and trust companies to join the Federal Reserve System, is to substitute the term "Federal Reserve Bank" for the term "National Reserve Association of the United States" and the word "Bank" for the word "association" wherever such term or words appeared in the 1915 provision. (Laws of 1927, Act approved March 8, 1927, ch. 89, se s. 28 and 2 ; Banking Law Pamphlet, 1927, sec. 28, p. 27, and sec. 2, p. 7.)

Compliance with reserve provisions deemed compliance with provisions of State law.

The act of March 6 also provided that any bank or trust company "which shall become a member of the Federal Reserve Bank Association, and shall in all respects comply with the rules and regulations of that association, shall be deemed to have complied with the provisions of this Act." (Laws of 1915, Act approved March 6, 1915, ch. 89, secs. 50 and 2.) It would seem that this provision authorized a compliance with the reserve provisions of the Federal Reserve Act in lieu of the provisions of the State law.

In 1917, the section of the Montana laws containing the above provision was amended (Laws of 1917, ch. 136, sec.1), but this provision remained unchanged; and in 1921, the section was further amended. This time the provision above quoted was changed so as specifically to provide that "a compliance with the federal reserve banking laws, rules and regulations by member banks (and trust companies) shall be held to be a compliance with the reserve requirements and conditions of this act, and entitle such Federal reserve member banks (and trust companies) to the rights and privileges accruing from a compliance with this act". (Laws of 1921, ch. 94, sec. 1.)

In 1927, this provision was again amended by an act approved March 8, 1927, revising and codifying the banking laws of this State, but the effect of the provision is the same. The new banking code provides in part that "a compliance with the Federal reserve banking laws, rules and regulations by member banks (and trust companies) shall be held to be a compliance with the reserve requirements and conditions of this Act". (Laws of 1927, Act approved March 8, 1927, ch. 89, secs. 53 and 2; Banking Law Pamphlet, 1927, sec. 53, p. 36, and sec. 2, p. 7.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NEBRASKA.

Banks and trust companies authorized to become members, but not now expressly authorized to maintain reserves in accordance with Federal Reserve Act instead of in accordance with State law.

By an act approved April 12, 1915, the legislature of this State provided that "any bank or trust company, incorporated under the laws of this state shall have power to subscribe to the capital stock, and become a member, of a federal reserve bank * * * and shall have power to assume such liabilities and to exercise such powers as a member of such federal reserve bank as are prescribed by the provisions of said act, or amendments thereto; and, so long as such bank shall remain a member of the federal reserve system * * *, it shall be subject * * * to all provisions of said federal reserve act and regulations made pursuant thereto by the federal reserve board which are applicable to such banks as members of the federal reserve system; * * * ". (Laws of 1915, Act approved April 12, 1915, ch. 175, sec. 1, p. 359.) That act made no specific mention of member banks and trust companies maintaining the reserves required by the Federal Reserve Act in lieu of those required by the State law.

Under date of March 19, 1919, an act of the legislature was approved repealing the above provisions; but, except for omitting any reference to a trust company and except for including a provision providing that a compliance by a bank with the reserve provisions of the Federal Reserve Act relieved such bank from complying with the reserve provisions of State law, this act read precisely the same as the 1915 provisions above quoted. (Laws of 1919, Act approved March 19, 1919, ch. 16, p. 77.) The 1919 act, with reference to reserves, specifically provided that "Any bank complying with the reserve requirements of the federal reserve act, and its amendments, shall be relieved from compliance with the provisions of the laws of this state relating to the maintenance of reserves".

On April 19, 1919, another act was approved which was entitled the "Civil Administrative Code", and which, although it repealed the Act of March 19, 1919, contained a section (section 64) reading the same as the repealed act read. In addition, the Act of April 19, 1919, contains a section (section 65) restoring to trust companies the right to join the Federal Reserve System; but it does not contain a provision similar to the provision which was included in section 64 relieving banks from complying with State law reserve requirements if they observed Federal Reserve

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Act reserve requirements. (Laws of 1919, Act approved April 19, 1919, ch. 190, art. XVI, secs. 64 and 65, pp. 711 and 712.)

On April 14, 1921, an act was approved which repeals section 64 of the Act of April 19, 1919. This act retains the provisions authorizing banks to join the Federal Reserve System, but it does not retain the provision authorizing a compliance with the reserve requirements of the Federal Reserve Act in lieu of the reserve requirements of State law. (Laws of 1921, p. 953.)

No other amendments appear to have been made to the laws of this State covering membership in the Federal Reserve System and the reserves required of such members; and it appears that at the present time both banks and trust companies are authorized to subscribe to stock in and become members of a Federal reserve bank but that they are not specifically authorized to maintain reserves in accordance with the Federal Reserve Act instead of in accordance with State law. The present law on this subject will also be found in the 1929 Compiled Statutes of Nebraska, secs. 8-162 and 8-163, pp. 114 and 115.

NEVADA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919, the legislature of this State enacted legislation which provides in part that any State bank or trust company "shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Acts of 1919, ch. 126, sec. 2, p. 241; Banking Law Pamphlet, 1927, sec. 2, p. 34.)

Federal Reserve Act reserves may be maintained in lieu of reserves required by State law.

The 1919 act also provides that a compliance by a member bank or trust company with the reserve requirements of the Federal Reserve Act "shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1919, ch. 126, sec. 4, p. 241; Banking Law Pamphlet, 1927, sec. 4, p. 34.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NEW HAMPSHIRE.

Trust companies may become members of Federal Reserve System by implication; expressly permitted to carry only Federal Reserve Act reserves.

The laws of this State do not contain any provisions expressly permitting either banks or trust companies to become members of the Federal Reserve System; but trust companies are impliedly given this right by legislation which was enacted in the year 1915, and which subjects them to the reserve requirements of the Federal Reserve Act instead of the State law reserve requirements. This legislation provides in part that "A trust company which becomes a stockholder in a federal reserve bank within the federal reserve district where such trust company is situated may have and exercise any and all of the corporate powers and privileges incident thereto, which may be exercised by member banks * * *; and while such trust company continues as a member bank under the provisions of said federal reserve act, or any acts in amendment thereof, it shall be subject to the provisions thereof relative to bank reserves", in substitution for the State law reserve requirements. (Laws of 1915, ch. 109, sec. 28; Pub. Laws, ch. 264, sec. 7; Banking Law Pamphlet, 1929, sec. 7, p. 32.)

NEW JERSEY.

Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

In an act approved April 14, 1914, the legislature of this state provides that any State bank or trust company may become a member of the Federal reserve bank of the Federal reserve district in which such bank or trust company is located, and "may subscribe for, purchase, hold and surrender, from time to time, such amounts of the capital stock of such federal reserve bank as such trust company or state bank may deem advisable, or as may be required under said 'federal reserve act', or any amendment thereof, in order to obtain and continue such membership, and upon the purchase of such stock, to assume the liabilities and become entitled to the benefits recited in said 'federal reserve act'." (Laws of 1914, Act approved April 14, 1914, ch. 159, sec. 1; Banking Law Pamphlet, 1930, p. 136.)

Federal Reserve Act reserve requirements substituted for State law requirements.

In an act approved March 29, 1917, member banks and trust

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

companies are made "subject to the provisions of the federal reserve act and any amendments thereto relative to bank reserves, in substitution for the requirements of the laws of this State concerning bank reserves for trust companies or state banks not members of the federal reserve bank". (Laws of 1917, Act approved March 29, 1917, ch. 225, sec. 1; Banking Law Pamphlet, 1930, p. 137.)

NEW MEXICO.

Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

By an act approved March 15, 1915, the legislature of this State provided that "Any incorporated State bank may apply to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve Bank organized within the Federal Reserve District where the applicant bank is located, and may become a stockholder of such bank and exercise all of the powers of member banks in accordance with the provisions of the Act of Congress entitled 'Federal Reserve Act', approved December 23, 1913". (Laws of 1915, Act approved March 15, 1915, ch. 67, sec. 96.) The laws of this State designate the provisions covering banking as the "Bank Act" and provide that wherever the word "Bank" is used in the Act it includes trust companies. (Laws of 1915, ch. 67, sec. 2; New Mexico Statutes, Annotated, 1929, sec. 13-102; Banking Law Pamphlet, 1929, sec. 2, p. 5.)

In 1919, the legislature incorporated the above quoted provision in precisely the same language in other legislation it enacted covering member banks and trust companies. (Laws of 1919, ch. 120, sec. 35; New Mexico Statutes, Annotated, 1929, sec. 13-701; Banking Law Pamphlet, 1929, sec. 96, p. 32.)

Compliance with reserve requirements of Federal Reserve Act constitutes compliance with reserve requirements of State law.

In 1919, this State enacted legislation which provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with these provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act." (Laws of 1919, ch. 120, sec. 35; New Mexico Statutes, Annotated, 1929, sec. 13-702; Banking Law Pamphlet, 1929, sec. 97, p. 32.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

NEW YORK.

Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

In 1914, the laws of this State were amended so as to authorize a bank or trust company "To purchase and hold, for the purpose of becoming a member of a federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * *; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the federal reserve act". (Banking Law, sec. 106, subd. 4 and sec. 185, subd. 12; Laws of 1914, ch. 369, secs. 106 and 185; Banking Laws, 1930, sec. 106, p. 69, and sec. 185, p. 147.) Section 106 of the Banking Law was amended in 1918, 1919, 1921, and 1926, but none of these amendments changed the wording of the provision above quoted.

Compliance with Federal Reserve Act reserves deemed compliance with State law.

In 1914, the reserve laws covering banks were amended so as to provide that, "If any bank shall have become a member of a federal reserve bank, it may maintain as reserves on deposit with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank; and if such bank has an office in a borough having a population of two millions or over, the remainder of its total reserves shall be carried as reserves on hand." (Banking Law, sec. 112, subd. 3; Laws of 1914, ch. 369.)

Subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 was amended by ch. 579 of the Laws of 1917, effective May 21, 1917, but this amendment did not change the wording of the provision quoted above.

Subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 as amended by ch. 579 of the Laws of 1917, was again amended by ch. 92 of the the Laws of 1918, effective March 27, 1918, to read as follows:

> " * * * if any bank shall have become a member of a federal reserve bank, it may maintain as reserves on hand with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank."

The provisions of the section quoted above were further amended by ch. 35, Laws of 1919, effective March 6, 1919, to read:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"* * * but, if any bank shall have become a member of a federal reserve bank, it shall maintain such reserves with such federal reserve bank as are required by the federal reserve act and so long as it complies with the requirements of such federal reserve act with reference to reserves shall be exempt from the preceding provisions of this section."

There have been no changes in subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 since 1919.

In 1914 the reserve laws covering trust companies were also amended so as to provide that "If any trust company shall have become a member of a federal reserve bank, it may maintain as reserves on deposit with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve". (Banking Law, sec. 197, subd. 3; Laws of 1914, ch. 369.)

The provisions of subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 were also amended by ch. 579 of the Laws of 1917, effective May 21, 1917, but this amendment did not change the wording of the provision above quoted.

Subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 as amended by ch. 579 of the Laws of 1917, was further amended by ch. 92 of the Laws of 1918, effective March 27, 1918, to read in part:

"* * * if any trust company shall have become a member of a federal reserve bank, it may maintain as reserves on hand with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank."

The provisions of the section quoted above were further amended by ch. 35 of the Laws of 1919, effective March 6, 1919, to read in part:

"* * * but if any trust company shall have become a member of a federal reserve bank, it shall maintain such reserves with such federal reserve bank as are required by the federal reserve act and so long as it complies with the requirements of such federal reserve act with reference to reserves shall be exempt from the preceding provisions of this section."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

There have been no changes in subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 since 1919.

NORTH CAROLINA.

Banks and trust companies receiving deposits authorized to become members of Federal Reserve System.

The legislature of this State did not enact legislation specifically permitting banks and trust companies to become members of the Federal Reserve System until March 10, 1919, when an act was ratified providing "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Laws of 1919, ch. 252, sec. 2, p. 461.)

On February 18, 1921, another act was ratified which repeals the above quoted provision and which provides "That any bank

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Laws of 1921, ch. 4, sec. 42, p. 91; North Carolina Code, 1927, Ann., sec. 220(q), p. 63; Banking Law Pamphlet, 1927, sec. 220(q), p. 25.)

The 1921 act further provides that "The words 'member bank' shall be held to mean any National or State bank or bank and trust company which has become or which becomes a member of one of the Federal Reserve Banks created by the Federal Reserve Act". (public Laws of 1921, ch. 4, sec. 42, p. 91; North Carolina Code, 1927, Ann., sec. 220(q); Banking Law Pamphlet, 1927, sec. 220(q), p. 25.) The laws of North Carolina also provide that "The term 'bank' when used in this act shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include * * * trust companies not receiving money on deposit." (North Carolina Code, 1927, Ann., sec. 216(a); Banking Law Pamphlet, 1927, sec. 216(a), p. 3.) In view of these definitions, it would seem that the right of trust companies, at least, trust companies receiving deposits, to join the Federal Reserve System is not taken away by the above quoted provision of the 1921 act, even though that act specifically authorizes only banks to become members and repeals the original enactment (1919) which expressly authorized both banks and trust companies to join the System.

Members of Federal Reserve System only required to maintain Federal Reserve Act reserves.

In an act which was ratified on February 19, 1919, the General Assembly of this State provided that "Any bank that is now or may hereafter become a member of a Federal Reserve Bank shall maintain the same reserves with respect to deposits as shall be required of other members of such Federal Reserve Bank." (Public Laws of 1919, Ch. 58, sec. 1, p. 77.)

An additional provision covering reserves of members of the Federal Reserve System was also included in an act which was ratified on March 10, 1919. That act provided that "A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Public Laws of 1919, ch. 252, sec. 4. p. 462.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Both of the above quoted reserve provisions are repealed by an act which was ratified on February 18, 1921 (Public Laws of 1921, ch. 4, sec. 31, p. 88, and sec. 42, p. 92; North Carolina Code, 1927, Ann. sec. 220(f), p. 60, and sec. 220(q), p. 62; Banking Law Pamphlet, 1927, sec. 220(f), p. 21, and sec. 220(q), p. 25.) However, this act incorporates almost word for word the provision of the act which was ratified on February 19, 1919; and, it substantially incorporates also the language of the provision which was ratified on March 10, 1919, although it fails to make any express mention of a trust company. This failure to mention a trust company, however, does not take away the right of a member trust company receiving deposits to carry reserves in accordance with the requirements of the Federal Reserve Act instead of in accordance with the requirements of State law, because if the definitions set forth above permit such company to become a member of the Federal Reserve System under the membership provisions they obviously permit such company also, if it is a member, to carry reserves in the same manner as a member bank under the reserve provisions of the 1921 act.

NORTH DAKOTA.

Banks expressly permitted to become members of Federal Reserve System.

An act approved February 10, 1915 contains provisions prohibiting a bank from using its assets in certain investments, but these provisions provide that such prohibitions "shall not be construed as in any way preventing a bank from investing such part of its funds in stock of the Federal reserve bank of this district as may be necessary to become a member of the Federal Reserve Association and from carrying such stock among its assets." (Laws of 1915, Act approved February 10, 1915, ch. 54, sec. 1; Supplement to the 1913 Compiled Laws of North Dakota, (1913-1925), sec. 5187; Banking Law Pamphlet, 1929, sec. 5187 Supp., p. 25.)

No provisions specifically authorizing trust companies to purchase stock in Federal Reserve Banks.

The laws of this State do not appear to contain any provisions specifically permitting or authorizing trust companies to become members of the Federal Reserve System, and it is understood that at the present time there are no trust companies in this State which are members of the System nor have such companies been members at any time in the past.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No provisions permitting compliance with reserve requirements of Federal Reserve Act in lieu of requirements of State Law.

There are no provisions in the laws of this State under which a State member bank may carry the reserves prescribed by the Federal Reserve Act in lieu of the reserves prescribed by State law.

OHIO.

Banks and trust companies authorized to join Federal Reserve System.

By an Act approved February 17, 1914, the Legislature of this State authorized every Ohio corporation having power to receive and receiving money on deposit, except building and loan associations, to become members of the Federal Reserve System, the provisions in this connection providing that any such corporation "in addition to the powers, rights and privileges possessed by it under the laws of Ohio shall have the right and power to become a member bank under the Federal Reserve Act upon the terms and conditions set forth in said Federal Reserve Act, or hereafter provided by law, in order to become a member bank as contemplated by said Federal Reserve Act". (Laws of 1914, Act approved February 17, 1914, sec. 2).

On April 11, 1919, a new banking Code for this State was approved, and provisions covering membership similar to those referred to above are included in the Code. The Code specifically provides in part that "Every bank, in addition to the powers, rights and privileges possessed by it under the laws of Ohio shall have the right and power to become a member bank under the federal reserve act upon the terms and conditions set forth in said federal reserve act, or hereafter provided by law. Every bank which becomes a member bank shall have the right and power to do everything required of or granted by said federal reserve act to member banks which are organized under state laws; * * * ". (General Code of Ohio, sec. 710-5; Banking Law Pamphlet, 1928, sec. 710-5, p. 7.)

The laws also provide that "The term 'Bank' shall include any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass-book, a note, a receipt, or other writing, and unless the context otherwise requires as used in this act includes commercial banks, savings banks, trust companies and unincorporated banks; * * * ". (General Code of Ohio, sec. 710-2; Banking Law Pamphlet, 1928, sec. 710-2, p. 5.) Trust companies, therefore, may become members of the Federal Reserve System, under

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the above quoted provisions of the 1919 banking code.

Members may keep Federal Reserve Act reserves in lieu of those required by State law.

The act approved February 17, 1914, contained a provision to the effect that a compliance by member banks and trust companies with the reserve requirements of the Federal Reserve Act "shall be accepted in lieu of the reserve requirements provided by the laws of Ohio". (Laws of 1914, Act approved February 17, 1914, sec. 2.)

The new 1919 Banking Code also incorporates word for word the 1914 provisions relating to reserve requirements. (General Code of Ohio, sec. 710-5; Banking Law Pamphlet, 1929, sec. 710-5, p. 7.)

OKLAHOMA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1921, legislation was enacted in this State authorizing State banks and trust companies to join the Federal Reserve System. This legislation provides in part that any State bank or trust company "shall have power to subscribe to the capital stock and become a member of the Federal Reserve Bank". (Laws of 1921, p. 143; Comp. Oklahoma Statutes., 1921, sec. 4156; Banking Law Pamphlet, 1927, sec. 49, p. 34.)

Compliance with Federal Reserve Act reserve requirements deemed compliance with State law requirements.

The 1921 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1921, p. 143; Comp. Oklahoma Statutes, 1921, sec. 4158; Banking Law Pamphlet, 1927, sec. 51, p. 34.)

OREGON.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the laws of this State covering banks were amended so as to authorize state banks to purchase stock in and become members of a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

F. R. Bank. That legislation provided that such banks shall have the power "To purchase and hold for the purpose of becoming a member of a F. R. Bank so much of the capital stock thereof as will qualify it for membership in such Federal Reserve Bank * * *." (Laws of 1915, ch. 285, sec. 2.) It was also provided that "Hereafter no State bank shall invest any of its assets in the capital stock of any other corporation except in the capital stock of a Federal Reserve Bank, * * *." (Laws of 1915, ch. 285, sec. 8.)

In 1917, the laws covering trust companies were amended so as to grant an authority to such companies to become members of the F. R. System similar to the authority contained in the provisions above quoted covering banks. (Laws of 1917, ch. 197, secs. 10 and 22.)

Sections 2 and 8, chapter 285, of the laws of 1915, covering banks were amended in 1917 (Laws of 1917, ch. 122, sec. 1.) and 1919 (Laws of 1919, ch. 250, sec. 1.), respectively; but neither of these amendments changed the wording of the membership provisions.

In 1925, legislation was enacted which specifically repealed the provisions above referred to but which at the same time incorporated provisions substantially the same as the repealed provisions. (Laws of 1925, ch. 207, secs. 39, 81, 98 (b) and 100; Banking Law Pamphlet, 1925, sec. 39, p. 14, sec. 81, p. 28, sec. 98 (b), p. 35, and sec. 100, p. 36.) Section 100 of the 1925 laws was amended in 1927 (Laws of 1927, ch. 417, sec. 1), and section 39 was amended in 1929 (Laws of 1929, ch. 380, sec. 8.); but neither of these amendments alter the effect of the 1925 membership provisions.

State reserve requirements not applicable to members of Federal Reserve System.

Prior to 1919, the laws of this State did not contain any provisions permitting member banks and trust companies to carry the reserves prescribed by the Federal Reserve Act in lieu of the reserves required by the State law; but member banks, by legislation enacted in 1915 (Laws of 1915, ch. 285, sec. 9) and trust companies, by legislation enacted in 1917 (Laws of 1917, ch. 197, sec. 25.), were permitted to "maintain as reserve deposits with the Federal reserve bank such portion of its (their) total reserve as shall be required by members of the Federal Reserve System". In 1919, however, legislation was enacted striking out the provisions just quoted and providing that the provisions setting out the amounts of reserves which State banks and trust companies were required to maintain "shall not apply to a State bank (or trust company) which is a member of the Federal Reserve Banking System and duly complies with all of the reserve and other requirements of that System". (Laws of 1919, ch. 8, sec. 1, and ch. 411, sec. 1.) The sections of the laws containing these provisions were amended in 1921, but the wording of the provisions was not changed. (Laws of 1921, ch. 187, and 188.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In 1925, legislation was passed which repeals the 1919 provisions, as amended in 1921, and provides that "a compliance on the part of any such (member) bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1925, ch. 207, sec. 98(d); Banking Law Pamphlet, 1925, sec. 98(d), p. 36.). With reference to savings banks or departments, this legislation also provides that "If any savings bank, or the savings department of any bank or trust company, shall have become a member of the federal reserve system, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of and shall relieve such bank or savings department of any bank or trust company from compliance with the provisions of this act as to such reserves". (Laws of 1925, ch. 207, sec. 134; Banking Law Pamphlet, 1925, sec. 134, p. 51.)

The 1925 legislation also contained an additional provision which read substantially the same as the above quoted portion of section 98(d) (Laws of 1925, ch. 207, sec. 92; Banking Law Pamphlet, 1925, sec. 92, p. 33.); and although the section which contained this additional provision was amended by an act approved March 9, 1929, the wording of the 1925 provision is unchanged. (Laws of 1929, ch. 478, sec. 1, Act approved March 9, 1929.)

PENNSYLVANIA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In an act of July 17, 1917, authority is given to a State bank or trust company "to subscribe to the capital stock and become a member of a Federal Reserve Bank * * * ". (Act of July 17, 1917, P.L. 1021, sec. 1; Purdon's Penna. Statutes, Annotated, Title 7, ch. 12, sec. 371, p. 114; Banking Laws, 1930, art. 11, sec. 464, p. 253.)

Members shall maintain reserves required by Federal Reserve Act.

It is also provided in the act of July 17, 1917, that a member bank or trust company "shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from, compliance with the provisions of the laws of this Commonwealth relating to the maintenance of reserves". (Act of July 17, 1917, P. L. 1021, sec. 3; Purdon's Penna. Statutes, Annotated, Title 7, ch. 12, sec. 373; p. 114; Banking Laws, 1930, art. 11, sec. 466, p. 253.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RHODE ISLAND.

Banks and trust companies authorized to become members of Federal Reserve Bank.

On April 19, 1917, an act of the legislature of this State was approved which provides that "A bank or trust company may subscribe to the capital stock and become a member of a Federal reserve bank within the Federal reserve district where such bank or trust company is situated * * *. Such member bank or trust company shall be subject to the provisions of said 'Federal Reserve Act' relative to member banks, and to the regulations of the 'Federal Reserve Board'. Every such member bank or trust company may have and exercise any and all of the powers and privileges which may be exercised by member banks under the provisions of said 'Federal Reserve Act'". (Acts of 1917, Act approved April 19, 1917, ch. 1514, sec. 1; Banking Law Pamphlet, 1929, sec. 9, p. 20.)

No provisions specifically authorizing compliance with reserves prescribed by Federal Reserve Act in lieu of those prescribed by State law.

The laws of this State do not contain any provisions specifically authorizing banks and trust companies which are members of the Federal Reserve System to maintain the reserves prescribed by the Federal Reserve Act in lieu of those prescribed by the State law.

SOUTH CAROLINA.

Banks and trust companies authorized to become members of "National Reserve Association of the United States".

On February 18, 1914, the legislature of this State passed an act authorizing State banks and trust companies to become members of the Federal Reserve System. This act provides that any State bank or trust company "may associate itself with any national reserve association of the United States, or any branch thereof under any law now existing, or hereafter enacted by the Congress of the United States; and may invest such part of its capital or surplus therein as may be necessary to acquire and preserve its membership in such association." (Laws of 1914, Act of February 18, 1914, sec. 1; Code of South Carolina, 1922, sec. 4002; Banking Law Pamphlet, 1928, sec. 75, p. 36.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

No provisions expressly authorizing compliance with reserves prescribed by Federal Reserve Act in lieu of reserves prescribed by State law.

The laws of this State do not contain any provisions expressly authorizing State banks and trust companies which are members of the Federal Reserve System to carry the reserves prescribed by the Federal Reserve Act in lieu of those prescribed by the State law; but the reserve required of banks is 3 per cent of time deposits and 7 per cent of demand deposits, which may consist of cash on hand or in banks. (Laws of 1923, ch. 112, p. 159.) A compliance with the reserve requirements of the Federal Reserve Act, therefore, is in effect a compliance with the State law.

SOUTH DAKOTA.

Banks and trust companies doing banking business authorized to become members of Federal Reserve Bank.

By legislation enacted in 1915, any State bank was authorized to "become a member of a federal reserve bank, pursuant to the provisions of the federal reserve act, and any act of congress supplemental thereof, and after becoming such member and shareholder it may comply with and shall be subject to said federal reserve act and such other acts of congress, anything in the laws of this state to the contrary notwithstanding". (Laws of 1915, ch. 102, art. 2).

In 1919, this provision was amended so that it now provides that any State bank "may become a member of a federal reserve bank, pursuant to the provisions of the federal reserve act, and any act of congress supplemental thereto or amendatory thereof, and after becoming such member and shareholder it may comply with such federal reserve act and such other acts of congress, provided that such state bank shall nevertheless be subject to and comply with all the laws of this state relating to banks". (Laws of 1919, ch. 125, p. 110; Comp. Laws, South Dakota, 1929, sec. 8983; Banking Law Pamphlet, 1927, sec. 8983, p. 27.)

The laws of this State provide that no trust company may "invest any of its funds in the stock of any other trust company or corporation". (Laws of 1911, ch. 255, sec. 21; Comp. Laws, South Dakota, 1929, sec. 9050; Banking Law Pamphlet, 1927, sec. 9050, p. 68); and it will be noted that the laws specifically authorize only banks to become members of the Federal Reserve System. In view of the fact, however, that the laws

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

permit trust companies to transact a banking business (Laws of 1911, ch. 255, sec. 2; Comp. Laws, South Dakota, 1929, sec. 9033; Banking Law Pamphlet, 1927, sec. 9033, p. 62), and provide that "For the purpose of this chapter every corporation, association, firm or individual in this State whose business, in whole or in part, consists in the taking of deposits or buying or selling exchange shall be held to be a bank". (Laws of 1915, ch. 102, sec. 1; Comp. Laws, South Dakota, 1929, sec. 8948; Banking Law Pamphlet, 1927, sec. 8948, p. 15), it would seem that trust companies which receive deposits or buy or sell exchange are authorized to become members of the Federal Reserve System.

No provisions authorizing compliance with reserve provisions of Federal Reserve Act in lieu of provisions of State law.

The laws of this State do not contain any provisions authorizing member banks and trust companies to observe the reserve requirements of the Federal Reserve Act instead of the requirements of the State law.

TENNESSEE.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919, the General Assembly of Tennessee enacted legislation which provides that "Any bank or trust company, incorporated under the laws of this state is authorized and shall have power to subscribe, take and pay for, as a part of its investments, shares of the capital stock of a federal reserve bank and to become a member of such federal reserve bank created and organized under the Act of Congress of the United States, approved the 23d day of December, A. D. 1913, and known as the Federal Reserve Act, and its amendments". (Baldwin's Cumulative Code Supplement, sec. 3235a-1; Public Acts, 1919, ch. 26, sec. 1.) This legislation also provides that "any investment heretofore made by any bank or trust company incorporated under the laws of this state in the capital stock of any federal reserve bank of the character mentioned in section 3235a-1, is hereby authorized and validated". (Baldwin's Cumulative Code Supplement, sec. 3235a-2; Public Acts, 1919, ch. 26, sec. 2.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Additional legislation was enacted in 1919 which provides in part that "Any bank or trust company, incorporated under the laws of this State, shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Acts, 1919, ch. 69, sec. 2; Baldwin's Cumulative Code Supplement, sec. 3235a-4.)

Members to keep Federal Reserve Act reserves in lieu of reserves required by State law.

The 1919 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Public Acts, 1919, ch. 69, sec. 4; Baldwin's Cumulative Code Supplement, sec. 3235-6.)

TEXAS.

Banks and trust companies authorized to become members of Federal Reserve Bank.

An act passed in 1914, by the Third Called Session of the Thirty-third Legislature of this State, provides that all State banks

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and trust companies "shall have authority to become members of Federal Reserve Banks under the terms and limitations as may be prescribed by the laws of the United States and such rules and regulations relative thereto as may be promulgated by lawful authority". (Acts 1914, Third Called Session, sec. 1; Baldwin's Texas Statutes, Art. 519; Banking Law Pamphlet, 1929, art. 519, p. 46.)

No provisions authorizing compliance with reserve provisions of Federal Reserve Act in lieu of provisions of State law.

The laws of this State do not appear to contain any provisions authorizing banks and trust companies which are members of the Federal Reserve System to maintain reserves in accordance with the provisions of the Federal Reserve Act instead of the provisions of the State law.

UTAH.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, the legislature of this State passed legislation which, while not expressly mentioning a Federal reserve bank, authorized a State bank or trust company to purchase, own and hold shares of the capital stock of any other bank, trust company or other corporation. (Session Laws of 1915, ch. 47, sec. 1.)

In 1919, the legislature passed another act covering membership of banks and trust companies in the Federal Reserve System. This act expressly authorizes a bank or trust company to become a member of the Federal Reserve System, by providing that "any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve System created and organized under an Act of Congress of the United States and known as the Federal Reserve Act". (Laws of 1919, ch. 19, sec. 1; Banking Law Pamphlet, 1927, sec. 1, p. 21.)

Compliance with reserve requirements of Federal Reserve Act relieves compliance with State law.

The 1919 act also provides that "Any such bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this State relating to the maintenance of reserves". (Laws of 1919, ch. 19, sec. 3; Banking Law Pamphlet, 1927, sec. 3, p. 21.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

VERMONT.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In an act approved February 21, 1919, the General Assembly of this State provides that "a bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank". (Laws of 1919, Act No. 143, approved February 21, 1919, sec. 2.)

Federal Reserve Act Reserves may be maintained in lieu of reserves required by State law.

In 1919 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1919, Act No. 143, approved February 21, 1919, sec. 4.)

VIRGINIA.

Banks and trust companies authorized to become members of Federal Reserve System.

On March 2, 1914, an act of the legislature of this State was approved in which banks were "empowered to become member banks of the federal reserve banks of the United States, * * *". (Acts of 1914, Act approved March 2, 1914; Ch. 27, sec. 1, p. 42.)

Apparently the 1914 provision continued in effect until March 27, 1928, when another act was approved "to revise, collate and codify into one act the general statutes of the Commonwealth relating to banks and banking, which act shall constitute and be designated and cited as the Virginia banking act, and to repeal all Code sections and all acts and parts of acts inconsistent therewith, and to provide penalties for the violations thereof". The 1928 act, however, does not affect the right of banks to become members of the Federal Reserve System, but merely contains a more elaborate provision on the subject, the provision in this connection stating that "Any bank heretofore or hereafter incorporated under

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"the laws of this State, may if it so elect, become a member bank of the Federal Reserve Bank System of the United States, subject to the provisions of the act of Congress of the United States, approved December twenty-third, nineteen hundred and thirteen, and of any amendments thereof permitting it to do so, and shall be vested with all powers conferred upon State member banks of the said System by terms of the said act or acts, which shall be exercised subject to all restrictions and limitations imposed by the said Federal Reserve Act or Acts, or by regulations of the Federal reserve board made pursuant thereto * * * ". (Acts of 1928, Act approved March 27, 1928, Ch. 507, Title 1, sec. 7, p. 1310; Michie's Va. Code of 1930, ch. 164A, Title 1, sec. 4149(7), p. 1046.)

It will be noted that the laws only specifically permit banks to become members of the Federal Reserve System; but in view of the fact that the word "bank", as defined in the laws, includes trust companies, they also are apparently authorized to become members under the above quoted provisions. (Michie's Va. Code of 1930, ch. 164A, Title 1, secs. 4149 (1) and 4149 (2), p. 1044.)

Compliance with reserve requirements of Federal Reserve Act authorized.

The laws of Virginia provide "that when any bank has become a member of the Federal reserve bank system, it shall be required to comply with the reserve requirements of the Federal reserve act". (Act of 1928, sec. 34.)

WASHINGTON.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915 the legislature of this State passed an act in which it was provided that "No bank shall subscribe for or purchase the stock of any other banking corporation, except a Federal reserve bank of which such bank shall become a member, and then only to the extent required by such Federal reserve bank". (Laws of 1915, ch. 35, sec. 5, p. 128.)

In 1917, additional legislation having reference to membership in the Federal Reserve System was enacted. This legislation provided "That any bank or trust company may participate in membership in the federal reserve banking system of the United States * * * ". (Laws of 1917, ch. 80.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The 1915 provision above referred to was also amended in 1917 so as to provide that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, except a federal reserve bank, of which such corporation shall become a member, and then only to the extent required by such federal reserve bank". (Laws of 1917, ch. 80.)

The section of the laws containing the 1917 provision first above referred to was again amended in 1919, but the wording of the 1917 provision is not changed. (Laws of 1919, sec. 7, p. 730; Banking Law Pamphlet, 1929, sec. 25, p. 12.) In 1929, the 1917 provision last above referred to was also amended, and although this legislation inserted some few additional words, the right of banks and trust companies to purchase stock in a Federal reserve bank is not affected. (Laws of 1929, sec. 5, p. 101; Banking Law Pamphlet, 1929, sec. 46, p. 25). The 1929 provision specifically provides that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, or of any domestic or foreign corporation of any character, except a federal reserve bank, of which such corporation shall become a member, and then only to the extent required by such federal reserve bank".

State reserve requirements not applicable to members.

By legislation enacted in 1917, the legislature of this State provides that the State reserve requirements "shall not apply to a corporation which is a member of the federal reserve banking system and duly complies with all of the reserve and other requirements of that system". (Laws of 1917, ch. 80, sec. 46; Banking Law Pamphlet, 1929, sec. 61, p. 29.)

WEST VIRGINIA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919 the legislature of this State passed legislation providing that "any bank or trust company incorporated under the laws of this state shall have the power to subscribe to the capital stock and become a member of a federal reserve bank". (Acts of 1919, ch. 60.)

In 1929, legislation was enacted which repeals the 1919 provisions; but included in the 1929 legislation are membership provisions of exactly the same effect as the repealed provisions. The

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1929 act specifically provides in part that "Any banking institution incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a federal reserve bank". (Acts of 1929, ch. 23, sec. 20; Code of 1931, ch. 31, Act 8, sec. 17.)

It will be noted that the 1929 act expressly authorizes only "banking institutions" to become members of the Federal Reserve System; but this act, in defining the term "banking institution", provides that it shall include a trust company. (Acts of 1929, ch.23, sec. 1; Code of 1931, ch. 31, Act 4, sec. 1.) It would seem, therefore, that a trust company may become a member of the Federal Reserve System under the above quoted provision of the 1929 act.

Reserves maintained in accordance with provisions of Federal Reserve Act held compliance with provisions of State law.

The 1919 legislature passed legislation providing that a compliance by member banks and trust companies "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1919, ch. 60)

On February 28, 1929, the legislature of this state passed an act which repeals the 1919 reserve provision above quoted. This act, however, includes a provision excepting member banks and trust companies from complying with the reserve provisions of the State law which is substantially the same as the provision which it repealed, the provision in this connection providing "that a compliance on the part of any such banking institution which is a member of the federal reserve system with the reserve requirements of the federal reserve act, shall be held to be full compliance with the provisions hereof, which require banking institutions to maintain cash balances in their vaults or with other banks and no such member bank shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1929, ch. 23, sec. 19; Code of 1931, ch. 31, Act. 8, sec. 16.)

The 1929 act also contains an additional reserve provision which provides that "A compliance on the part of any such banking institution with the reserve requirements of the federal reserve act shall be held to be a full compliance with those provisions of the laws of this state which require state banking institutions to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1929, ch. 23, sec. 20; Code of 1931, ch. 31, Act. 8, sec. 16.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

WISCONSIN.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the laws of this State covering the powers of banks were amended so as to authorize a bank "To purchase and hold, for the purpose of becoming a member of federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * * ; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the 'federal reserve act' ". (Laws of 1915, ch. 76, p. 67.)

In 1921, the above provision was repealed but the new legislation incorporates a provision reading substantially the same as the former provision. The new act specifically provides in part that "Any bank may purchase and hold, for the purpose of becoming a member of the federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * * ; may become a member of such federal reserve bank, and may have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the 'Federal Reserve Act'. Such member bank and its directors, officers, and stockholders shall continue to be subject, however, to all liabilities and duties imposed upon them by any law of this state". (Laws of 1921, ch. 555, p. 923; Wisc. Statutes, 1929, sec. 221.04 (3), p. 1790; Banking Law Pamphlet, 1925, sec. 221.04 (3), p. 28.)

It will be noted that all of the above provisions expressly permit only "banks" to become members of the Federal Reserve System; but, as the laws also provide for the organization of "trust company banks" under the same provisions under which banks may be organized, and, except in two irrelevant instances, subject such companies to all the provisions, requirements and liabilities covering banks, it would seem that such "trust company banks" may also become members of the Federal Reserve System. Furthermore, the following provisions specifically dealing with the reserve requirements of member banks and trust companies recognize that trust companies may join the Federal Reserve System.

Member banks and trust companies only required to carry reserves prescribed by Federal Reserve Act.

The legislature of this State did not permit member banks

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and trust companies to carry the reserves prescribed by the Federal Reserve Act until the year 1925, when it passed an act which provides that "any bank or trust company, incorporated under the laws of this state which is or hereafter may become a member of the federal reserve bank system of the United States of America shall be required to carry during the period of such membership only such cash reserve funds as may be required from time to time to be maintained by national bank members of said federal reserve bank system". (Laws of 1925, ch. 292, sec. 2; Wisconsin Statutes, 1929, sec. 221.27; Banking Law pamphlet, 1925, sec. 221.27, p. 38.)

WYOMING.

Banks and trust companies authorized to become members of Federal Reserve Bank.

An act of this State approved February 19, 1919, provides that banks and trust companies may "subscribe to the capital stock and become a member of a Federal Reserve Bank". (Laws of 1919, ch. 45, sec. 2; Wyoming Comp. Stats., 1920, sec. 5206.)

Members only required to maintain reserves prescribed by Federal Reserve Act.

Legislation enacted in 1925 provides that any state bank that is a member of the Federal Reserve System shall be required to keep only such reserve as is required by the Federal Reserve Act for national banks. (Laws of 1925, ch. 157, sec. 39.)

In 1927, the 1925 legislation was amended but the provision permitting members to maintain only reserves required by the Federal Reserve Act forms a part of the amending legislation. (Laws of 1927, ch. 100, sec. 1.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6876

April 30, 1931.

SUBJECT: Code word to cover Telegraphic
Transactions in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXBEAU" has been designated to cover a new issue of Treasury Bills, dated May 5, 1931, and maturing August 3, 1931.

This word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBAYHEAD" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6877

May 6, 1931.

SUBJECT: Code word to cover Telegraphic Transactions in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXBEAKER" has been designated to cover a new issue of Treasury Bills, dated May 11, 1931, and maturing August 10, 1931.

This word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBEAU" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6878

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. May 6, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Philadelphia has established a rediscount rate of 3 per cent on all classes of paper of all maturities, effective May 7, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6879

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. May 6, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of 2% on all classes of paper of all maturities, effective May 7, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

X-6881

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 6, 1931.

SUBJECT: "Cashing" of Government Warrants and Checks by Federal Reserve Banks.

Dear Sir:

There are enclosed for your information copies of the following documents pertaining to the above subject:

(1) A memorandum addressed to the Board by its General Counsel under date of April 17, 1931 (X-6867);

(2) The documents attached as exhibits to Counsel's memorandum (X-6867-a); and

(3) Letter dated April 23, 1931, addressed to the Board by the Undersecretary of the Treasury transmitting a copy of the opinion of the Attorney General of the United States rendered May 27, 1925, pertaining to the liability of Federal reserve banks in the redemption of certain War-savings stamps subsequently found to be counterfeit (X-6880-X-6880-a).

In accordance with the suggestion made by the Undersecretary of the Treasury, your attention is invited to the fact that the opinion of the Attorney General relates to a specific instance.

As you know, this matter was presented to the Conference of Governors of all Federal reserve banks during its meeting in Washington on April 27, 1931, and the Conference of Governors voted to refer it to the Standing Committee on Collections for study and report.

By order of the Federal Reserve Board.

Very truly yours,

Enclosures.

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS AND MEMBERS OF STANDING COMMITTEE ON COLLECTIONS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867

To Federal Reserve Board Date April 17, 1931.

From Mr. Wyatt - General Counsel. Subject: "Cashing" of Government Checks and Warrants by Federal Reserve Banks.

In the attached letter addressed to Mr. McClelland on March 14, 1931, Mr. M. W. Bell, Cashier of the Federal Reserve Bank of Atlanta, requests him to negotiate "unofficially" with the Treasurer of the United States with a view of obtaining from him a definition of the rights, duties and responsibilities of the Federal reserve banks in "cashing" Government checks and warrants pursuant to Section 32 of Treasury Department Circular No. 176. In the attached letter of April 4, Mr. Bell recognizes that, "The points at issue between ourselves and the Treasury Department are of interest to all Federal reserve banks and no doubt the whole subject of payment of checks drawn on the Treasurer by the Federal reserve banks, particularly with reference to the adoption of a definite policy by the Treasury Department, is of sufficient importance to deserve the attention of the Federal Reserve Board."

I agree with Mr. Bell that this is a matter of great importance to all Federal reserve banks and that it is a subject upon which the Treasury Department should clearly define its attitude. Because of its importance to all of the Federal reserve banks, however, I believe that neither the Federal Reserve Board nor any one Federal reserve bank should endeavor to obtain from the Treasury a definite statement or decision on this subject until it has been very carefully considered by all of the Federal reserve banks and an agreement has been reached between them as to the position which they think the Treasury should take.

Repeated efforts over a long period of years have been made

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to persuade the Treasury Department to clarify the provisions of Section 32 of its Circular No. 176 which governs this subject; and the matter has been discussed at least twice in conferences between representatives of the Federal reserve banks and the Treasury Department without any agreement being reached. At the last discussion, which took place on June 10, 1930, during the Conference of Counsel of all Federal reserve banks and which was attended also by the Chairman and several members of the Standing Committee on Collections appointed by the Conference of Governors of all Federal reserve banks, it was impossible to insist upon a definite settlement of this question; because it developed that all of the Federal reserve banks were not in entire agreement as to the position which they would like to have the Treasury Department take and some of them had no well-defined views on this subject.

Under these circumstances, I believe that, before any effort is made to have the circular clarified, this subject should be studied carefully, both by the operating officers and by the Counsel of the various Federal reserve banks, and should be discussed at a conference of the Governors of all Federal reserve banks, with a view of arriving at an agreement between the Federal reserve banks themselves as to the position which the Treasury Department should take.

This matter is so technical and both the practical and legal problems involved are so difficult of solution that I do not believe it could be given sufficient study in advance of the Conference of Governors to be held here on April 27 to justify placing it on the program for final action during that Conference. If, however, the matter is brought to the attention of the Governors during the forthcoming conference, it can be referred to the Standing Committee on Collections, to the Conference of Counsel, or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to some other appropriate committee for study and report, with a view to having the report in the hands of the Governors sufficiently in advance of the next conference to enable them to consider it and act upon it at that time. There seems to be no urgent need of an immediate solution of these problems; and it is more important to have them settled right than to have them settled quickly.

RECOMMENDATIONS.

I, therefore, respectfully recommend:

1. That, during the forthcoming Conference of Governors to be held in Washington April 27, this matter be presented to the Conference with a suggestion that it would be appropriate to refer it to a committee for study and report;

2. That copies of this memorandum and the attached letters be furnished to the Governors of all Federal reserve banks for their information; and

3. That the Secretary of the Treasury be requested to furnish to the Federal Reserve Board for its information and for the information of the Federal reserve banks in this connection a copy of the opinion of the Attorney General regarding the liability of the Federal reserve banks for payment of counterfeit war savings stamps, which will be discussed below. (See page 29.)

DISCUSSION.

Pending a further study of this subject, I prefer to reserve any definite decision on any of the highly technical legal questions involved, and I think it would be inappropriate for me to express any opinion on any of the practical problems involved until after this subject has been carefully studied and a report rendered by practical operating officers of the Federal reserve banks. Merely for the purpose of raising such points as have

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

occurred to me and for the purpose of submitting them for the consideration of the Board and the Federal reserve banks, however, I submit below a general discussion of this subject. Any views therein expressed on any of the practical or legal aspects of the problem are merely tentative and are subject to further revision after further study and discussion.

QUESTION RAISED BY ATTACHED CORRESPONDENCE.

While the clarification of the Treasury's position with reference to the "cashing" of Government checks and warrants by Federal reserve banks involves much broader and more important questions, which will be discussed below, the immediate subject of the correspondence between the Federal Reserve Bank of Atlanta and the Treasury Department may be stated as follows:

Acting pursuant to instructions from the Treasury Department, the Federal reserve banks "cash" Government checks and warrants presented to them by their member banks, by debiting the account of the Treasurer of the United States and giving their member banks immediate credit in their reserve accounts. The checks are then forwarded to the Treasurer of the United States "for examination and final payment". Sometimes the Treasurer refuses to credit the Federal reserve banks, because the member banks in which such checks were deposited have failed and the payees have requested that payment be stopped. In other words, the Treasurer asks the Federal reserve banks to reverse the entries, credit the Treasurer's account, and debit the insolvent member bank's reserve account with the amount of such checks, in order that the checks may be returned to the payees to save them the loss which would otherwise result from the failure of the banks in which the checks were deposited.

In their constant dealings with such member banks, which usually

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

continue up to the moment of closing and which involve extensions of credit, shipments of currency, wire transfers of funds, and the daily sending of checks to the member banks for collection and payment, the Federal reserve banks rely very largely upon the reserve balances of such member banks for their own protection. To comply with the Treasurer's request would frequently result in loss to the Federal reserve banks; and frequently it is impossible for the Federal reserve bank to know until sometime after the closing of an insolvent bank whether it can comply with the Treasurer's request without loss to itself.

I understand from informal discussions with officials of the Treasury Department that the Treasurer does not expect the Federal reserve banks to reverse the entries in such cases where they cannot do so without loss to themselves; but the Treasury Department has never clearly defined its attitude on this subject, and the Federal reserve banks are left in an uncertain and uncomfortable position.

The position of the Federal reserve banks is sometimes rendered more uncertain and uncomfortable by officials of the Treasury Department, (1) questioning their right as its agents to use the reserve balances of insolvent member banks for their own protection instead of utilizing it to obtain reimbursement for the Treasurer, and (2) calling attention to the fact that Section 32 of the Circular authorizes Federal reserve banks to "cash" Government checks and warrants only when presented by "responsible" banks and trust companies.

The situation is summarized as follows by Governor Black of the Federal Reserve Bank of Atlanta in a letter addressed to the Undersecretary of the Treasury on February 9, 1931, requesting a definite statement of the position of the Treasury Department:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Our correspondence with the Treasurer concerning these and other checks, payment of which he has declined because of suspension of the banks in which these were deposited by the payees, has been very unsatisfactory. We have endeavored to get him to define or agree as to our position, when as Fiscal Agent of the United States we pay checks drawn on him. We have asked whether such payment is final unless some infirmity exists in the instruments themselves, or that have been fraudulently issued or negotiated, or the balance to the credit of the drawer is insufficient. We have further endeavored to get the Treasurer to state whether, except in one of the cases named payment of Treasury checks will be protected by him at least to the extent that no loss through such payment would be entailed on us. We have been unsuccessful in our efforts to get such committments from the Treasurer, although we feel that in all fairness such inquiries should be specifically answered and such committments made, all to the end that we may with certainty as to our position handle his account."

See also the following statement contained in a letter addressed to the Treasurer of the United States by Mr. M. W. Bell, Cashier of the Federal Reserve Bank of Atlanta under date of March 2, 1931:

"The policy which has been followed by your office in several similar cases where you have declined at the request of payees or drawers to pay checks drawn on you, because of the suspension of the banks in which they were deposited, creates serious doubt in our mind as to what you conceive to be the function of the Federal Reserve Banks acting as Fiscal Agents of the United States in paying checks drawn on you. Your action in such cases creates a condition that is difficult for the Federal Reserve Banks to deal with, because we do not know when you may, for the reasons stated above, decline to pay a check for a large amount and leave us in a position where we cannot recover from our endorser, forcing us to become an ordinary creditor for an amount of money which we, to all intents and purposes, find that we have merely advanced to our endorser."

I understand that, as to the particular checks giving rise to this correspondence, the Federal Reserve Bank of Atlanta has complied with the Treasurer's request and has credited the Treasurer with the amount of such checks and debited the accounts of the insolvent member banks from which they were received; but the Federal Reserve Bank desires the Treasurer

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to define its position on this question, in order that it may know how to conduct its business in the future.

In my opinion, the question whether the Treasury Department has the legal right to insist on stopping or refusing payment on Government checks and warrants under such circumstances depends largely upon the interpretation of certain ambiguous provisions of Section 32 of the Treasury Department circular; and I am of the opinion that the provisions of that section of the circular and also of Section 34 should be revised so as clearly and unequivocably to state the rights, duties and responsibilities of the Federal reserve banks in "cashing" Government checks and warrants. The revision of these sections, however, involves several other problems of great importance to the Treasury Department and to all of the Federal reserve banks, which should also be given most careful consideration.

OTHER QUESTIONS INVOLVED.

Under the ambiguous provisions of Section 32, it is impossible to ascertain with certainty whether, in "cashing" Government warrants and checks presented to them by member banks, the Federal reserve banks act (1) as fiscal agents of the Treasury Department or (2) as depositaries of the Treasury Department or (3) as collecting agents for the banks from which they receive such checks.

I understand that, in different cases in the past, the Treasury Department has actually taken the position that the Federal reserve banks occupy each of these three inconsistent positions. In fact, I have good reason to believe that this section of the circular was purposely made ambiguous in order to avoid defining the exact legal status of the Federal reserve banks and the legal effect of their action in "cashing" Government checks and warrants. (See discussion below entitled "Correspondence with Treasury", page 18.).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The uncertainty as to what the legal rights, duties and responsibilities of the Federal reserve banks under this circular are and as to what position the Treasury Department will take in any specific case creates an unbusinesslike situation and one which is manifestly unfair to the Federal reserve banks, especially in view of the fact that they are not free to stipulate the terms and conditions on which they will perform this service but are required by law to act as depositaries or fiscal agents of the Government when directed to do so by the Secretary of the Treasury.

In addition to the question whether the Treasurer of the United States has a right to stop payment on Government checks after they have been "cashed" by the Federal reserve banks and the amount credited to the accounts of other banks which have since failed, the following questions have never been definitely settled:

1. To what extent are Federal reserve banks liable when they "cash" Government warrants and checks bearing forged signatures or endorsements, drawn against insufficient funds, or otherwise containing intrinsic defects ?

2. How long does the liability of the Federal reserve banks continue and how soon must the Treasury Department demand reimbursement in order to preserve such liability ?

3. To what extent is a Federal reserve bank responsible for obtaining reimbursement for the Treasury Department from the banks from which it receives such checks ?

4. Must the Federal reserve bank absorb the loss if such banks have failed and it is impossible to obtain reimbursement ?

The revision of Section 34 (formerly Section 37) of the Treasury circular effective September 2, 1930, made material progress toward

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the clarification of some of these points; but I do not believe that all of these points have been sufficiently clarified to guard against serious misunderstandings between the Federal reserve banks and the Treasury Department and possible financial loss to the Federal reserve banks in the event of a loss on a large item or in the event of a change in the administrative policies of the Treasury Department. Nor is the regulation sufficiently specific to protect the Federal reserve banks against an adverse ruling of the Comptroller General of the United States, regardless of the administrative policies of the Treasury Department or any informal working agreements between the Treasury and the Federal reserve banks.

I understand that the Treasury Department has treated the Federal reserve banks very fairly in this matter and that some of them are not disposed to insist that the Treasury define its position with absolute clarity and definiteness; but I personally believe that the situation is one fraught with the possibility of dangerous consequences to the Federal reserve banks and to the friendly relations between them and the Treasury Department.

STATUTORY PROVISIONS.

Section 15 of the Federal Reserve Act, as amended by the Agricultural Credits Act of March 4, 1923, reads, in part, as follows:

"GOVERNMENT DEPOSITS

"Sec. 15. The moneys held in the general fund of the Treasury, except the five per centum fund for the redemption of outstanding national-bank notes and the funds provided in this Act for the redemption of Federal reserve notes may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States, and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

"* * * * * *

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"The Federal reserve banks are hereby authorized to act as depositories for and fiscal agents of any National Agricultural Credit Corporation or Federal Intermediate Credit Bank."

It will be noted that the first paragraph, which has never been amended but contains the language of the original Federal Reserve Act, does three things:

1. It authorizes certain funds of the Government to be deposited in Federal reserve banks;

2. It authorizes disbursements of such funds to be made by "checks drawn against such deposits"; and

3. It provides that, when required by the Secretary of the Treasury, Federal reserve banks "shall act as fiscal agents of the United States."

The last paragraph of Section 15, which was added by an amendment contained in the Agricultural Credits Act of March 4, 1923, is not important in this connection except for the fact that it again recognizes two distinct capacities in which Federal reserve banks may be required to act, i.e., (1) as depositories and (2) as fiscal agents.

The first paragraph clearly contemplates that Federal reserve banks may be required to act either (1) as fiscal agents, which would seem to involve a pure agency relationship, or (2) as depositories, which involves the relationship of debtor and creditor. It is clear, therefore, that the Treasurer could either (1) deposit funds in the Federal reserve banks and draw checks against them in making disbursements, or (2) require the Federal reserve banks, as fiscal agents, to pay on behalf of the Treasury checks, warrants and other obligations of the Government out of Government funds held by the Federal reserve banks as "fiscal agents".

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Treasury warrants and checks under discussion here are not drawn upon the Federal reserve banks but upon the Treasurer of the United States. They are, however, "cashed" by the Federal reserve banks out of funds of the Treasury on deposit with the Federal reserve banks; and the Treasury Department has either refused or neglected to indicate clearly in its regulations whether in doing so, the Federal reserve banks are acting as depositories or as fiscal agents. This is quite important to the Federal reserve banks as well as to the Treasury Department, because of the important practical and legal distinctions between an agency relationship and a debtor and creditor relationship.

The Appropriation Act of May 29, 1920, which abolished the subtreasuries, contains the following provision (U. S. Code, Title 31, Section 476):

> "The Secretary of the Treasury is hereby authorized in his discretion, to transfer any or all of the duties and functions performed or authorized to be performed by the assistant treasurers above enumerated, or their offices, to the Treasurer of the United States or the mints or assay offices of the United States, under such rules and regulations as he may prescribe, or to utilize any of the Federal reserve banks acting as depositaries or fiscal agents of the United States, for the purpose of performing any or all of such duties and functions, notwithstanding the limitations of section 15 of the Federal reserve Act, as amended, or any other provisions of law: Provided, That if any moneys or bullion, constituting part of the trust funds or other special funds heretofore required by law to be kept in Treasury offices, shall be deposited with any Federal reserve bank, then such moneys or bullion shall by such bank be kept separate and distinct from the assets, funds, and securities of the Federal reserve bank and be held in the joint custody of the Federal reserve agent and the Federal reserve bank: Provided further, That nothing in this section shall be construed to deny the right of the Secretary of the Treasury to use member banks as depositaries as heretofore authorized by law.
>
> "The Secretary of the Treasury is hereby authorized to assign any or all the rooms, vaults, equipment, and safes

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

or space in the buildings used by the subtreasuries to any Federal reserve bank acting as fiscal agent of the United States."

Here again it is clear that, if the Federal reserve banks are utilized by the Secretary of the Treasury, they must act either (a) as "depositaries" or (b) as "fiscal agents" of the United States. The words "notwithstanding the limitations of Section 15 of the Federal Reserve Act" clearly refer to the limitations as to the character of Government funds which may be deposited in Federal reserve banks.

When the Federal reserve banks took over certain sub-treasury functions, they did not step into the shoes of the Assistant Treasurers, whose offices were abolished, but undertook the performance of such functions as were conferred upon them by the Secretary of the Treasury in his discretion either as "fiscal agents" or as "depositaries". Even if they had stepped into the shoes of the Assistant Treasurers, however, their relationship would seem to be one of agency; because the Assistant Treasurers were merely Assistants to the Treasurer of the United States and the sub-treasuries were mere branches of the Treasury Department.

THE TREASURY CIRCULAR.

Section 32 of the Treasury Department Circular No. 176 as amended September 2, 1930, (which was formerly Section 35 of Treasury Department Circular No. 176, of May 15, 1922) reads as follows:

"II. PAYMENT OF GOVERNMENT CHECKS AND WARRANTS."

"32. Federal Reserve Banks and branches. -- Federal Reserve Banks and branches will make arrangements to cash Government checks and warrants drawn on the Treasurer of the United States for disbursing officers of the War Department and Navy Department, and other Government officers, provided that satisfactory identification of the officers shall be furnished. The Treasurer will upon special request advise Federal Reserve Banks and branches as to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

whether the balances to the credit of disbursing officers are sufficient for payment of the checks presented. Each Federal Reserve Bank and branch will cash Government checks and warrants drawn on the Treasurer of the United States when they are presented and properly indorsed by responsible incorporated banks and trust companies who guarantee all prior indorsements thereon, including the indorsement of the drawer when the check is drawn in his favor. Checks and warrants cashed by Federal Reserve Banks and branches shall be charged to the account of the Treasurer of the United States, subject to examination and payment by the Treasurer. Federal Reserve Banks and branches will not be expected to cash Government checks and warrants presented direct to the bank by the general public."

It will be noted that, although this is captioned "Payment of Government Checks and Warrants", the text of the section itself very carefully avoids the use of the word "payment" as applied to the action taken by the Federal Reserve Banks; but, in lieu thereof, uses the word "cash", which is an ambiguous word having no well-defined legal meaning. It will also be noted that the section very carefully avoids any indication as to whether the Federal Reserve Banks act as depositaries of the United States or as fiscal agents of the United States.

At a conference held in Washington on January 24, 1927, the Standing Committee on Collections, appointed by the Conference of Governors of all Federal reserve banks, suggested to the officials of the Treasury Department that this section should be amended as follows, the cancelled words being stricken out and the words in capital letters being inserted:

"Federal Reserve Banks and branches, AS FISCAL AGENTS OF THE UNITED STATES, will make arrangements to cash Government warrants and checks drawn on the Treasurer of the United States for disbursing officers of the War Department and Navy Department, and other Government officers, provided that satisfactory identification of the officers shall be furnished. The Treasurer will upon special request advise Federal Reserve Banks and branches as to whether the balances to the credit of disbursing officers are sufficient for payment of the checks presented. Each Federal Reserve Bank and branch, ~~will cash~~ AS FISCAL AGENTS OF THE UNITED

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

STATES, WILL PAY CONDITIONALLY Government warrants and checks drawn on the Treasurer of the United States when they are presented and properly indorsed THROUGH CLEARING HOUSES OR by ~~responsible-incorporated~~ MEMBER banks and trust companies OF THE FEDERAL RESERVE SYSTEM who guarantee all prior indorsements thereon, including the indorsement of the drawer when the check is drawn in his favor. Warrants and checks cashed by Federal Reserve Banks and branches shall be charged to the account of the Treasurer of the United States, subject to examination and FINAL payment by the Treasurer. Federal Reserve Banks and branches will not be expected to cash Government warrants and checks presented direct to the bank by the general public."

The circular was not revised at that time, and the same suggestion was again submitted to the officials of the Treasury Department at the Conference of Counsel for all Federal reserve banks (attended also by the Chairman and several members of the Standing Committee on Collections), which was held in Washington on June 10, 1930. The officials of the Treasury Department, however, could not see their way clear to adopt these suggestions; and, when the circular was revised on September 2, 1930, the only change made in this section was to reverse the order of the words "checks and warrants" wherever they appeared.

The questions whether, in "cashing" Government checks and warrants, Federal reserve banks act as depositories or as fiscal agents of the Treasury Department, what is the legal effect of "cashing" such a check or warrant, and whether Federal reserve banks are authorized to cash them when presented through clearing houses, were left undetermined; and the request frequently made by the Federal reserve banks that they be required to cash them only when presented by member banks or by Government disbursing officers, was not complied with.

In view of the provision that "checks and warrants <u>cashed</u> by Federal reserve banks shall be charged to the account of the Treasurer

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the United States, subject to examination and payment by the Treasurer", it would seem that Federal reserve banks are not acting as depositaries; since otherwise the action of "cashing" such checks and warrants would be final payment. Moreover, the facts that such checks and warrants are not drawn on the Federal reserve banks but are drawn on the Treasurer of the United States indicates that the Federal reserve banks do not act as depositaries but as fiscal agents. They are not familiar with the signatures of disbursing agents and have no information in their records showing the balances to their credit; and, therefore, could not properly and justly be held to the same responsibility as banks paying checks drawn on them by their own depositors.

Section 34, however, reads, in part, as follows:

> "34. Payment by Treasurer.- The Treasurer of the United States reserves the usual right of the drawee to examine, when received, all Government checks and warrants cashed by Federal Reserve Banks and branches and member bank depositaries, and to refuse payment thereon. The Treasurer will handle all such items received by him on the following basis:
>
> "(1) Immediate return will be made of any check or warrant, 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, in all of which cases the transit account of the remitting bank will be charged with the amount of the returned check or warrant and the remitting bank will be expected to give immediate credit therefor in the Treasurer's account; but if the original check or warrant is required for use in connection with a criminal investigation or legal proceeding, the original will be retained for that purpose and a photographic copy of the face and back will be forwarded to the remitting bank in lieu of the original.
>
> "(2) In the event that any check or warrant which has been paid by the Treasurer is subsequently found to bear a forged indorsement, or to bear any other material alteration or defect which was not discovered upon first

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"examination, a photographic copy of the check or warrant will be forwarded to the remitting bank and its transit account will be charged with the amount by the Treasurer. The remitting bank, if a member bank depositary, will be expected to give immediate credit therefor in the Treasurer's account; if a Federal Reserve Bank or branch, it will be expected to demand restitution at once from its prior indorser or indorsers, to maintain a close follow-up on its demand, and to give credit in the Treasurer's account when reimbursement has been made. In the case of checks paid more than a year before reclamation is requested of the presenting bank, the Treasurer may, in his discretion, treat the item as a collection instead of charging the presenting bank's account, with the understanding that no rights of the Government as to ultimate recovery are waived thereby.

"(3) In cases of checks or warrants raised or 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 checks or warrants will be forwarded to the remitting bank as collection items and taken up by the Treasurer when credited, with no intermediate charge in the account of the remitting bank. A photographic copy may be returned in lieu of the original if the latter is required for use in connection with a criminal investigation or legal proceeding.

"In any case arising under this section in which a Federal Reserve Bank or branch is unable to secure restitution within a reasonable length of time, the facts should be reported to the Treasurer of the United States in order that appropriate action may be taken by him."

In view of the fact that Subparagraph No. 1 contains no exception as to cases in which Federal reserve banks "cash" Government warrants and checks bearing forged signatures, drawn against insufficient funds, etc., without any negligence on their part (even though the banks for which they cashed them have become insolvent and it is impossible for the Federal reserve banks to obtain reimbursement), this paragraph would seem to be predicated upon the theory that the Federal reserve banks are acting as depositaries, who are charged with knowledge of the signatures of persons authorized to draw checks upon them and with knowledge as to the sufficiency

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the balances against which such checks are drawn, rather than as agents having no such information and not being responsible for payments made pursuant to the instructions of their principles without any negligence on their own part.

Where it is possible for the Federal reserve banks to obtain reimbursement from their endorsers, it would not be inconsistent with the agency relationship for them to attempt to do so as agents of the Treasurer of the United States; but it does seem inconsistent with the agency relationship for the Treasurer of the United States to look to the Federal reserve banks for reimbursement in their own right, in the absence of negligence on their part.

INFORMAL ASSURANCES OF TREASURY OFFICIALS.

During informal conversations, officials of the Treasury Department recognize that it is not proper to expect the Federal reserve banks to absorb any losses which might be sustained on such items; and they insist that it is their intention to obtain reimbursement from other sources and to protect the Federal reserve banks "wherever possible", notwithstanding the provisions of sub-paragraph No. 1 of Section 34 of the Treasury Circular. In this connection, they call attention to the following provision of Section 34:

> "In any case arising under this section in which a Federal Reserve Bank or branch is unable to secure restitution within a reasonable length of time, the facts should be reported to the Treasurer of the United States in order that appropriate action may be taken by him."

They admit that this does not give the Federal reserve bank any definite assurance of protection against losses, but state that they are unable to give any more definite assurance because of the lack of any fund or appropriation to which the Treasury can charge such losses.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

When asked how they intend to protect the Federal reserve banks in the absence of any such fund or appropriation, they answer that they propose, first, to make every effort to obtain reimbursement from other sources, such as banks or disbursing officers, and that, if they are unable to do so, they will ask Congress to pass a bill relieving the Federal reserve bank.

They say that bills to relieve the Treasurer of the United States from losses sustained without negligence or misconduct on his part are introduced at every session of Congress and pass without any difficulty. This being the case, it would seem that it would be better to have such losses charged against the Treasurer and covered by bills for his relief than to have them charged against Federal reserve banks and covered by bills for their relief, especially since bills of the latter class might not be so easily passed if the Federal reserve banks should happen to be unpopular at the time they are introduced.

I am well-acquainted with, and have the highest regard for, the Treasury officials with whom I have discussed this subject, and I have not the slightest doubt of their good faith in this matter; but such informal assurances from Government officers, in apparent conflict with the specific provisions of an official circular formally promulgated pursuant to law and itself having the force and effect of law (United States v. Sachs, 257 U. S. 37; United States v. Janowitz, 257 U. S. 42) are slender reeds to lean upon if the Federal reserve banks should ever find it necessary to look to the courts or to the Comptroller General of the United States for a decision as to their liability. To rely upon such informal assurances is at least unbusinesslike, hazardous, and not in accordance with the best methods of dealing with Government officers and departments.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CORRESPONDENCE WITH TREASURY.

Moreover, in its correspondence on this subject, the Treasury Department has carefully avoided any definite admission that in "cashing" Government checks and warrants the Federal reserve banks act as fiscal agents of the Government. Two or three illustrations will serve to indicate the Treasury's attitude on this point.

In order to protect itself against loss as a result of demand for reimbursement on checks collected by it through the Federal Reserve Bank of New York which were paid by the Treasury but subsequently discovered to contain intrinsic defects, the National City Bank of New York adopted the practice of placing the following statement on the form used by it in advising its correspondents of credit given for Government checks and warrants:

> "All instruments against the Government of the United States are credited subject to final payment by the Treasury Department. Therefore, any item which subsequently may be returned unpaid to us by the Department will be charged back against your account."

This credit advice resulted in many difficulties with foreign banks and was the cause of some embarrassment to the Government of the United States. The Treasury Department requested the National City Bank of New York to discontinue the use of such form of credit advice. The National City Bank insisted that the Treasury clarify its circular and define precisely the position of the Federal Reserve Bank of New York, and a long correspondence ensued running at least from October 3, 1921 to August 7, 1922, (see enclosures to letter addressed by Vice Governor Platt to the Governors of all Federal reserve banks under date of August 16, 1922, X-3504, a copy of which is attached).

Although the National City Bank was most insistent that the Treasury Department state its position specifically, it was unable to obtain any more definite statement regarding the position of the Federal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Reserve Bank than the following (Letter, Secretary Mellon to C. E. Mitchell, President, National City Bank of New York, July 29, 1922, X-3504a):

> "The Federal Reserve Banks do not pay Government warrants and checks, but cash them under Treasury regulations. The Treasurer of the United States, as the drawee of Government warrants and checks, makes payment thereof, and the Government, rather than the Federal Reserve Bank, is the real party at interest when the question arises of recovery on warrants and checks paid on forged endorsements. * * * ** In the event that recovery could not be made in this manner it would, of course, be necessary to bring suit, and in ordinary course suit would be brought by the United States, rather than by the Federal Reserve Bank, since the Federal Reserve Banks act in such matters for account of the United States and the United States is the real party at interest."

Under date of August 18, 1922, Honorable R. A. Young, then Governor of the Federal Reserve Bank of Minneapolis, submitted to the Board a proposed revised draft of a new check collection circular of the Federal Reserve Bank of Minneapolis, which contained the following statement:

> "This bank being a Fiscal Agent of the Government, it will receive for immediate credit at par, subject to the conditions of this circular, and subject to final payment at the office of the Treasurer of the United States, checks and warrants drawn against the Treasurer. When sending such checks for deposit, they should bear the regular indorsing stamp of the depositing member bank."

The Board submitted this to the Treasury Department and Mr. S. P. Gilbert, Jr., then Undersecretary of the Treasury, replied on August 25, 1922, as follows:

> " * * * * I see no objection to the second paragraph on page 1 of the circular, which appears to be the only paragraph covering the payment of checks and warrants drawn on the Treasurer of the United States, except that I think that the reference to the bank as fiscal agent of the Government in this paragraph is unnecessary and apt to mislead."

After correspondence lasting from January 6th to June 21st, 1922,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

during which numerous letters were exchanged between the Federal Reserve Bank of Richmond, the Federal Reserve Board and the Treasury Department in an effort to reach an agreement as to the functions and liabilities of the Federal reserve banks with respect to Government checks and warrants which were "cashed" by the Federal reserve banks and later found to bear forged indorsements, Mr. S. Parker Gilbert, then Undersecretary of Treasury, terminated the correspondence by the following statement in his letter of June 21, 1922:

> "The Treasury does not look to the Federal Reserve Banks as indorsers or guarantors of warrants or checks drawn on the Treasurer which may be cashed by the Federal Reserve Banks. The duties and functions of the Federal Reserve Banks, as depositaries and fiscal agents of the United States, in respect to the payment of Government warrants and checks are set forth in paragraphs 35-38 of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922, and the Treasury has no intention of holding the Federal Reserve Banks to any liability in this connection beyond the discharge of their duties and responsibilities under the terms of the circular."

While he definitely stated that the Treasury does not look to the Federal reserve banks as indorsers or guarantors of such warrants or checks, it will be noted that he carefully refrained from saying whether the Federal reserve banks were acting as depositaries or as fiscal agents, but avoided any commitment on this point by referring to the Federal reserve banks as "depositaries and fiscal agents". Moreover, the statement that, "The Treasury has no intention of holding the Federal reserve bank to any liability beyond the discharge of their duties and responsibilities under the circular" leaves open the question what are the duties and responsibilities of the Federal reserve banks under the circular.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

As pointed out in my opinion of February 3, 1925, on the liability of Federal reserve banks for paying counterfeit War Savings Stamps as fiscal agents, the terms "depositaries" and "fiscal agents" are not synonymous but have very different meanings. (State v. Dubuclet, 27 La. Ann. Rep. 29)

As pointed out above, in revising its circular No. 176 as late as September 2, 1930, the Treasury Department again rejected a specific suggestion made on the part of the Federal reserve banks that Section 32 of the circular should specifically state that, in cashing Government checks and warrants, the Federal reserve banks act as fiscal agents; and the circular remains silent on the question whether the Federal reserve banks act as depositaries or as fiscal agents.

The attitude of the Treasury Department is well illustrated by the following statement contained in a report submitted to the Conference of Governors on April 25, 1928, by Governor Talley of the Federal Reserve Bank of Dallas, immediately after he had conferred with certain officials of the Treasury Department on this subject:

> "Everyone is aware that no department of the Government will either assume or define the liability of the Government in any hypothetical or probable case and will therefore not undertake to bind the officials of any department in that connection, such liability being left to congressional determination and relief when the question of such liability arises."

This makes it all the more important for the exact status and duties of the Federal reserve banks to be stated clearly and definitely in the regulation under which they are required to act. By clearly defining their status and stating their duties in advance, the chances of misunderstandings, disputes and possible litigation can be greatly reduced.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CIRCULARS OF FEDERAL RESERVE BANKS.

Under the provisions of Section V of the Board's Regulation J, which governs the terms and conditions under which the Federal reserve banks undertake to clear and collect checks for their member banks, it is specifically provided that, "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 endorsements"; and that, "The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned."

The check collection circulars of all Federal reserve banks, of course, quote this section of Regulation J. All of them also quote the provisions of Section 34 of Treasury Department Circular No. 176 and contain the following special provision regarding Government checks and warrants:

> "The provisions of Regulation J and of this circular and of our time schedules shall be deemed applicable to the handling of and credit and availability for United States Government checks and warrants in so far as such provisions relate to checks generally or to Government checks and warrants in particular. Credit for Government checks and warrants will in all cases be subject to payment by the Treasurer of the United States and they will be handled in accordance with, and subject to, the provisions of Treasury Department circular No. 176, in effect at the time such items are received by the Federal Reserve Bank."

Because of these provisions in their circulars, it is sometimes contended on behalf of the Treasury Department that the credit given by Federal reserve banks to their member banks is only provisional; that the Federal reserve banks never acquire the rights of bona fide holders for value of such Government checks and warrants; and that the Federal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

reserve banks have no right to utilize the reserve balances of the banks to which such checks have been credited for their own protection instead of for the purpose of obtaining reimbursement for the Treasurer or for the payees of Government checks and warrants upon which it is sought to stop payment because the banks in which they were deposited have become insolvent. It is perfectly clear, however, that the provision that such checks are credited "subject to final payment" and the reservation of the right to charge them back to the member bank if payment is not received by the Federal reserve bank in actually finally collected funds does not prevent the Federal reserve banks from acquiring title to such checks in their own right when they have collected such checks and credits the proceeds to the banks from which they were received. City of Douglas v. Federal Reserve Bank of Dallas, 271 U. S. 489.

Because the Federal reserve banks originally receive Treasury checks and warrants for collection as agents of their member banks and nonmember clearing banks, it is sometimes contended that in "cashing" them they are acting as agents of such banks and not as depositaries or fiscal agents of the Treasury Department; and, where such checks bear forged signatures or have been drawn against insufficient funds, it might be contended on the part of the Treasury Department that the Federal reserve banks are liable on their endorsements or for money had and received without valuable consideration. If they act as agents of the member banks, however, it would seem that the Government ought to look to their principals for reimbursement.

In informal discussions which I have had with representatives of the Treasury Department, an attempt has been made to distinguish between the legal effect of "cashing" Government checks and warrants under Treasury circular No. 176, (1) when Federal reserve banks actually pay out cash to disbursing agents or banks, and (2) when they merely debit the Treasurer's account

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and credit the account of the banks from which such checks were received. I believe, however, that no such distinction can properly be made and that the legal effect of the latter transaction is the same as if the Federal reserve banks, acting as agents for their member banks, presented the checks to themselves in their capacity as agents of the United States; received the cash from the United States; and deposited the same to the reserve accounts of their member banks.

Incidentally, there is considerable authority for the position that, when the proceeds of the checks have been received by a collecting agent and credited to the account of the banks from which the checks are received, the agency relationship ceases and the relation of debtor and creditor is substituted.

CONFLICTING VIEWS OF THE FEDERAL RESERVE BANKS.

During the conference of Governors of all Federal reserve banks held in Washington April 10, 1920, the subject of cashing Government warrants and checks for disbursing officers was discussed with the idea of developing more businesslike relationships between the Treasury Department and the Federal reserve banks. After considerable discussion the Chairman, Governor Mc Dougal of the Federal Reserve Bank of Chicago, made the following statement (Stenographic Transcript of Proceedings, pages 498 to 500):

> "* * The conclusion is if we do indulge in the cashing of these checks that the plan should be as follows:
>
> "As a matter of ordinary business prudence it seems to me not only desirable but necessary that the Federal reserve banks and branches, before undertaking to cash Government warrants and checks, should require:
>
> "1. Full authority covering signatorial powers of each and every disbursing officer.
>
> "2. Properly authenticated specimen signatures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"All authorities and signatures to be considered in full force and effect until revocation in writing is received and acknowledged by the Federal reserve banks and branches.

"3. A definite understanding that no responsibility will be assumed for stop payments unless proper notification has been received by Federal reserve banks and branches in time to prevent payment.

"4. Protection against overdrafts. Complete freedom from restriction or responsibility as to the amount of checks cashed.

"5. That whatever operating arrangement for cashing Government checks and warrants is agreed to, if any, should be expressed in writing and under no circumstances should be governed by a circular containing any such conditions as the following, which appears in Treasury Department circular No. 176:

"The Secretary of the Treasury may withdraw at any time, or from time to time any or all of the provisions of this circular."

unless with consent of respective Federal reserve banks."

The Conference thereupon adopted the following resolution:

"Moved and carried that, if or when Federal Reserve Banks and Branches are required to cash Government checks and warrants, the procedure of the Banks should be that of commercial banks dealing with their own customers, and they should be governed in their actions by sound business principles and methods, or that they conduct the whole business for account and risk of the Government, as its agents and without recourse to the Federal Reserve Banks except for negligence; and that the Federal Reserve Board be requested to take the matter up with the Treasury Department to that end. (page 500)"

This recommendation was submitted to the Federal Reserve Board, which commented thereon as follows. (Letter addressed to the Governors of all Federal reserve banks, June 6, 1920, X-1944):

"Treasury officials take the view that where Federal Reserve Banks cash Government checks or warrants they do so upon their own responsibility and not as fiscal agents of the Treasury. The Treasury Department has, however, limited the cashing of Government checks and warrants by

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Federal Reserve Banks to disbursing officers of the Government under Pa. 29 of Department Circular No. 176, dated December 31, 1919, and in accordance with these regulations, Federal Reserve Banks and Branches will not be expected to cash Government checks and warrants presented direct to the Bank by the general public. Disbursing officers, of course, must be satisfactorily identified before their checks are cashed, and the Treasurer will, upon special request, advise Federal Reserve Banks and their Branches by wire the balance to the credit of such officers. Federal Reserve Banks, of course, should take such precautions as are generally taken by the commercial banks in cashing Government checks and warrants."

Since those proceedings took place, the Treasury Department Circular has been amended so as to require Federal reserve banks to cash Government warrants and checks when presented by disbursing officers, as well as when presented by responsible banks and bankers, but the Treasury Department has never said whether in doing so they are acting as depositaries or as fiscal agents.

Most of the Federal reserve banks now take the position that they act solely as fiscal agents of the Treasury in performing these functions; but there seems to be a lack of complete agreement on this question, even among the Federal reserve banks, as is evidenced by the following statement contained in a report submitted to the Governors' Conference by Governor Talley of the Federal Reserve Bank of Dallas, under date of April 25, 1928:

"The service and facility of encashment of Treasury warrants at Federal reserve banks seem to have been kept out of the sphere or domain of the fiscal agency functions of the Federal reserve banks performed for the Secretary of the Treasury as specified in the Federal Reserve Act, and in this respect the encashment of warrants by the Federal reserve banks is looked upon as a depository function in the same view as such service is performed by active national bank depositaries."

"After considerable study of the subject my own view is that the Federal reserve banks would be looked upon and determined to be paying agents of any Treasury and that such warrants that had been encashed by Federal reserve banks would be considered to have been paid to the holder of such

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"warrants as though such warrants were actually drawn upon a Federal reserve bank and without recourse upon such holders."

It is very important, therefore, that, before entering into further negotiations with the Treasury Department on this subject, the Federal reserve banks reach an agreement among themselves as to the capacity in which they would like to act.

If they act as fiscal agents, their liability will be strictly limited and they will not be required to know the signatures of the drawers of such checks or whether the balances against which they are drawn are sufficient. On the other hand, it is probable that it will be held that such checks are not finally paid when charged to the Treasurer's account by the Federal reserve banks, and payment will be postponed until they have been finally accepted by the Treasurer of the United States.

On the other hand, if the Federal reserve banks act as depositaries it would seem to be necessary to establish balances on their books to the credit of the various disbursing agents, to know the signatures of such disbursing agents, and to assume all of the responsibilities and liabilities incident to banks paying checks drawn on themselves. If this were done, however, the checks would be finally paid and charged to the accounts of the drawers on the books of the Federal reserve banks, and there would be much more justification for the Federal reserve banks giving immediate credit therefor to the banks from which such checks are received.

There are other practical advantages and disadvantages of acting in either of these capacities; but these practical problems are fully appreciated by the officers of the Federal reserve banks and it is unnecessary for me to attempt to summarize them here.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

OPINION OF THE ATTORNEY GENERAL

Several years ago, the Federal reserve banks, without any negligence on their part, and acting under specific instructions to redeem war savings certificates "as fiscal agents of the United States", paid and charged to the account of the Treasurer of the United States a large amount of counterfeit war savings stamps, which were not discovered to be counterfeit until several months afterwards. The Treasurer demanded that the Federal reserve banks reimburse him for the amount of such payments; they refused to do so; and the question whether they should do so was submitted to the Attorney General of the United States. The Attorney General ruled that the Federal reserve banks were acting as fiscal agents of the Treasury in redeeming such war savings stamps; that their relation was purely one of agency; and that, in the absence of negligence or violation of instructions, they could not be required to reimburse the Treasury.

In submitting that question to the Attorney General for an opinion, the Secretary of the Treasury transmitted an opinion of the Solicitor of the Treasury and also an opinion rendered by the undersigned, as General Counsel of the Federal Reserve Board, under date of February 3, 1925; but the opinion of the Attorney General has never been published and no copy has ever been furnished to the Federal Reserve Board or to the Federal reserve banks.

It is believed that this opinion of the Attorney General establishes principles of great importance to all Federal reserve banks; and I respectfully recommend that the Board request the Secretary of the Treasury to furnish copies of it to the Federal Reserve Board for its information, and that of the Federal reserve banks.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

THE CLOSTER NATIONAL BANK CASE.

In the case of Closter National Bank, Plaintiff in Error v. Federal Reserve Bank of New York, Defendant in error, 285 Fed. 138, which was decided on October 31, 1922, the Circuit Court of Appeals for the Second Circuit held that, where a Federal reserve bank reserved the right to charge back "at any time and unconditionally" checks on the Treasurer of the United States, it could charge back such an item to the member bank credited therewith, although over a year had elapsed since it was deposited, and that such right to charge back was not dependent on a showing by the Federal reserve bank that the item was in fact a forgery and alteration as claimed by the Treasurer. The Court discussed the rights, duties and liabilities of the Federal reserve bank as follows:

> "The contract between the parties embraces the contents and obligations imposed by the circular letter No. 37. The defendant in error was appointed depository and fiscal agent of the United States, and it offered to certain member banks of the Second Federal Reserve District the option of presenting for payment checks and warrants on the Treasurer of the United States through it, but it made the terms as set forth in the circular above. The plaintff in error was free to accept or refuse to accept the services of the defendant in error as it saw fit. It might have used other available means for collecting government checks and warrants, if it so desired. While immediately crediting the account of the plaintiff in error with the defendant in error, it was always subjected to final payment by the Treasurer. Crediting the account accorded an advantage to the member banks in affording means for making funds promptly available. In undertaking this service, the defendant in error became a collecting agent. Under the terms of the circular, defendant in error had the right, should the United States at any time not pay, to return such check for any reason which the government might consider good, and the defendant in error could at any time and unconditionally charge back the amount credited to the plaintiff in error, at the same time returning the item so charged back. The right to do so was indefinite as to time; it might be done at any time and unconditionally. It was with this understanding and agreement that the defendant in error gave credit and accepted the obligation to perform this service for the plaintiff in error.
>
> "But it is contended that the defendant in error's right to charge back the item is dependent upon its showing that the item was in fact a forgery and alteration as claimed by the Treasurer.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"By the terms of the collection agreement under which the defendant in error performed the service, the collection agent had the right, if it acted in good faith, to charge back the item to the plaintiff in error's account, without the necessity of establishing a forgery or alteration of the warrant. The memorandum credit accorded, by the agreement of which the circular letter is a part, was always qualified by the clause "subject to final payment". And by that clause the government has for many years exercised the right of returning at any time warrants and checks, which for any cause have not been considered good, and the plaintiff in error was notified that this practice would be continued as a condition of receiving government warrants and checks on the Treasurer of the United States from member banks for credit, with 'the right to charge back at any time and return to the depositor at any time and unconditionally any such item deposited with the Federal Reserve Bank.' To place any other construction upon the terms of the circular would be to treat the phrase quoted as surplusage. Under the law, the Treasurer might recover if he paid the warrant because of the forgery, and therefore, as a matter of law, the item was not finally paid."

Incidentally, the opinion upheld the right of the Government to demand reimbursement at any time for warrants and checks "which for any cause have not been considered good" and cited the case of Onondaga Bank v. United States, 12 C. C. A., 407, 64 Fed. 703, wherein the Government was allowed to recover after two years had elapsed between payment and discovery of the forgery.

PRACTICAL OPERATION

Neither the legal effect of these transactions nor the practical problems involved can be fully appreciated without a clear conception of how they are actually handled; and it is believed that some of the features of the practical operations have been overlooked by certain of the parties who have discussed these problems from time to time. While the practical details can be stated more accurately and more understandingly by Federal reserve bank officers, I submit the following as what I believe to be a substantially accurate statement of the practice:

(1) Government checks are received by Federal reserve banks from their member banks and nonmember clearing banks, either through the clear-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ing houses or in their daily "cash letters", along with checks on numerous other banks, some of which are located in the same city as the Federal reserve banks and some of which are located at distant points.

(2) For all bank checks which can be collected on the day they are received, the Federal reserve banks give immediate credit and immediate availability (i. e., the immediate right to withdraw and to count the proceeds as reserves) and for all other <u>bank</u> checks they give their member banks deferred credit, which becomes available for withdrawal or for reserve purposes in accordance with time schedules representing approximately the average time required to collect such checks.

(3) Acting pursuant to arrangements made at the request of the Treasury Department, and for the accommodation of the Treasury Department, Federal reserve banks give their member banks <u>immediate</u> credit and <u>immediate</u> availability for all Government checks and warrants received up to a certain hour each day.

(4) Acting pursuant to the provisions of Section 32 of Treasury Department Circular No. 176, the Federal reserve banks immediately debit the account of the Treasurer of the United States with the amount of such checks and warrants and forward them to the Treasurer of the United States "for examination and final payment".

(5) Thereafter, if the checks are found to bear forged signatures or to be drawn against insufficient funds, if payment is stopped, or if for any other reason payment is refused by the Treasurer of the United States, the checks are returned to the Federal reserve banks and either the amounts thereof are charged back against the Federal reserve banks or the Federal reserve banks are requested to obtain reimbursement from their endorsers, in accordance

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with the provisions of Section 34 of Treasury Department Circular No. 176.

When a Government check reaches the Federal reserve bank it has reached the organization which acts for both the holder and the drawee; and the Federal reserve bank simply debits the account of the Treasurer of the United States and credits the account of its member bank on the same date. It will be seen, therefore, that the collection of a Government check as agent for a member bank and the "cashing" of it pursuant to Treasury Department Circular No. 176 are practically simultaneous transactions, wherein the operations of the Federal reserve bank resemble more closely the operations of a clearing house than the operations of an agent for collection. This similarity is even more pronounced when consideration is given to the fact that each day the Federal reserve bank receives from the Treasury Department checks drawn on its member banks, collects them from its member banks, and credits the proceeds to the Treasurer of the United States.

As long as the bank from which such checks and warrants are received remains solvent, no great hardship results to Federal reserve banks from the return of Government checks by the Treasurer of the United States; since the Federal reserve banks can charge them back to the reserve accounts of the banks from which they were received. Where, however, such checks are charged back to the Federal reserve banks after the banks from which they were received have become insolvent, there is grave danger of loss to the Federal reserve banks, if the Treasury looks to them for reimbursement in the absence of negligence or violation of the instructions of the Treasury Department.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It is frequently contended that the Federal reserve bank can and should charge the amount of such checks to the reserve account of a member bank after insolvency; but to do so is in derogation of the Federal reserve bank's right to enforce its bankers' lien against such reserve balance, upon which it relies as at least partial security in extending credit and forwarding checks for collection to member banks.

NATURE OF TREASURY CHECKS AND WARRANTS.

With particular reference to the right of the Treasurer of the United States to "stop payment" on Treasury checks and warrants after they have been debited to his account and credited to the account of the member bank on the books of the Federal reserve bank and after the member bank has been placed in the hands of a receiver, there is one legal point which is frequently overlooked in discussions of this subject, - i. e., the fact that such warrants are in effect bills of exchange drawn by the Government on itself.

Section 130 of the Uniform Negotiable Instruments Law, which has now been enacted in all of the States, provides in part that, "Where in a bill drawer and drawee are the same person, * * * the holder may treat the instrument, at his option, either as a bill of exchange or as a promissory note".

It could be argued with some force that, where a Federal reserve bank has given a member bank immediate credit and availability for a Government check or warrant, it has become the holder thereof and may treat it as a demand note of the Government of the United States, and that, for the Government to attempt to "stop payment" or refuse

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to allow credit therefor in the account between the Treasurer of the United States and the Federal reserve banks, is in substance a refusal by the Government to honor its demand obligation in the hands of a bona fide holder for value.

It may be argued on behalf of the Government that the drawer and drawee are not the same, since the drawer is the disbursing agent of the Government and the drawee is the Treasurer of the United States; but, when acting in official capacities, both of these officials are acting for the Government. In this connection, see the following statement in Brannon, Negotiable Instruments Law, 3d Ed., page 358:

> "A draft drawn by an agent on his principal by authority of the principal is equivalent to a draft drawn by the principal on himself, and need not be accepted by the drawee. It may be treated as the promissory note or the bill of the principal. First Nat. Bank v. Home Ins. Co., 16 N. M. 66, 113 Pac. 815; C. M. Keyes Commission Co. v. Miller (Okla.), 157 Pac. 1029, not citing the N. I. L. Watauga Co. Bank v. McQueen, 130 Tenn. 382, 170 S. W. 1025; Clemens v. Staunton Co., 61 Wash. 419, 112 Pac. 494. And it is no defense that the indorsee knew that the drawer was an agent. Merchants' Bank v. Goodfellow, 44 Utah, 349, 140 Pac. 759."

In the case of United States v. National Exchange Bank of Baltimore, 1 Fed. (2nd) 888, the Circuit Court of Appeals held that a Government check drawn by a disbursing officer of the Veterans' Bureau on the Treasurer of the United States was a check drawn by the Government on itself; and, on this ground, the court denied the right of the United States to recover from a commercial bank (which acted in good faith and without knowledge of any irregularity) the amount of such a check which had been raised to a hundred times its true value and had been paid to such commercial bank by the Treasurer through a Federal reserve bank.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In the course of its opinion, the court said (page 890):

"*** It is enough that, when the United States elects to become a party to commercial paper, it assumes all the responsibilities of private persons under the same circumstances. Cook v. United States, supra; United States v. Bank of New York National Banking Association, 219 F. 648, 134 C. C. A. 579, L. R. A. 1915D, 797."

The principle thus announced by the court has an important bearing on the claim sometimes advanced by officials of the Treasury Department that, in dealing with government checks and warrants, the Government is a sovereign and has peculiar and special rights as such.

Incidentally, the court said that the Federal reserve bank acted as the Government's agent in the transaction giving rise to the decision, but the decision arose on a demurrer, and this may have been a mere restatement of one of the allegations of the declaration filed by the Government.

Regardless of whether the Federal reserve banks could or should elect to treat as promissory notesof the Government checks and warrants for which they have given their member banks immediate credit and availability, it would not seem morally fair or just for the Treasury Department to attempt to stop payment and to refuse to allow the Federal reserve banks credit for such items after the insolvency of the bank from which they were received, in view of the following considerations:

(1) The items are drawn by the Government on itself;

(2) Acting pursuant to specific (though ambiguous) instructions issued by the Secretary of the Treasury, with which the Federal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

reserve banks must comply in view of the mandatory provision of Section 15 of the Federal Reserve Act, the Federal reserve banks have debited the amounts of such items to the Treasurer of the United States.

(3) On the faith of such debits to the Treasurer's account and acting pursuant to arrangements made at the request of the Treasury Department, the Federal reserve banks have given their member banks immediate credit for such items in their reserve accounts with the right of immediate withdrawal; and

(4) The member bank to which such items have been credited has become insolvent; and to attempt to reverse the entries diminishes the reserve balance of such bank available for the protection of the Federal reserve bank and may result in dispute and possible litigation with the receiver of the insolvent member bank.

THE QUESTION OF IMMEDIATE CREDIT.

Section 19 requires the reserve balance of each member bank to consist of "an actual net balance" with the Federal reserve bank, and the Courts have construed this requirement as forbidding credit given for uncollected checks to be counted as reserve. (Pascagoula National Bank v. Federal Reserve Bank of Atlanta, 3 Fed. (2nd) 465, 11 Fed. (2nd) 866, certiorari denied, 271 U. S. 685, 46 Sup. Ct. 637.)

In view of this decision, it may seriously be questioned whether the Federal reserve banks should give their member bank immediate credit for Treasury checks and warrants, even though the amount thereof is immediately debited to the Treasurer's account, unless (1) such debit

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

is deemed to be a final payment in so far as the Federal reserve bank is concerned, or (2) unless the Treasurer will agree not to look to the Federal reserve bank for reimbursement for items bearing forged endorsements, drawn against insufficient funds, on which payment is stopped, or on which the Treasurer refuses final payment for any other reason, unless and until the Federal reserve bank is able to obtain reimbursement from its member banks.

The refusal of Federal reserve banks to give their member banks credit in their reserve accounts for bank checks until they have been collected, is now recognized to be not only economically sound but legally necessary. If Federal reserve banks do not know whether credit will be allowed by the Treasurer of the United States for Government warrants or checks until after they have been forwarded to Washington and examined by the Treasurer and until after he has made a decision on the question whether they will be finally paid, there is serious question whether the Federal reserve banks should not refuse to give immediate credit for such checks, treat them as items drawn on a bank in Washington, and give deferred credit in accordance with their time schedules covering items drawn on banks in Washington.

This is a question which I believe should be given very serious consideration in connection with the clarification of the legal rights and responsibilities of the Federal reserve banks in cashing Government warrants and checks as well as the actual practice which is to be pursued by the Federal reserve banks and the Treasurer of the United States.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ADDITIONAL DATA.

If the Board adopts my recommendations, brings this matter to the attention of the Conference of Governors, and furnishes the Governor of each Federal reserve bank with a copy of this memorandum, I respectfully recommend that they also be furnished with copies of the following documents containing further data on this subject, which would be of value to any Committee to which this matter might be referred for study and report:

1. The attached recent correspondence between the Treasury Department and the Federal Reserve Bank of Atlanta.

2. Circular letter (X-1980) to Governors of all Federal reserve banks, except Kansas City, under date of July 16, 1920, re "Cashing Government Warrants and Checks Drawn on the Treasurer of the United States for Disbursing Officers."

3. Letter addressed by Mr. Case, Deputy Governor of the Federal Reserve Bank of New York to Mr. S. P. Gilbert, Jr., Assistant Secretary of the Treasury, December 15, 1920.

4. Reply of Gilbert to Case, December 21, 1920.

5. Reply, Case to Gilbert, December 23, 1920.

6. Reply, Gilbert to Case, December 29, 1920.

7. Circular letter (X-3047) by Board to Chairmen of all Federal reserve banks, except New York, February 15, 1921, re "Returned Treasury Items."

8. Circular letter (X-3471) to Governors of all Federal reserve banks, July 10, 1922, entitled "Amendment to Check Collection Circulars Suggested by Treasury Department."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

9. Circular letter (X-3504) to Governors of all Federal reserve banks, August 16, 1922, re "Charging back of Government Warrants and Checks Previously Paid by Treasurer of the United States" and enclosures containing correspondence between Treasury Department and National City Bank.

10. Letter, Governor Seay, Federal Reserve Bank of Richmond to Treasurer of the United States, January 6, 1922.

11. Letter, Governor Seay to Governor Harding, enclosing a copy of the above, January 7, 1922.

12. Letter, Harding to Undersecretary Gilbert, January 11, 1922.

13. Letter, Treasurer White to Governor Seay, January 17, 1922, enclosing letter Gilbert to Case, January 27, 1921.

14. Letter, Undersecretary Gilbert to Governor Harding, January 18, 1922.

15. Letter, Governor Harding to Governor Seay, January 20, 1922.

16. Letter, Governor Seay to Governor Harding, January 21, 1922.

17. Memorandum of law, M. G. Wallace (Counsel, Federal Reserve Bank of Richmond) to Governor Seay, January 25, 1922, re "Government Checks Bearing Forged Endorsements".

18. Letter Governor Seay to Governor Harding, transmitting copy of above, January 25, 1922.

19. Letter Governor Harding to Undersecretary Gilbert, January 26, 1922.

20. Letter, Undersecretary Gilbert to Seay, June 21, 1922.

21. Letter, Undersecretary Gilbert to Governor Harding, June 21, 1922.

22. Circular letter (X-3456) re "Liability of Federal Reserve Banks

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

on Government Warrants and Checks Cashed by Them."

23. Letter, Congressman McSwain to Board, December 7, 1922.

24. Letter, Governor Seay to Vice Governor Platt, December 9, 1922.

25. Letter, Congressman McSwain to Vice Governor Platt, December 14, 1922.

26. Letter, Vice Governor Platt to Congressman McSwain, December 22, 1922.

27. Letter, The Commerical Bank, Clinton, South Carolina, to the Secretary of the Treasury, December 11, 1922.

28. Reply of Secretary of the Treasury, December 28, 1922.

29. Letter, Vice Governor Platt to Undersecretary Gilbert, January 5, 1923.

30. Letter, Wallace (Counsel Federal Reserve Bank of Richmond) to Wyatt, General Counsel, Federal Reserve Board, November 1, 1923.

31. Formal opinion addressed to Board by undersigned February 3, 1925, re "Liability of Federal Reserve Banks for Paying Counterfeit War Savings Stamps as Fiscal Agents of the Treasury".

32. Memorandum, Wyatt to files, January 14, 1927, "Cashing of Government Checks by Federal Reserve Banks when Presented through Mail by Nonmember Banks."

33. Memorandum, Wyatt to Hand, January 22, 1927, "Cashing of Government Checks Presented through Mails to Federal Reserve Banks by Nonmember Banks".

34. Letter, Stroud, (Counsel Federal Reserve Bank of Dallas) to Wyatt, Board's Counsel, July 5, 1927.

35. Wyatt's reply to Stroud, August 17, 1927.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

36. Report submitted to Governors' Conference, April 25, 1928. by Lynn P. Talley, Governor of the Federal Reserve Bank of Dallas.

If the Board is able to obtain a copy of the opinion of the Attorney General of the United States with regard to the liability of Federal reserve banks for paying counterfeit war savings stamps as fiscal agents of the Government, I also recommend that a copy of that opinion be furnished to the Governors of all Federal reserve banks.

I respectfully submit herewith a proposed letter addressed to the Secretary of the Treasury requesting him to furnish the Board with a copy of the opinion of the Attorney General.

Respectfully,

(Signed) Walter Wyatt,

General Counsel.

Papers attached.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6867-a

DOCUMENTS ATTACHED AS EXHIBITS

TO

MR. WYATT'S MEMORANDUM

OF

April 17, 1931

RE

"Cashing" of Government Checks
and Warrants by Federal Reserve
Banks.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-1

FEDERAL RESERVE BANK OF ATLANTA

Office of
Cashier.

April 4, 1931.

Mr. E. M. McClelland, Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

Dear Mr. McClelland:

Reference is made to our conversation over the telephone on the 2nd instant, at which time I mentioned my letter to you dated the 14th ultimo relative to our correspondence with Mr. Ogden L. Mills, Undersecretary of the Treasury, and also with Mr. W.O. Woods, Treasurer of the United States.

In order that I may be in a position to tell Governor Black what you and Mr. Walter Wyatt have decided to do, I wish that you would have the kindness at your convenience to let me know if you have decided to make it a Federal Reserve Board matter. I believe the points at issue between ourselves and the Treasury Department are of interest to all Federal Reserve Banks, and no doubt the whole subject of payment of checks drawn on the Treasurer by the Federal Reserve Banks, particularly with reference to the adoption of a definite policy by the Treasury Department, is of sufficient importance to deserve the attention of the Federal Reserve Board.

Anyway let me know what you have done.

(Sgd.) M.W.Bell

Cashier

MWB:MC

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-2

FEDERAL RESERVE BANK

OF ATLANTA

Office of
Cashier

March 14, 1931.

Mr. E. M. McClelland, Assistant Secretary,
Federal Reserve Board,
Washington, D.C.

Dear Mr. McClelland:

I am enclosing copies of letters dated February 9th and March 2nd written by Governor Black to Mr. Ogden L. Mills, Undersecretary of the Treasury, also copy of my letter of the 2nd instant to W. O. Woods, Treasurer of the United States.

All of this correspondence relates to checks drawn on the Treasurer of the United States received by us from banks which suspended just about the time the checks reached us and were charged to the Treasurer of the U.S. Payment of these checks was declined by the Treasurer because he had been requested by the drawers, payees, or by other persons, to stop payment of the checks because of the suspension of the banks in which they were deposited.

We have had extensive correspondence with the Treasurer and with Mr. Mills during the past several months when bank suspensions were of frequent occurrence, and all of this correspondence related to the Treasurer's policy or practice which we think is unsound or at least likely to be prejudicial to our interests and it appears to be manifestly unfair to us.

We have not received replies to these letters or to other letters written previously and which call for a definite statement of the Treasurer's policy, or really the adoption by the Treasurer of a definite policy. It is very essential that we know definitely the policy by which the Treasurer proposes to be governed in handling such checks in order that we can also adopt a definite policy.

If you can without embarrassment to yourself take this matter up unofficially with the Treasurer with a view of getting a definite answer from him for us, I will very much appreciate it. If, however, it is a matter that you do not care to handle, a word to that effect from you will be sufficient.

Yours very truly,

(Sgd) M. W. Bell.

MWB:MC

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-3

FEDERAL RESERVE BANK
OF ATLANTA

March 2, 1931

My dear Mr. Secretary:

On February 9th I wrote you in connection with two checks drawn on the Treasurer by W. A. Minnis, symbol number 99126 to the order of Isaac L. Reisman for $110.67 and $253.76 respectively, and one other check for $150.00 drawn to the order of P. L. Dodge by J. B. Schommer, symbol number 11666.

In my letter to you I detailed our situation with the Treasurer relative to similar checks and recited that I had made every effort to get the Treasurer to define or agree as to our position when, as fiscal agent of the United States, we pay checks drawn on him. In my letter to you I stated that we would greatly appreciate it if you could aid us in getting the Treasurer to fix a policy as to such checks, so that we could with certainty under that policy handle them.

I have received no reply to my letter to you and have received no further information from the Treasurer as to a definition of such policy. If you can aid in this matter I will greatly appreciate it.

With my regards, I am,

Yours very truly,

E. R. Black

Governor

Mr. Ogden L. Mills,
Undersecretary of the Treasury,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-4

FEDERAL RESERVE BANK
OF ATLANTA

March 2, 1931

Hon. W. O. Woods,
Treasurer of the United States,
Washington, D. C.

Dear Sir:

Reference is again made to your letter, AWS-C, dated the 25th ultimo, in which you referred to check #1050780 dated October 15, 1930, drawn on you by J. L. Summers, symbol #10-005, to the order of Martha B. Waltmire for $150, payment of which was originally declined by you as stated in your letter of October 22, 1930, AWS-C, as you were requested by C. C. Pierce, Assistant Surgeon General, Public Health Service, to stop payment because the First National Bank of Perry, Florida, in which the check was deposited, had become insolvent. On the 27th ultimo we acknowledged receipt of your letter of the 25th ultimo, and enclosed with our acknowledgement a copy of our letter of the same date addressed to Mr. Iron Ross, Receiver of the First National Bank of Perry, Florida, in which this check was deposited by the payee.

In our letter to Mr. Ross we stated in substance that we are unwilling to reverse our entry charging your account with the amount of this check and return it to the receiver for delivery to the payee, because we feel that the balance standing to the credit of the First National Bank of Perry in its reserve account at the time of its suspension should be held by us to apply in partial liquidation of its indebtedness to us, which is considerably in excess of the amount of its reserve balance, and that unless he had funds he could use to redeem the check or reimburse us for the amount of it, we would find it necessary to decline your request.

We enclose herewith a copy of Mr. Ross' reply dated the 28th ultimo in which he declines to use funds of his trust derived from other sources to redeem the check or reimburse us, and consequently it is necessary for us to decline your request.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6367-a-4

FEDERAL RESERVE BANK
OF ATLANTA

The policy which has been followed by your office in several similar cases where you have declined at the request of payees or drawers to pay checks drawn on you, because of the suspension of the banks in which they were deposited, creates serious doubt in our mind as to what you conceive to be the function of the Federal Reserve Banks acting as Fiscal Agents of the United States in paying checks drawn on you. Your action in such cases creates a condition that is difficult for the Federal Reserve Banks to deal with, because we do not know when you may, for the reasons stated above, decline to pay a check for a large amount and leave us in a position where we cannot recover from our endorser, forcing us to become an ordinary creditor for an amount of money which we, to all intents and purposes, find that we have merely advanced to our endorser.

We would like to have a definite statement of your policy with respect to stoppage of payment of checks under circumstances which do not assert or claim any infirmity of any nature in the checks themselves.

If you will inform us as to the adoption of a definite policy by your office, we will be in a position to know what our own policy should be in handling checks drawn on the Treasurer of the United States.

Trusting that you will give this matter your consideration and favor us with a reply, I am,

Yours very truly,

M. W. Bell
Cashier

MWB:MC

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-5

FEDERAL RESERVE BANK
OF ATLANTA

February 9, 1931

Dear Mr. Secretary:

I am pleased to acknowledge receipt of your letters dated January 29th, 31st, and the 5th instant with enclosures relating to requests received by the Treasurer of the United States to stop payment of two checks drawn on the Treasurer by W. A. Minnis, symbol number 99126 to the order of Isaac L. Reisman for $110.67 and $253.76 respectively, and one check for $150 drawn to the order of P. L. Dodge by J. B. Schommer, symbol number 11666.

These checks were received by us on December 20 and 22, 1930, in the regular course of business, from the City National Bank of Miami, Florida, for payment and immediate credit of the proceeds to its reserve account. On the respective dates the reserve account of the City National Bank was credited and the checks were charged to the Treasurer's general account and forwarded to his office with our transcript of that account.

The Treasurer returned the checks to us in letters dated December 23 and 29, 1930, stating with respect to the Reisman checks that "payment is declined at this time in compliance with request dated December 23, 1930, from the United States Veterans Bureau who asked that payment be stopped because the bank in which the checks were deposited had become insolvent.

Please return the checks through the endorsers to the Receiver of the failed bank for delivery to the payees if circumstances warrant this action. Returned check credit tickets #50666 and #50667 are enclosed, with which to enter credit in the Treasurer's account."

The Treasurer employs the same language in his letter returning the Dodge check, except that he stated as his reason for declining payment, that the payee requested that payment be stopped.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK
OF ATLANTA

Under dates of January 2nd and 5th, 1931, we declined to credit the Treasurer, and returned to his office these and other checks received by us from the City National Bank, payment of which had been refused by the Treasurer because of requests received from the payees or drawers to stop payment. Our reasons for refusing the Treasurer's requests for credit and the return of the checks through our endorsers to the Receiver of the failed bank are stated in the following paragraphs of our letters:

"These checks were received by us in the regular course of business on December 19, 1930, from the City National Bank, Miami, Florida, and were on that date charged in our transcript of the Treasurer's account and credited to the reserve account of the City National Bank, which bank suspended December 22nd.

Immediately following the suspension of the City National Bank we applied the entire balance to its credit on our books in its reserve account in partial payment of its indebtedness to us, the amount of which indebtedness greatly exceeded the amount of the balance so applied, consequently we cannot now, as requested by you, charge the amount of these checks to that balance without loss to ourselves.

We feel confident that you do not expect us to take such action, and the checks are returned to you for such disposition as you deem proper."

Without conceding to the Treasury any right to decline payment of these checks for the reasons he has assigned and without establishing any precedent, we will endeavor to obtain the consent of the Receiver of the City National Bank to permit us to reduce the reserve balance we have applied in partial payment of the indebtedness of his trust to us, and return to him for such disposition as circumstances warrant, all the checks, eight in number amounting to $903.27, which have been the subject of some of our correspondence with the Treasurer. Such action can now be taken without apparent risk of loss to us because the indebtedness of the City National Bank has been very materially reduced, and we trust our collateral will be sufficient to pay it in full.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6867-a-5

FEDERAL RESERVE BANK
OF ATLANTA

Our correspondence with the Treasurer concerning these and other checks, payment of which he has declined because of suspension of the banks in which these were deposited by the payees, has been very unsatisfactory. We have endeavored to get him to define or agree as to our position, when as Fiscal Agent of the United States we pay checks drawn on him. We have asked whether such payment is final unless some infirmity exists in the instruments themselves, or that have been fraudulently issued or negotiated, or the balance to the credit of the drawer is insufficient. We have further endeavored to get the Treasurer to state whether, except in one of the cases named payment of Treasury checks will be protected by him at least to the extent that no loss through such payment would be entailed on us. We have been unsuccessful in our efforts to get such committments from the Treasurer, although we feel that in all fairness such inquiries should be specifically answered and such committments made, all to the end that we may with certainty as to our position handle his account.

The subject matter of such correspondence has been handled to conclusion by the Treasurer without suggestions from him as to our specific inquiries and our specific request for a specific statement of Treasury policy. If you can aid us in getting such policy as is covered by our inquiries definitely fixed, it will be greatly appreciated. In the absence of the fixing of such policy each transaction must be handled without regard to Treasury policy on the points involved, and may lead to the necessity of our fixing a general policy as to handling Treasury checks and warrants. This, we would regret.

I am glad that the present checks are small in amount, that the payees are entitled to every consideration, that our own position is such that we may handle them in accordance with your wishes.

It will be fortunate if these checks lead to a clearing up of our obligation and responsibility in the matter of handling Treasury checks.

Very sincerely yours,

(SGD) E. R. Black
Governor

Hon. Ogden L. Mills
Undersecretary of the Treasury
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 29, 1931.

My dear Governor:

There is attached hereto a copy of a letter received by the Secretary of the Treasury from Mr. Isaac L. Reisman, Miami, Florida, together with a copy of the enclosures discussing two policy loan checks in the amounts of $253.76 and $110.67, drawn on the Treasurer of the United States, deposited by Mr. Reisman in the City National Bank of Miami, Florida, prior to its suspension, the proceeds thereof having been applied by the Federal Reserve Bank of Atlanta in reduction of the insolvent bank's indebtedness.

As we understand it all Florida banks are agents for collection of out of town items deposited until collection is effected. Edwards v. Lewis, 124 Southern 746. The agency relationship continued until the Miami bank received the proceeds from its subagent. Commercial Bank of Pennsylvania v. Armstrong 148 U.S. 50. Where an agent makes a deposit even in his own name, of funds belonging to his principal, the bank although unaware of the beneficial ownership of such deposit cannot offset such deposit against an indebtedness owing by such agent to the bank, where the bank has not altered its position or extended any additional credit, in reliance or faith upon the supposition that the deposit in fact belonged to the agent. Citizens & Southern Bank v. Faygam 21 Fed. 2d 998; Swift & Co. v. Hammond 22 Fed. 2d 166; Fulton National Bank v. Hozier 295 Fed. 511; Bank of Metropolis v. New England Bank 1 How. 234 and 6 How. 212; Wilson v. Smith 8 How. 763.

It thus appears that Mr. Reisman owns the proceeds of these two checks unless the Miami bank permitted withdrawals against their deposit, which does not appear to be the case, or unless the Federal Reserve Bank after the receipt of these items changed its position to its detriment. No information as to this feature is contained in the file.

In view of the financial condition of this veteran, as indicated by his letter, it was thought best to refer this matter to your bank directly with a request that it be examined by your counsel to make sure that no injustice has been done Mr. Reisman. May we request an early reply setting out the facts and the principles of law relied upon by the Federal Reserve Bank in applying the proceeds of these two items in reduction of the insolvent bank's indebtedness?

Yours very truly,
OGDEN L. MILLS,
Undersecretary of the Treasury.

E. R. Black, Esq.,
Governor, Federal Reserve Bank,
Atlanta, Georgia.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-7

845 S. W. 10th Ave.,
Miami, Florida.

January 17, 1931.

Hon. Mr. Andrew W. Mellon,
Secretary of the Treasurer,
Washington, D. C.

Sir :

May I ask your kind indulgence, and if at all possible if you can do anything for me in this case, it will be greatly appreciated.

I am a disabled war veteran, and have been out of work for several months, and as a last resource, I arranged for a loan on my government insurance policies, checks for which were issued me on December 15. I deposited these checks in the City National Bank of Miami, Florida, on December 17. On Monday, December 22, the City National Bank of Miami, failed to open its doors for business. I immediately wired the Veterans Bureau at Washington, asking them to stop payment on these checks. In reply to my wire, I received a letter from the Veterans Administration, dated December 23. a copy of which you will find inclosed. I also received a communication from the Treasurer Department, Washington, of which you will also find a copy inclosed, in which they advised me they had stopped payment on these checks. On January 8, I received another communication from the Treasurery Department, copy also inclosed, advising that the Federal Reserve Bank of Atlanta, insisted upon the Treasury Department paying these checks and they did, although they had already stopped payment on them, and in spite of the fact that I wrote Mr. W.O. Woods of the Treasury Department, that I tried to collect the money for the checks on Saturday, December 20, and the City National Bank of Miami advised they could not pay them until they had cleared, and up until that time they had not cleared.

It seems to me that the Federal Reserve Bank in Atlanta took advantage of the fact that the checks in question were issued on the government, otherwise they would not have insisted upon the payment of the checks. I know this to be the fact, because checks drawn on individuals thru individual banks are not forced to pay checks that have been stopped.

I am appealing to you only because I am indire need- am still out of work and have a wife and baby to take care of. If it were not for this, would not think of worrying you or taking up your time with my troubles.

Thanking you for your interest, and awaiting your advices, I am,

Respectfully yours,

(Sgd.) Isaac L. Reisman

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

TREASURY DEPARTMENT

WASHINGTON

January 8, 1931.

Office of
Treasurer of the United States
In replying quote initials
AWS-C

Mr. Isaac L. Reisman
845 S. W. 10th Avenue,
Miami, Fla.

Sir:

Further reference is made to checks No. 48,483 and No. 48,484 both dated December 15, 1930, drawn on the Treasurer of the United States to your order for $110.67 and $253.76, respectively, by W. A. Minnis, symbol 99126, upon which stoppage was requested because of the failure of the City National Bank, Miami, Florida.

As you were advised by office letter of December 23, payment was suspended when the checks were presented and the checks were returned to the Federal Reserve Bank of Atlanta for transmittal through indorsers to the receiver of the failed bank for delivery to you if the circumstances warranted such action.

The checks have been returned to this office by the Federal Reserve Bank, which states its position as follows:

> "These checks were received by us in the regular course of business on December 19, 1930, from the City National Bank, Miami, Florida, and were on that date charged in our transcript of the Treasurer's account and credited to the reserve account of the City National Bank which bank suspended December 22nd.
>
> "Immediately following the suspension of the City National Bank we applied the entire balance to its credit on our books in its reserve account in partial payment of the indebtedness to us, the amount of which indebtedness greatly exceeds the amount of the balance so applied, consequently we cannot now, as requested by you, charge the amount of these checks to that balance without loss to ourselves."

The Federal Reserve Bank has been advised that, in view of its position, the proceeds of the checks are being paid to it, but, if the payee of the checks is shown to be entitled to the proceeds as against that bank it will be expected to make proper adjustment.

Respectfully,

(Sgd.) J.O.Woods
Treasurer

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-9

TREASURY DEPARTMENT

Office of the
Treasurer of the United States

WASHINGTON

DECEMBER 23, 1930

In replying quote initials:AWS-C

Mr. Isaac L. Reisman,
845 S.W. 10th Avenue,
Miami, Fla.

Sir:

With reference to letter from United States Veterans Bureau, dated December 23, 1930, requesting stoppage of payment on check No. 48483, 48484 dated December 15, 1930 and December 15, 1930, drawn on this office to your order for $110.67 and $253.76, by W. A. Minnis, symbol No. 99126, for the reason that the City National Bank, Miami Florida, in which you deposited the item, subsequently failed to open its doors, you are advised that the check was presented for payment today. Payment was suspended and the check returned to the Federal Reserve Bank, Atlanta, Georgia, for transmittal through the indorsers to the receiver of the failed bank for delivery to you if the circumstances warrant this action.

It should be clearly understood that the failure of a bank in which a check has been deposited and credited in the depositors account is not sufficient reason for stoppage of payment. If the indorsers of this check insist, it will be necessary for the Treasurer to pay it.

Respectfully,

W. O. WOODS

Treasurer.

Countersigned

Chief Accounting Division

Ac-153
B:CEM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-10

VETERANS ADMINISTRATION

UNITED STATES VETERANS BUREAU

WASHINGTON

December 23, 1930.

In Reply Refer to: DCC-A

K-244,299
K-572,097

Mr. Isaac L. Reisman,
845 S. W. 10th Avenue,
Miami, Florida.

Dear Sir:

This Bureau is in receipt of your telegram of December 22, 1930, advising that Policy loan checks Nos. 48483 and 48484, dated December 15, 1930, for $110.67 and $253.76, respectively, symbol No. 99126, were deposited in a Miami bank prior to its failure.

Your telegram has therefore been referred to the Treasurer of the United States, in order that stoppage of payment may be placed upon these checks as requested.

For the director,

Harold W. Breining,

Assistant Director-G

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

July 16, 1920.

X-1960

Subject: Cashing Government Warrants and Checks Drawn on the Treasurer of the United States for Disbursing Officers.

Dear Sir:-

Referring to the Board's letter of June 7, 1920, X-1944, on the subject of "Comments by the Federal Reserve Board on recommendations made by Governors of Federal Reserve Banks at their conference with the Federal Reserve Board, April 7th-10th, 1920", and with particular reference to the discussion by the Board of Topic 4, "Cashing Government warrants and checks drawn on the Treasurer of the United States for disbursing officers", one of the Federal Reserve Banks has made inquiry as to the protection afforded a Federal Reserve Bank, by telegraphing to the Treasurer of the United States as to whether or not the balance to the credit of a particular disbursing officer is sufficient to meet his check presented for payment at the Federal Reserve Bank, in the event this disbursing officer has other checks outstanding which might be presented at Washington for payment prior to receipt by the Treasurer of the check cashed by the Federal Reserve Bank and which would exhaust his balance with the Treasurer of the United

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

States. There is quoted below reply received from Assistant Treasurer of the United States with reference to this inquiry:

"In compliance with your request of July 12, the following is submitted relative to the methods used in reserving sufficient balance in the account of a disbursing officer to make payment on a check which has been certified to a Federal reserve bank requesting information as to sufficient funds to make payment thereon.

"When such request is received from a Federal reserve bank, notation of the amount of such check is made on the ledger account of the disbursing officer and that part of the balance is held in reserve to meet the check.

"If the Treasurer's officer, subsequent to the telegraphic advice given Federal reserve banks, should receive checks from other sources which would not leave a sufficient balance in the officer's account to meet the check which has been certified to a Federal reserve bank, payment on checks received from other sources would be refused and the Federal reserve bank, paying upon the Treasurer's telegraphic advice, would be thoroughly protected.

"This work has been thoroughly systemized so that these certifications are followed up and if, for any reason, the bank requesting the certification of the check does not present it in due course, the matter is adjusted by correspondence with the bank. In other words, the Federal reserve bank that pays on telegraphic advice that balance in officer's account is sufficient, is as thoroughly protected as if the check were presented and immediately charged in the account of the drawer."

Very truly yours,

Assistant Secretary.

To Governors of all F.R. Banks except Kansas City

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-11

FEDERAL RESERVE BANK

of New York

December 15, 1920.

Dear Mr. Gilbert:

On various occasions in the past we have discussed with your office, both orally and in writing, certain phases of our operations in cashing for our member banks checks and warrants drawn on the Treasurer of the United States.

Under the present practice, as defined by the terms of our circular to all of our member banks, items drawn on the Treasurer are received by us for immediate credit and availability, that is they are cashed, but with the understanding that the Federal Reserve Bank reserves the right at any time and unqualifiedly to charge back to the account of the member bank items returned by the Treasurer. Accordingly, whenever an item is returned by the Treasurer, the Federal Reserve Bank credits his account and charges the account of the member bank, regardless of the reason for which the item is returned and regardless of the length of time which may have transpired since its payment.

Our present circular and the practice now prevailing have both resulted from the fact that the Treasury Department has for years reserved the right at any time after payment of a check or warrant to return it for a refund in the event that it should appear that the endorsement has been forged or the face of the check in any way altered. In some instances it appears that twenty years have elapsed between the time of payment and the time that the Treasurer has requested the refund. It is because of this custom of the Treasurer that the Federal Reserve Banks have in the past reserved the right at any time and unqualifiedly to charge back to the account of a member bank any item returned by the Treasurer.

As you are perhaps aware, banks handling Treasury checks have for some time protested against the practice of the Treasury Department on the ground that it is unscientific and unbusinesslike, and even now, since the inauguration of the Federal Reserve Banks, when the greater part of these items is cleared through the Federal Reserve Banks, the member banks continue to object to the practice which is the basis of the Reserve Bank's existing circulars.

There is no question that the courts generally sustain the rights of the drawee of a check to obtain reimbursement, even after payment, in the case of a forged endorsement or alteration. That right, however, is predicated upon due or reasonable care on the part of the drawee in discovering the forgery or alteration. In other words, if the drawee has, by its own negligence, prejudiced the rights of a forwarding or endorsing bank, the right of reimbursement does not attach. While, therefore, there is no doubt that the Treasurer may, under court decisions, demand a refund in the event a check or warrant paid by him subsequently proves to be forged or altered, he may do so, theoretically, only if it be shown that he, the Treasurer, has not been guilty of any negligence causing a loss to the endorsing bank.

The sole question at issue is whether this Federal Reserve Bank should agree voluntarily to credit to the Treasurer items returned by him after payment,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

or whether the Federal Reserve Bank, which is not an endorser of the item but merely an agent in effecting its collection, should decline to credit the Treasurer's account and agree to accept such returned items only for collection. This matter has been considered by the officers of this bank for some time and they are in accord in recognizing the necessity of maintaining correct business practices in all of our transactions with the Treasury Department so far as that is consistent with the more or less intimate relations between that Department and this bank. We believe that we should not, by circular, ruling or otherwise, undertake to pass in advance upon the merits of a controversy which in reality involves only the Treasurer and the member bank for which we act as a collecting agent. An agreement by us to credit the Treasurer in all events, regardless of the ultimate determination of the question whether or not the Treasurer has been negligent, would, in substance, be a voluntary action on our part based upon a mere assumption that the merits of the controversy are on the Treasurer's side.

While we have a sincere desire to cooperate with the Treasury Department in every way consistent with the practices and usages of business, we are of the opinion that items returned by the Treasurer on account of irregularities in signature, filling, alterations, etc., should be accepted by the Federal Reserve Bank only as collection items, and that the account of the Treasurer should not be credited therefor until payment has been received from the last endorsing bank. We believe that this procedure will serve only to place all parties to the transaction in their normal and usual relation without, at the same time, depriving any of them of the rights or privileges to which they are justly entitled. In view of the fact, however, that this is a matter upon which both the Treasury Department and the member banks should have ample notice in advance, it is thought desirable that the practice which we have indicated should not become effective until January 1, 1921.

Very truly yours,

(Signed) J. H. Case

Acting Governor.

Honorable S. P. Gilbert, Jr.,
Assistant Secretary of the Treasury,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-12

December 21, 1920.

Dear Mr. Case:

I received your letter of December 15, 1920, which Mr. Jay handed me on Saturday, as to the Treasurer's charging back forged and raised checks for which banks have received immediate credit through the Treasurer's account. As I explained to Mr. Jay, the chief complication that enters into this question is that the Treasurer's account is involved. The Treasurer is a bonded public officer and naturally wishes to reserve the right to charge back, and thereby clean out of his account, forged or raised items which have been charged against his account subject to final payment by him. His position is that the charging back merely restores the bank presenting the check to the same position as if it had not received the original credit. As you know, forged indorsements and raised checks stand on quite a different basis; for example, from checks to which the drawer's signature is forged, and even though a long time has elapsed, the Treasurer can reclaim upon discovering the forged indorsement or the raising. From the Treasurer's point of view, therefore, the question is not an easy one, for to treat returned raised or forged items as collection items may, at the least, throw upon the Treasurer the substantial burden of instituting litigation to recover. Careful consideration is being given to the problem and you will be further advised in the course of a few weeks at the most.

In this connection, I ought to say that I am not quite clear whether your letter of December 15th means to take the position that on and after January 1, 1921, return items of this character cannot be charged back by the Treasurer but must be treated as collection items. I do not believe that such a position would be tenable until you have had the Treasury's assent. After all, the question concerns charges in the Treasurer's account, and the Treasurer has not consented to the charges in the first instance except subject to final payment by him. The circulars under which you collect checks for member banks recognize this condition.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

J. H. Case, Esq.,
Acting Governor,
Federal Reserve Bank,
New York, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-13

FEDERAL RESERVE BANK

OF NEW YORK

December 23, 1920.

Dear Mr. Gilbert:

I have read with a great deal of interest your letter of December 21, in reply to mine of December 15, relating to the method of handling items returned by the Treasurer on account of forgery, alteration, etc.

You state, among other things, that forged indorsements and raised checks stand on quite a different basis from checks to which the drawer's signature is forged and that even though a long time may have elapsed, the Treasurer can reclaim upon discovering the forged indorsement or the raising. That statement, I take it, is only partly true, since the right of the Treasurer to reclaim in such a case exists only if it can be shown that the last indorsing bank has suffered no loss through negligence of the Treasurer in discovering the defect and in making claim thereupon. It was to this feature of the matter that I made particular reference in my letter of the 15th, since it seems to us, as stated in that letter, that if we should give the Treasurer immediate credit upon any item returned, regardless of the reason or the circumstances under which reclamation is requested, the Federal Reserve Bank will, in effect, be determining a controversial question of law, namely whether or not the Treasurer has been negligent, in an issue that involves solely the Treasurer and the indorsing bank. It is, of course, recognized that if we treat returned items of this character as collection items it may "throw upon the Treasurer the substantial burden of instituting litigation to recover," but we do not believe that that is a burden which we should voluntarily assist the Treasurer in shifting elsewhere, inasmuch as he, <u>like any other drawee of a check</u> in similar circumstances, is the proper party to institute the litigation.

However, these matters are ones which were discussed much more fully in my letter of December 15, and I need not repeat them now.

I do feel, however, with reference to the contents of the last paragraph of your letter that while, as you say, the Treasurer may not have consented to our charging his account in the first instance "except subject to final payment by him," that is a matter which cannot determine the merits of the issue now raised, namely whether we should, as a matter of principle, give the Treasurer immediate credit for returned items, or whether we should treat such items solely as collection items. It is admitted that the Treasurer can require us not to charge his account immediately in the first instance for checks and warrants drawn upon him that are presented to us for payment, and we would not, of course, make such an immediate charge without his consent. Although it would seem to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

be most unfortunate if the Treasurer should not permit us to "cash" items drawn upon him, nevertheless, even if he should not do so, there is no question of our right to receive Treasury items from our member banks for collection, just as we now receive items drawn upon any other bank or banker. If that is done, I think you will agree that we could properly decline to give the Treasurer immediate credit for items returned by him after we had once effected their collection, and that we could, in turn, treat such returned items as collection items, regardless of the wishes of the Treasurer.

In view of all the circumstances to which we have adverted in this and our earlier letter, we feel constrained on and after January 1, 1921 to receive items of the character in question, returned by the Treasurer, solely as collection items and to give credit to the Treasurer for those returned items only when payment is received by us from our interested member bank.

In conclusion I should say that we will continue as in the past to "cash" checks and warrants drawn on the Treasurer when presented to us for payment unless we are expressly advised not to do so.

Very truly yours,

(Signed) J. H. CASE,

Acting Governor.

Honorable S. P. Gilbert, Jr.,
Assistant Secretary of the Treasury,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-14

December 29, 1920.

Dear Mr. Case:

I received your letter of December 23, 1920, which Mr. Harrison handed me on Friday, as to certain classes of returned items, and note your statement that the Federal Reserve Bank feels constrained on and after January 1, 1921, to receive items returned by the Treasurer on account of forgery, alteration, and the like, solely as collection items and to give credit to the Treasurer for such returned items only when payment is received by the Federal Reserve Bank from the member bank affected. The Treasury does not assent to the position which your letter takes as to returned items, for the reasons already indicated in my earlier letters, including the letters relating to the litigation instituted by the Closter National Bank.

The question at issue directly concerns the general account of the Treasurer of the United States, a bonded public officer, and his relations with all other depositaries of public moneys. The procedure now in effect is well established and under the general Treasury regulations governing deposits of public moneys applies to all Federal Reserve Banks and National bank depositaries. The question presented, therefore, must receive the Treasury's most careful consideration, and cannot be decided by a two weeks' notice from one Federal Reserve Bank. It is a question which must be decided on its merits, and not by ultimatum. I have had the matter under discussion with the Treasurer for some time, and in view of your letters of December 15th and 23rd have referred it to him for further attention and report to this office. Pending a decision, I assume that the Federal Reserve Bank of New York will continue to follow the procedure now in effect even after January 1, 1921.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

J. H. Case, Esq.,
Acting Governor,
Federal Reserve Bank,
New York, N. Y.

SPG:WAM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3047

February 15, 1921.

SUBJECT: Returned Treasury Items.

Dear Sir:

There is enclosed herewith copy of a letter from Assistant Secretary of the Treasury Gilbert to the Deputy Governor of the Federal Reserve Bank of New York, giving the method of procedure in connection with items drawn on the Treasurer of the United States, paid by the Federal Reserve Bank of New York, and forwarded to the Treasurer, and subsequently found to have been raised, or to bear forged endorsements, etc., and returned by the Treasurer to the Federal Reserve Bank of New York. The Treasury advises that the Treasurer of the United States is prepared to extend this plan to other Federal Reserve Banks.

Very truly yours,

R. G. Emerson,
Assistant to Governor.

Enclosure

TO CHAIRMEN OF ALL FEDERAL RESERVE
BANKS EXCEPT NEW YORK.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Such checks will be returned with Form 6537, copies of which are enclosed.

When checks of class (2) are returned it will be satisfactory to the Treasury if credit in the Treasurer's account is delayed by the Federal Reserve Bank until advice is received from the member bank that the item has been credited. Such checks will be returned with Form 6536, copies of which are enclosed. It is understood, however, as stated in Mr. Harrison's letter of January 15, 1921, that the circular under which the Federal Reserve Bank of New York acts as collecting agent for banks in its district with respect to warrants and checks drawn on the Treasurer of the United States will continue to reserve in favor of the Federal Reserve Bank the right at any time to charge back items returned by the Treasurer; and the Treasury still reserves the right ultimately to insist upon credit in such cases unless it develops upon further investigation that the Treasurer has not the right to reclaim.

When checks of class (1) and (2) are returned to the Federal Reserve Bank the Treasurer's office will charge the Transit Account - Adjustments of the Federal Reserve Bank - and hold further adjustments in the account in suspense until the Transit Account Adjustments item is cleared in the transcript of the Federal Reserve Bank.

When checks of class (3) are returned they will be forwarded with other items for collection and taken up when credited, with no intermediate charge on the books of the Treasurer in the account of the Federal Reserve Bank.

The Treasury will on and after January 28, 1921, handle these items in the manner outlined above, which I think is substantially in accordance with the procedure set out in the letter of December 30, 1920, to the Buffalo Branch. The regulations of the Treasury now in effect governing the payment of Government warrants and checks, as set forth in paragraphs 29-31 of Treasury Department circular No. 176, dated December 31, 1919, will continue in effect.

Very truly yours,

(Signed) S.P. GILBERT, Jr.

Assistant Secretary of the Treasury.

J.H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
New York, N.Y.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-3047a

January 27, 1921.

Dear Mr. Case:

I received your letter of December 31, 1920, with further reference to the question of items drawn on the Treasurer of the United States and returned by him to the Federal Reserve Banks. I have also received a letter from Mr. Harrison, dated January 15, 1921, enclosing a copy of a letter of December 30, 1920, to the Manager of the local Branch at Buffalo, which defines the procedure under which it is proposed to handle items returned by the Treasurer. The matter in question has been carefully considered by the Treasury and particularly by the Treasurer of the United States, whose account is of course affected. I think that the question has now reduced itself in large measure to one of procedure.

The items involved seem to fall under three distinct classes, namely:

(1) Checks which the Treasurer rejects promptly upon first examination on account of any irregularity. Checks falling within this class would normally include, for example, unsigned checks, checks in which the signature of the drawer is discovered upon first examination to be forged, checks payment of which has been stopped, etc.

(2) Checks which bear forged indorsements, and checks which have been raised or bear other material alterations which do not appear on examination.

(3) Checks in respect to which a question arises on the facts as to the Treasurer's right to reclaim, as, for example, checks bearing a forged signature of the drawer not discovered upon first examination.

When checks of class (1) are returned I assume that immediate credit will be given in the Treasurer's account. The second paragraph of Mr. Rounds' letter of December 31, 1920, to the Buffalo Branch does not make this quite clear, but I assume that there is no difference of opinion as to items of this character.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3471
July 10, 1922.

SUBJECT: Amendment to Check Collection Circulars
Suggested by Treasury Department

Dear Sir:

I enclose for your information and guidance copy of a letter received today from the Secretary of the Treasury, together with copy of letter addressed by him on July 8, 1922, to the Governor of one of the Federal Reserve Banks. The Federal Reserve Board suggests that those Federal Reserve Banks which have not already done so take steps to amend their check collection circulars so as to conform, on the point mentioned, to the provisions of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922.

Very truly yours,

Governor.

(Enclosures)

GOVERNORS OF ALL F.R.BANKS
COPIES TO AGENTS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY THE SECRETARY OF THE TREASURY

WASHINGTON

July 8, 1922.
X3471a

Dear Governor Harding:

On a number of occasions within the past six months the Treasury has had brought to its attention notices circulated by banks, purporting to be based upon circulars of various Federal Reserve Banks, stating that the Government of the United States has for many years reserved the right to charge back unconditionally, at any time, checks and warrants which for any cause have not been considered good. This statement is incorrect and misleading, and calculated to cause the Treasury and the holders of Government warrants and checks considerable difficulty. Difficulty has been experienced on this account in connection with the cashing of Government warrants and checks abroad, and complaints have been received from various correspondent banks in this country. The notice has been so widely circulated and there is so much of a coincidence in the time of the circulation of the notice that it would appear that some bank, or group of banks, is responsible for the circulation of the notice. The Federal Reserve Bank of New York has revised its check collection circular so as to avoid any statements which would afford a basis for the circulation of the objectionable notice, and the Federal Reserve Bank of Chicago is undertaking a revision of its check collection circular with the same end in view. I have just taken the matter up with the Federal Reserve Bank of in a letter, dated July 8, 1922, a copy of which is inclosed for your information. In view of the apparent tendency to spread the circulation of the objectionable notices from one part of the country to another, I would suggest for your consideration that it might be advisable for the Federal Reserve Board to take up with each Federal Reserve Bank the matter of possible amendment of their check collection circulars so as to conform with the provisions of Treasury Department Circular No. 176, amended and supplemented May 15, 1922, (copy inclosed) on this point.

Very truly yours,

(Signed) A. W. Mellon,
Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-3471b
July 8, 1922.

Dear Governor ---------

I enclose a copy of a letter, dated June 23, 1922, addressed by the ----- Trust Company, --------- to Senator --------- with regard to a circular apparently sent to its correspondents by the -------- National Bankof --------- which states that:

"The Federal Reserve Bank of Cleveland reserves the right to charge the account of the last endorsing bank, unconditionally, at any time, with the amount of such returned items deposited with, endorsed to, or otherwise paid by this bank"

in case of all Government warrants and checks received by it from member banks. This misrepresents the Treasury's present practice in its further statement that:

"The United States Treasury has for years exercised the right to return at any time checks and warrants which for any cause have not been considered good."

and is calculated to cause the Treasury considerable difficulty. A notice somewhat similar to the statement just quoted as to the alleged practice of the Treasury with regard to later charging back of checks and warrants previously paid, issued some years ago by the Federal Reserve Bank of New York, was taken by certain New York banks doing a foreign business as a basis for a notice stamped upon foreign advices covering Government items, and, as a result of the circulation of that statement, considerable difficulty has recently been experienced by holders of Government checks in cashing them in certain foreign countries. The Federal Reserve Bank of New York has recently issued a revised circular regarding collection of checks which eliminates the objectionable statement. Because of a similar statement circulated by a certain one of its member banks, which has caused the Treasury considerable trouble, the Federal Reserve Bank of Chicago is also undertaking the revision of its check collection circular so as to make its circular conform strictly with the present practice of the Treasury Department, as outlined in Treasury Department Circular No. 176, amended and supplemented May 15, 1922, (copy enclosed). The member bank of the Federal Reserve Bank of Chicago is also withdrawing its circular.

The notice circulated by the ---------- National Bank of --------- of which the ---- Trust Company of ---------- complained in its letter of June 23, 1922, is incorrect and misleading as the Government of the United States does not reserve the right to charge back at any later time all warrants or checks which for any reason are not considered good, and the wide circulation of the statement is obviously calculated to put

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Government warrants and checks at a disadvantage, as compared with commercial items. The Treasury's practice with respect to the payment of Government warrants and checks is stated in paragraphs 35-38 of Treasury Department Circular No. 176, amended and supplemented May 15, 1922, and conforms generally to commercial practice. I should, therefore, appreciate it if you would, if necessary, take up the revising of your regulations on this point along the lines followed by the Federal Reserve Bank of Chicago, or those followed by the Federal Reserve Bank of New York in revising their check collection circulars, and if you would at the same time take the matter up with the --------- National Bank of -------- with a view to preventing further circulation of this notice.

Very truly yours,

(Signed) A. W. Mellon,
Secretary.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3504.
August 16, 1922.

SUBJECT: Charging Back of Government Warrants and Checks Previously Paid by Treasurer of United States.

Dear Sir:

On July 10, 1922, the Board sent to all Federal Reserve Banks a letter (X-3471), subject "Amendment to Check Collection Circulars Suggested by Treasury Department", dealing with the Treasury's practice with regard to the later charging back of Government warrants and checks previously paid by the Treasurer of the United States. In this connection there is enclosed herewith, for your information, copy of a letter received today from the Secretary of the Treasury transmitting copies of correspondence between the Treasury Department and the National City Bank of New York, setting forth in full the Treasury's position with regard to the charging back of Government items, the method of handling such items by the Federal Reserve Banks upon charging back and the respective functions of the Federal Reserve Banks and the Treasury with regard to reclamation on such items.

Very truly yours,

Vice Governor.

(Enclosure)

TO GOVERNORS OF ALL F. R. BANKS
COPIES TO AGENTS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

THE SECRETARY OF THE TREASURY

Washington X-3504a
August 12, 1922.

My dear Mr. Platt:

Referring to previous correspondence relative to the Treasury's practice with regard to the later charging back of Government warrants and checks previously paid by the Treasurer of the United States, I enclose copies of recent correspondence between the Treasury and the National City Bank, consisting of the Bank's letters of July 8, 1922, July 27, 1922, and August 7, 1922, and my letters of July 19, 1922 and July 29, 1922. These letters set forth in full the Treasury's position with regard to the later charging back of Government items, the method of handling such items by the Federal Reserve Banks upon charging back, and the respective functions of the Federal Reserve Banks and the Treasury with regard to reclamation on such items. As there has recently been considerable misunderstanding and difficulty regarding this matter, much of which has been traceable to the action of the National City Bank, I would suggest the advisability of sending copies of the correspondence to all the Federal Reserve Banks in connection with your previous circular letter on this subject dated July 10, 1922.

Very truly yours,

(Signed) A. W. Mellon,
Secretary.

Hon. Edmund Platt,
Vice-Governor, Federal Reserve Board,
Washington, D. C.

5 enclosures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-3504a

THE NATIONAL CITY BANK

of New York

New York, August 7, 1922.

Office of the
President

My dear Mr. Mellon:

I have received your letter of July 29th regarding the form of credit advice used by us with respect to warrants and checks drawn on the Treasury of the United States, and I delayed a reply until, for the purpose of our record, a confirmation of your definition of the capacity in which the Federal Reserve Bank acted in such matters was obtained through Mr. Strong, who advised me that a copy of your letter had been sent to him. That confirmation has now been received, and I am pleased to write that with a full concurrence of counsel we have determined to discontinue the form of credit advice which was objectionable to you.

This matter stands in a much clearer light than heretofore, and I want to express my personal appreciation for your cooperation in closing it thus satisfactorily.

Yours very truly,

(Signed) C.E. Mitchell,

President.

Hon. Andrew W. Mellon
Secretary of the Treasury,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Copy)

THE SECRETARY OF THE TREASURY

Washington

July 29, 1922.
X-3504a

Dear Mr. Mitchell:

I received your letters of July 24 and July 27, 1922 regarding the form of credit advice used by the National City Bank of New York with respect to warrants and checks drawn on the Treasurer of the United States. I note that your counsel are not satisfied on the question as to whether the Federal Reserve Bank acts in a private or governmental capacity in handling such items, and that this question is in their opinion relevant, for the reason that the Federal Government would not be barred by the statute of limitations and in case of a forged endorsement might bring action for recovery years after the discovery of the forgery when an ordinary individual would be barred by the lapse of time. The Federal Reserve Banks do not pay Government warrants and checks, but cash them under Treasury regulations. The Treasurer of the United States, as the drawee of Government warrants and checks, makes payment thereof, and the Government, rather than the Federal Reserve Bank, is the real party at interest when the question arises of recovery on warrants and checks paid on forged endorsements. I take it to be clear that in the absence of a statute expressly providing otherwise, the United States Government would not be barred by the statute of limitations, or by laches, and that there might therefore be cases where it could bring suit for recovery in respect to Government warrants and checks which had been paid on a forged endorsement, even though enough time might have elapsed to bar recovery by private parties similarly situated. I do not see that there is any escape from this situation. The Government is the sovereign, and from time immemorial this has been the rule. I do not understand, however, how this contingency justifies the form of credit advice used by the National City Bank of New York. The letter of October 3, 1921, from the Cashier of the bank states that this clause reads as follows: "All instruments against the Government of the United States are credited subject to final payment by the Treasury Department. Therefore, any item which subsequently may be returned unpaid to us by the Department will be charged back against your account". As the Treasury has previously pointed out, the fact that warrants and checks drawn on the Treasurer of the United Stated must be credited "subject to final payment by the Treasury Department" is not unusual and does not warrant any discrimination as between commercial items and Government items. In the nature of the case, warrants and checks must be subject to final payment by the drawee, and the terms and conditions on which the Treasurer of the United States makes examination and payment are set forth in paragraphs 35 to 38 of Treasury Department Circular No. 176, dated May 15, 1922. The second sentence of the credit advice refers to returned

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

items, and the Treasury's practice in this regard has already been fully explained in previous correspondence. Under this practice, as outlined in subdivision 2 of paragraph 37 of Treasury Department Circular No. 176, warrants and checks paid by the Treasurer which are subsequently found to bear a forged endorsement, or to bear any other material alteration or defect not discoverable upon first examination, will be returned to the Federal Reserve Bank or national bank depositary which cashed the item, but the Federal Reserve Bank or other depositary will not be expected to give credit therefor to the Treasurer until it has actually received reimbursement therefor from the person liable on the forgery or alteration. The term "remitting bank" as used in this paragraph applies to the Federal Reserve Bank, rather than to the bank presenting the item to the Federal Reserve Bank, as has already been explained in my letter of July 19, but even as between the Federal Reserve Bank and the bank which presented the item the practice would be, as I understand it, to call upon the presenting bank for reimbursement, and not to charge its account with the item under any arbitrary procedure. In other words, the items would not be "charged back" by the Federal Reserve Bank, but would be treated in substance like collection items. In the event that recovery could not be made in this manner it would, of course, be necessary to bring suit, and in ordinary course suit would be brought by the United States, rather than by the Federal Reserve Bank, since the Federal Reserve Banks act in such matters for account of the United States and the United States is the real party at interest. Under the procedure thus established the items cannot properly be said to be "charged back", and the credit advice used by the National City Bank of New York is therefore incorrect and misleading. As a matter of fact, save for the one question as to the effect of lapse of time the procedure would be the same as with commercial items, and on the question of the lapse of time it would, of course, be the policy of the Treasury to move at the earliest possible moment after discovery of the forgery or alteration. The Treasury cannot undertake that the Government in these matters will be barred by lapse of time, but even assuming a case where there might be a sufficient lapse of time to bar private parties, the result would be a suit brought in regular manner by the Government of the United States, and not an arbitrary charging back of the item through the channels from which it was received.

I wish that you would consider the matter further in the light of the considerations suggested by this letter and advise me if it is not possible under the prevailing conditions to discontinue the use of the credit advice in question. In this connection I should

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

like to refer to your Cashier's letter of December 15, 1921, from which the Treasury understood that notwithstanding the point raised by counsel the National City Bank would change its forms as soon as the Federal Reserve Bank changed its circular.

Yours very truly,

(Signed) A. W. Mellon,
Secretary.

C. E. Mitchell, Esq.,
President, The National City Bank of New York,
New York, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-3504a

THE NATIONAL CITY BANK

of New York

Office of
the President

New York, July 27, 1922.

Hon. Andrew W. Mellon,
Secretary of the Treasury,
Washington, D. C.

My dear Mr. Mellon:

Referring further to your letter of July 19, regarding the form of advice which we use when remitting the proceeds of Government warrants and checks paid by the Treasury of the United States, I have conferred with our counsel, upon whose definite advice you will realize that we must rely. I had hoped that your letter would definitely close the matter in their minds, but it appears that while it did dispose of the first question raised in our letter of July 8, it does not seem to have satisfied them on the question as to whether the Federal Reserve Bank acts in a private or Governmental capacity when it pays these items.

This question in their opinion is relevant for the reason that by decision of the Supreme Court, the Federal Government is not barred by the Statute of Limitations, and in case of a forged prior endorsement might, if it saw fit, bring an action for recovery several years after it otherwise would be barred. Consequently, if the Federal Reserve Bank acts as a Governmental agent in this respect, it would have the same power, and we are advised that it probably is not possible for the Government to deprive itself of this power without express law to that effect.

I feel sure you understand the difficulty of our position. We do not want you to interpret us as doubting either the good intentions of your Department or of the Federal Reserve Bank, and we would be only too glad to acquiesce and discontinue the use of this stamp, - but we do not wish to assume any unnecessary risk with respect to collection items.

If you have at hand any decisions or opinions showing that the Federal Reserve Bank in receiving this type of paper for collection is acting in a private and not a Governmental capacity, so that the usual commercial laws will apply between this Bank and it, I will be very glad to receive them.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

New York, July 27, 1922. X-3504a

On receipt of your reply to this letter, I can assure you the matter will be definitely closed.

Yours very truly,

(Signed) C. E. Mitchell,

President.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-3504a

THE SECRETARY OF THE TREASURY

Washington

PERSONAL

July 19, 1922.

My dear Mr. Mitchell:

I have received from your cashier a letter dated July 6, 1922, with further reference to a form of credit advice used by the National City Bank of New York which contains an objectionable statement regarding the charging back of Government warrants and checks previously paid by the Treasurer of the United States. This credit advice has resulted in many difficulties with foreign banks, and has been the cause of some embarrassment to the Government of the United States. I had supposed that its use was discontinued some time ago by your bank, but it now appears that it is still in use and that the bank does not yet regard the question as settled. The correspondence has been going on since early last fall, and there have been several letters from your cashier, particularly letters dated December 15, 1921, March 16, 1922, and June 21, 1922, indicating that the National City Bank would discontinue the use of its stamp as soon as the Federal Reserve Bank of New York revised its check collection circular. This revision was made a couple of months ago, and the Federal Reserve Bank at that time advised the Treasury that the National City Bank had actually given up the objectionable form of advice. Apparently this has not been done. In these circumstances I should appreciate it if you would give the matter your personal attention, in order that it may be settled once and for all.

The Treasury's procedure in respect to returned items has been many times explained in letters to the National City Bank, and the regulations of the Treasury and of the Federal ReserveBank of New York have been revised in order to state the situation in as clear and definite terms as possible. As to the specific questions raised in your Cashier's letter of July 8, the term "remitting bank" used in Section 37 (2) of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922, means the Federal Reserve Bank rather than the bank which has transmitted the paper to the Federal Reserve Bank. On the second question, as to whether the "Reserve Banks in dealing with this type of paper are acting in a Governmental or private capacity", I do not quite understand what is meant nor what relation the inquiry has to the matter under discussion. It is clear, of course, that under Section 15 of the Federal Reserve Act, the Federal Reserve Banks act as depositaries and fiscal agents of the United States, and their duties as depositaries and fiscal agents in respect to the payment of Government warrants and checks are set forth in the provisions of the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

aforesaid Treasury Department Circular No. 176. The Federal Reserve Banks also act for their member banks in connection with the collection of checks and similar items, and their responsibilities in this regard are usually set forth in their own circulars.

Very truly yours,

(Signed) A. W. Mellon,
Secretary.

C. E. Mitchell, Esq.,
President, The National City Bank of New York,
New York, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(copy)

THE NATIONAL CITY BANK OF NEW YORK

New York, July 8, 1922.

In replying please quote initials
CBL-T
X-3504a

Hon. A. W. Mellon,
Secretary of the Treasury,
Washington, D. C.

Dear Sir: RE:-Checks and warrants drawn on the Treasurer of the United States.

We are glad to acknowledge your letter of June 23, 1922, giving assurance that it is your intention to treat checks and warrants drawn on the Government in accordance with the usual commercial practice, and referring us to Sections 35 to 38 of Treasury Department Circular 176, dated May 15, 1922.

It is gratifying to this Bank to note your stand with respect to the payment of Government checks and warrants. However, under present banking practice, as you know, a great proportion of this paper is collected through the Federal Reserve Banks, which in certain respects act as an agency of the Government. This has raised two questions: first, whether the "remitting bank" referred to in Section 37(2) is to be interpreted as the Federal Reserve Bank, or the bank which has transmitted the paper to the Reserve Bank, and second, whether the Reserve Banks in dealing with this type of paper are acting in a governmental or private capacity?

We would like very much to conform to your desire and discontinue at once the use of the stamp referred to in former correspondence, which is subject to so much criticism from our foreign correspondents. Our counsel, however, do not feel free to advise that course until they know the attitude of the Department of the Treasury on the points mentioned.

Yours very truly,

(Signed) N. C. Lenfestey,

Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-15

January 6, 1922.

Mr. Frank White, Treasurer of United States,
Treasury Department,
Washington, D. C.

Dear Sir: Attention of AWS

Your letter of December 29th addressed to L. A. A. Siems, Manager, Government Redemption Department of the Baltimore Branch of this bank, has been referred to me, and along with it the file of correspondence between the Baltimore Branch of this bank and the Treasury Department upon the subject of ten checks, each for the sum of $30.00, drawn by the Bureau of War Risk Insurance upon your office in favor of Elizabeth Johnson, which checks were apparently mailed by the Bureau of War Risk Insurance to the payee in care of John A. Johnson, School for Bakers & Cooks, Camp Meade, Md., and are dated one on the first of each month beginning November 1, 1918 and ending August 1, 1919. All of these checks are apparently endorsed by Elizabeth Johnson, John A. Johnson, Commonwealth Bank of Baltimore, and by the National Exchange Bank of Baltimore. These checks were presented to us through the Baltimore Clearing House by the National Exchange Bank of Baltimore and paid for your account.

I understand from the correspondence that the payee of these checks, Elizabeth Johnson, has made affidavit that her endorsement upon the checks are forgeries and that she received no part of the proceeds; and that after investigation by the special agents of the Secret Service Divis ion and an examination by your handwriting experts you are of opinion that the claim of the payee is substantiated and you have accordingly charged these checks to our account.

The National Exchange Bank has refused to reimburse us for the amount of these checks and I do not feel that we should be compelled to reimburse the Treasury until we are in a position to secure credit from the member bank from which we received the checks or until the claim of your department has been established by appropriate legal proceedings.

I have been advised by the counsel for this bank that the liability of endorsers upon a check drawn by a disbursing officer upon the Treasury of the United States is no different from the liability of endorsers upon checks drawn upon private corporations and persons, that is to say the endorsers warrant the genuineness of prior endorsements; and if the endorsement be proven to be a forgery, the drawee of the check may recover the amount paid from any endorsers. The counsel for this bank further advises me that whoever affirms that any signature is a forgery must prove it.

We know nothing of the facts of this case, but if we accepted the charge made by your office and attempted to collect the amount of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

these checks from the National Exchange Bank, we would be obliged to assume the burden of proof and to prove that the signature of Elizabeth Johnson is a forgery. You have furnished us with no evidence which would enable us to prove such a fact, and until such evidence is furnished I can not credit your account with the amount which you claim.

You will doubtless realize that it would work a great hardship upon Federal reserve banks if they were compelled to accept the findings of your office as final and were then compelled to bring a suit against some prior endorser, in which suit they would be compelled to prove by evidence admissible in court that the endorsement was a forgery.

We shall endeavor to secure an amicable adjustment of the matter between ourselves and the National Exchange Bank, but until such an adjustment is secured we must refuse to credit your account or to sign Form 6536 covering these checks.

I suggest that it appears to me both practicable and reasonable for your department, if it considers it certain that the endorsements upon these checks are forged, to bring a suit against the endorsers upon these checks, making this bank a party to such suit if you deemed that course best, and in such suit establish the fact of the forgery in such manner as would be binding upon all parties.

I remain,

Yours very truly,

George J. Seay,
G o v e r n o r.

MGW-S

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

FEDERAL RESERVE BANK

OF RICHMOND

January 7, 1922.

Dear Governor Harding:

I enclose, for the information of the Board, copy of a letter drafted by our Counsel which I have sent to the Treasurer of the United States, with respect to certain checks on the Treasury paid by the Baltimore Branch in the usual way, upon which the endorsement of the payee has been declared to be a forgery by the officials of the Treasury Department. The member bank for which the checks were cashed takes the position that it has no evidence to prove that the endorsement is forged, and declines to accept the decision of the Treasury Department without proof.

It appears to me that Federal reserve banks, for their own protection, and protection of their members, are called upon to take the position which I have taken under advice of our Counsel, as set forth in the accompanying letter, which more fully sets forth the facts in the case.

Very truly yours,

(S) Geo. J. Seay
Governor.

GJS-CCP
1 Encl.

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-17

January 11, 1922.

Dear Mr. Secretary:

I enclose herewith copy of letter and enclosure received from the Governor of the Federal Reserve Bank of Richmond, all of which is self-explanatory. I would appreciate it very much if you would write me expressing the attitude of the Treasury Department in the matter referred to, in order that I may communicate your views to Governor Seay.

Very truly yours,

G o v e r n o r.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 17, 1922.

AWS.

George J. Seay, Esquire,
Governor, Federal Reserve Bank,
Richmond, Virginia.

Dear Sir:

Receipt is acknowledged of your letter of the 6th inst., referring to the request made of your Baltimore branch for reclamation of payment on ten checks for $30.00 each, drawn on this office by the disbursing clerks of the Bureau of War Risk Insurance, all in favor of Elizabeth Johnson. These checks were mailed to the payee in care of John A. Johnson, School for Bakers and Cooks, Camp Meade, Md., and are dated on the first day of each month beginning November 1, 1918 and ending August 1, 1919. The checks are endorsed Elizabeth Johnson, John A. Johnson, Commonwealth Bank of Baltimore, National Exchange Bank of Baltimore and Baltimore branch, Federal Reserve Bank of Richmond.

Your letter states in substance, (first) that you have been furnished with no evidence or proof that the payee's indorsement is forged and (second) that the proper method of securing reclamation would be for the Treasury to bring suit against the indorsers in order to establish thefact of the forgery, making the Federal Reserve Bank a party to the suit.

It is found that the Baltimore branch of your bank has been furnished with information relative to this case in letters of this office dated October 18, November 8, December 5, and December 29, 1921. There are forwarded to you herewith certified photographic copies of the affidavit of the payee, of the ten checks bearing forged indorsements and of eleven checks issued to this payee at earlier dates bearing her genuine indorsement. There is also forwarded herewith a copy of the report of the Examiner of questioned Writing of this office relative to his examination of the indorsements.

The indorsements of the payee on the ten checks in question appear to have been forged by John A. Johnson, husband of the payee, who appears as the second indorser on the checks and whose signature thereon, the Department is advised, agrees with his specimen signature on file with the Commonwealth Bank of Baltimore.

For your information with reference to the position of the Treasury in such matters there is inclosed herewith a copy of the letter of the Under Secretary to the Federal Reserve Bank, New York,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

dated Jan. 27, 1921, copy of which letter has also been previously sent to your bank by the Federal Reserve Board, reference X-3047 You will note that the Treasury reserves the right ultimately to insist upon credit in such cases unless it develops upon further investigation that the Treasurer has not the right to reclaim. In the correspondence relative to this forgery which this office has carried on with the Baltimore branch of your bank and with the attorney for the Commonwealth Bank of Baltimore no fact has been developed to warrant the questioning of the statements made by the payee of these checks in her affidavit.

It is noted that you will endeavor to secure an amicable adjustment of the matter between yourselves and the National Exchange Bank and it appears that the facts are sufficiently clear in this case to make such adjustment possible.

Very truly yours,

(Sgd) Frank White

Treasurer.

(Inclosure)
MGK.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 27, 1921.

Dear Mr. Case:

I received your letter of December 31, 1920, with further reference to the question of items drawn on the Treasurer of the United States and returned by him to the Federal Reserve Banks. I have also received a letter from Mr. Harrison, dated January 15, 1921, enclosing a copy of a letter of December 30, 1920, to the Manager of the local branch at Buffalo, which defines the procedure under which it is proposed to handle items returned by the Treasurer. The matter in question has been carefully considered by the Treasury and particularly by the Treasurer of the United States, whose account is of course affected. I think that the question has now reduced itself in large measure to one of procedure.

The items involved seem to fall under three distinct classes, namely:

(1) Checks which the Treasurer rejects promptly upon first examination on account of any irregularity. Checks falling within this class would normally include, for example, unsigned checks, checks in which the signature of the drawer is discovered upon first examination to be forged, checks payment of which has been stopped, etc.

(2) Checks which bear forged indorsements, and checks which have been raised or bear other material alterations which do not appear on examination.

(3) Checks in respect to which a question arises on the facts as to the Treasurer's right to reclaim, as, for example, checks bearing a forged signature of the drawer not discovered upon first examination.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

When checks of class (1) are returned I assume that immediate credit will be given in the Treasurer's account. The second paragraph of Mr. Round's letter of December 31, 1920, to the Buffalo Branch does not make this quite clear, but I assume that there is no difference of opinion as to items of this character. Such checks will be returned with Form 6537, copies of which are enclosed.

When checks of class (2) are returned it will be satisfactory to the Treasury if credit in the Treasurer's account is delayed by the Federal Reserve Bank until advice is received from the member bank that the item has been credited. Such checks will be returned with Form 6536, copies of which are enclosed. It is understood, however, as stated in Mr. Harrison's letter of January 15, 1921, that the circular under which the Federal Reserve Bank of New York acts as collecting agents for banks in its districts with respect to warrants and checks drawn on the Treasurer of the United States will continue to reserve in favor of the Federal Reserve Bank the right at any time to charge back items returned by the Treasurer; and the Treasury still reserves the right ultimately to insist upon credit in such cases unless it develops upon further investigation that the Treasurer has not the right to reclaim.

When checks of class (1) and (2) are returned to the Federal Reserve Bank the Treasurer's office will charge the Transit Account - Adjustments of the Federal Reserve Bank - and hold further adjustments in the account in suspense until the Transit account Adjustment item is cleared in the transcript of the Federal Reserve Bank.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

When checks of class (3) are returned they will be forwarded with other items for collection and taken up when credited, with no intermediate charge on the books of the Treasurer in the account of the Federal Reserve Bank.

The Treasury will on and after January 28, 1921, handle these items in the manner outlined above, which I think is substantially in accordance with the procedure set out in the letter of December 30, 1920, to the Buffalo Branch. The regulations of the Treasury now in effect governing the payment of Government warrants and checks, as set forth in paragraphs 29-31 of Treasury Department Circular No. 176, dated December 31, 1919 will continue in effect.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,

Assistant Secretary of the Treasury.

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

Enclosures.

SPG:HRS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-20

THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

January 18, 1922.

Dear Governor Harding:

I received your letter of January 11, 1922, enclosing a copy of a letter and its enclosure received from the Governor of the Federal Reserve Bank of Richmond relative to reclamation upon 10 checks, each for the sum of $30, drawn by the Bureau of War Risk Insurance upon the Treasurer of the United States, in favor of Elizabeth Johnson, on which the indorsements of the payee were forged. You ask that I write you regarding the attitude of the Treasury in this matter.

The matter of reclamation upon the checks in question has already been the subject of correspondence between the Treasurer of the United States and the Baltimore branch of the Federal Reserve Bank of Richmond, and also with the Federal Reserve Bank of Richmond itself. I enclose a copy of a letter of January 17, 1922, addressed by the Treasurer to the Governor of the Federal Reserve Bank of Richmond which states the position of the Treasury with regard to this case. These cases do not present any new or unusual features. The position which the Treasury has taken is in accordance with the usual practice established in compliance with the understanding reached some time ago between the Treasury and the Federal Reserve Banks. I enclose a copy of my letter of January 27, 1921, to Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, which states the Treasury's position in the matter of reclamation generally.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In the present cases, the Baltimore branch was furnished with the proof of the forgeries which the Treasury had obtained. The Federal Reserve Bank of Richmond apparently was not informed of this fact. The Treasury, of course, realizes that if the Federal Reserve Bank is to make reclamation against its member bank, it should be furnished with all the proof available, and will in all cases undertake to furnish such proof. It is further expected, in accordance with the Treasury's understanding with the Federal Reserve Banks, that the Federal Reserve Banks shall make every effort possible to make reclamation without litigation, as litigation in most of these cases is unnecessary, the facts being clear and the principles of law governing the cases well established.

Very truly yours,

(S) S. P. Gilbert, Jr.,
Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

2 enclosures

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-21

January 20, 1922

Dear Governor Seay:

Referring again to your letter of the 7th instant, I enclose herewith, for your information, copy of letter received from the Under Secretary of the Treasury which is self-explanatory. The two enclosures referred to therein are not being sent you, for the reason that it appears from the letter that you already have copies of them in your files.

Very truly yours,

Governor.

Mr. George J. Seay, Governor,
Federal Reserve Bank,
Richmond, Virginia.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF RICHMOND

January 21, 1922.

Dear Governor Harding:

I am in receipt of your letter of the 20th transmitting to us a letter from the Under Secretary of the Treasury, under date of the 18th, relating to reclamation upon ten checks, each for the sum of $30, drawn by the Bureau of War Risk Insurance upon the Treasurer of the United States, in favor of Elizabeth Johnson, on which it is alleged the endorsements of the payee were forged. The under Secretary states that, in the present cases, the Baltimore Branch was furnished with the proof of the forgeries, which the Treasury had obtained, and makes the comment that the Federal Reserve Bank of Richmond apparently was not informed of this fact.

We presume that the Under Secretary understands that reclamation was made upon the member bank which cashed the checks, or from which the checks were received by the Branch of the Federal Reserve Bank of Richmond, and that member bank declined to redeem the checks, upon the ground, as we understand, that the proof of the forgeries was not conclusive and was not such as to place upon the member bank the obligation of redeeming the checks.

It, therefore, appears to us that litigation in this case will be necessary. Our counsel is making further examination into the matter to determine whether the proof furnished by the Department is such as will enable us to go into court upon it. Pending further opinion from our counsel, which I will forward without delay, I am writing this letter for the information of the Department.

Very truly yours,

(S) Geo. J. Seay,
Governor.

GJS-CCP

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

OFFICE CORRESPONDENCE

Date January 25, 1922.

To Mr. George J. Seay, Governor.

From M. G. Wallace, Counsel.

Subject Ten checks paid by this bank on behalf of the Treasury of the United States, each for $30.00; which checks were payable to the order of Elizabeth Johnson, whose endorsement is said to have been forged.

Dear Sir:

I have before me the file of correspondence between the Baltimore Branch of this bank and the Treasury upon the subject of these checks, and also of the Baltimore Branch and the National Exchange Bank of Baltimore, from which we received the checks. I also have before me photostatic copies of the ten checks in question, photostatic copies of ten similar checks to the order of Elizabeth Johnson containing an endorsement of Elizabeth Johnson said to be genuine, and a photostatic copy of an affidavit made by Elizabeth Johnson, all of which documents are accompanied by a certificate of the Treasury Department certifying that the originals are on file with that department.

I also have a letter dated December 15th from B. C. Farrar, an examiner in questioned handwriting, in which he expresses the opinion that the endorsement of Elizabeth Johnson upon the ten checks in question was not made by her, but was made by one John A. Johnson, who likewise endorsed the ten questioned checks and who is said to be the husband of Elizabeth Johnson and the person who deposited the checks in the Commonwealth National Bank of Baltimore, Maryland.

I understand that the checks in question were deposited by one John A. Johnson in the Commonwealth Bank of Baltimore, Maryland, and by that bank endorsed and deposited in the National Exchange Bank of Baltimore, Maryland, which forwarded them to us for payment. We, accordingly, paid them on the dates which appear on the back of the respective checks, that is to say, six on January 27, 1920 and four on January 30, 1920. We stamped the checks paid in accordance with our usual practice and forwarded them to the Treasury of the United States, and nothing further was heard of the matter until on or about October 18, 1921.

The checks were sent to us by the Treasurer of the United States with the statement that it had been ascertained that the endorsement of Elizabeth Johnson was a forgery, and with the further statement that unless good reason to the contrary was advanced by the endorsers our account would be charged within thirty days. Our Baltimore Branch promptly sent the checks to the National Exchange Bank, which appears to have promptly sent them to the Commonwealth Bank. These banks, however, returned them with the statement that John A. Johnson had closed his account and they, accordingly, refused reimbursement. I understand the Treasurer of the United States has since charged these checks to our account upon the ground that the proof that the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

endorsement is forged is sufficient to justify such course, and to enable us to recover the amount of the checks from the endorsing banks. The endorsing banks, however, still deny our right to recover the amount from them. I understand that you desire my opinion upon the question of our liability to the Treasurer of the United States and the liability of the endorsing banks to us or to the Treasurer.

It is, of course, well established law that every person who endorses a check warrants the genuineness of prior endorsements, and, if it be proven that the endorsement of a prior endorser is a forgery, a subsequent endorser may be compelled to reimburse the amount of the check to the drawee. This rule of law has been extended to transactions between the Treasurer of the United States and banks or other persons cashing checks drawn upon the Treasury in at least one reported decision of the United States Supreme Court; and, in my opinion it is, therefore, certain that the national Exchange Bank and the Commonwealth Bank are liable to the Treasurer of the United States, provided the Treasurer of the United States can prove that the endorsement of Elizabeth Johnson is a forgery, that is to say, that it was not made by her and that she in no way authorized or ratified it. The allegation of forgery, however, raises an issue of fact and the Treasurer of the United States would have the burden of proving this fact. Therefore, if the endorsing banks choose to deny this fact, a suit must be brought against them and the fact established in such suit by evidence admissible in a court of law, which I will discuss more fully later on.

While the matter is not entirely free from doubt, I incline to the opinion that the Federal Reserve Bank cannot be regarded as an endorser of these checks. Treasury Circular #176, dealing with the payment of Government checks, reads as follows:

> "Each Federal Reserve Bank and branch will cash Government warrants and checks drawn on the Treasurer of the United States when they are presented and properly indorsed by responsible incorporated banks and trust companies who guarantee all prior indorsements thereon, including the indorsement of the drawer when the check is drawn in his favor."

If I construe the above provision correctly, it makes the Federal Reserve Bank the agent of the Treasurer to pay checks presented to it and does not impose upon the bank the responsibility of an endorser, but requires the bank to cash the check when it is duly presented and properly endorsed by a responsible bank or trust company, and, if the Federal Reserve Bank has relied upon the endorsement of a responsible incorporated bank or trust company before cashing a check, it has discharged its full duty as an agent. If it later develops that an endorsement prior to the last bank endorsement is a forgery, the Treasurer should look to such bank for reimbursement and may not charge the check to the account of the Federal Reserve Bank, unless and until the Federal Reserve Bank has succeeded in recovering the money from the bank en-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

dorsers. It would be our duty, perhaps, to use every possible means to recover the money without litigation, but we have already made such an attempt and we are continuing to make this attempt as I state hereafter, but I do not think that a Federal Reserve Bank is bound to credit the Treasurer with this money and assume the burden of litigation, which would certainly be expensive and which, like all other litigation, is attended with some risk regardless of how clear the facts may appear to be.

If I am right in my construction of the above quoted provision of the circular which I mentioned, we have a perfect right to insist that the Treasurer of the United States shall take this matter up directly with the National Exchange Bank and either settle the matter or bring a suit, upon whichever he deems advisable.

It might be contended by the Treasurer that we occupy the position of the last endorser and that, therefore, we are in the position of guaranteeing prior endorsements and the Treasurer has the right to deal with us alone, leaving us to enforce our claim upon endorsers who were prior to us. If this view be taken, we have, of course, the right to refuse to admit that the endorsement of Elizabeth Johnson is forged and insist that before we make reimbursement the Treasurer shall bring a suit against us and establish his allegation by evidence admissible in court.

If we take the view that we are not the agent of the Treasurer in paying Government checks, then it must follow that when we receive a check drawn upon the Treasurer from one of our member banks, we are, in accordance with the Regulations of the Federal Reserve Board, acting as the agent of the member bank, and in such case, although we sustain to the Treasurer the relation of an endorser, to our member bank, we sustain the relation of an agent for collection; and, therefore, when a claim is made upon us for a matter arising out of our act in collecting these checks, we should not pay such claim until we have notified our member bank and until they have either authorized us to pay the check and charge the amount to them, or until a suit has been brought against us and we have been compelled to pay the claim. In such a suit it would be the duty of the member bank, as the real party in interest, to make whatever defense it felt was proper, and we should do nothing which would deprive them of their power to make such defense.

You will see from the above that in my judgment it is not our duty at this time to credit the Treasurer with the amount of these checks. If we do credit the Treasurer with the amount of these checks and attempt to enforce reimbursement from the National Exchange Bank, we shall be compelled to take one of two courses. (1) Sue the National Exchange Bank for the amount of the checks. (2) Charge the reserve account of the National Exchange Bank with the amount of the checks, leaving that bank to sue us for the amount so withheld. In either case we should have the burden of proving that the signature of Elizabeth Johnson was a forgery, and, therefore, for your information I set

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

out, as well as I am able to do so at present, the evidence which would be necessary to sustain such a contention.

We have in our hands a certified copy of an affidavit made by Elizabeth Johnson. The certificate of the Treasury Department that the affidavit is on file with them is sufficient to prove that there is such an affidavit on file in the Treasury Department, but it can have no greater effect than the original affidavit would have. It is well established as a rule of evidence that no ex parte affidavit may be read in court as evidence, but that the person who made it must be produced as a witness or else, if the circumstances justify it, the deposition of that person must be taken and the opposing party given an opportunity to cross-examine the deponent. Therefore, if we brought a suit against the National Exchange Bank upon these checks, we would be compelled either to produce Elizabeth Johnson as a witness or else take her deposition, and as she appears to live at 314 Gore Avenue, Lawton, Oklahoma, either course would be difficult and expensive. In my judgement it would be impossible to bring this suit without relying upon the testimony of Elizabeth Johnson. We might, of course, attempt to prove our case by relying solely upon evidence that the handwriting upon the checks was a sufficient proof that the endorsement was not made by Elizabeth Johnson in person. To do this, however, we must first produce an admitted genuine specimen of the handwriting of Elizabeth Johnson. The Treasury Department has offerred us photostatic copies of certain checks endorsed by Elizabeth Johnson and makes the statement that she does not question the genuineness of her endorsement upon these checks. These photostatic copies, however, would not be sufficient to prove that the endorsement upon the back of them showed the genuine handwriting of Elizabeth Johnson. We would be compelled either to produce some person familiar with the handwriting of Elizabeth Johnson who could identify the endorsements upon the checks or else we would be compelled to produce Elizabeth Johnson to identify her genuine endorsement. Having done this, we would introduce the photostatic copies upon which the endorsement was said to be forged and would introduce experts to give their opinion as to the genuineness of the endorsements alleged to be forged. We know of no person acquainted with Elizabeth Johnson who could identify her handwriting. It, therefore, seems to me even with the aid of experts in handwriting we would not make out a clear case unless we produced Elizabeth Johnson as a witness or took her deposition. Therefore, in my opinion, if the Federal Reserve Bank credited the Treasurer with these checks, we will find it expensive and difficult to secure reimbursement by means of a suit against the National Exchange Bank of Baltimore, and, as I stated above, I do not believe we are under any liability or moral duty to assume the expense of such a suit.

I may add that since this case was referred to me I have written Mr. Robert Biggs, attorney for the Commonwealth Bank, and have suggested to him that unless his client was willing to pay the amount of these checks it would probably be necessary for the matter to be settled by a suit. I, therefore, requested him to look into the matter and to advise me frankly whether or not he had any good reason to doubt that a forgery has been in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

fact committed. It seemed to me that it was useless to dispute over rules of evidence unless we in reality felt that there was a doubt as to true facts. He has written me that his client was endeavoring to locate John A. Johnson, who it seems likely committed the forgery, if a forgery has been committed, and he would later advise me of the results of his efforts. I suggest that we should send to Mr. Biggs the photostatic copies of the documents to which I have referred above and request him to examine them and return them to us. I think that such course may well result in convincing Mr. Biggs that it is useless to litigate this matter.

Very truly yours,

(S) M. G. Wallace,
Counsel.

MGW-S

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF RICHMOND

January 25, 1922.

Dear Governor Harding:

Referring to your letter of the 20th sending us a copy of one from the Under Secretary of the Treasury, dated January 18, relative to reclamation upon 10 checks, each for the sum of $30, drawn by the Bureau of War Risk Insurance upon the Treasurer of the United States in favor of Elizabeth Johnson, on which the endorsements of the payee are alleged to have been forged, I now enclose letter from our counsel, under date of the 25th, answering the position taken by the Treasury Department and setting forth what it is believed the attitude of this bank should be in the matter.

It will, of course, be understood by the Department that our relation towards our member banks, as well as our relation towards the Treasury, requires, in our opinion, that our procedure should be strictly in accordance with legal requirements as well as with approved banking practice.

If the bank which cashed the checks, or the member bank from which we received them refuses to redeem them and compels us to go into court to enforce the position of the Treasury, with which situation we seem to be faced, then the position of our counsel is well taken. You will observe that our counsel suggests in the last paragraph of his letter that we send to the attorney of the Commonwealth Bank, which cashed the checks, the photostatic copies of the documents in the case, tending to prove the allegation of forgery. We shall take this course, and will later advise the Department, through you, of the result.

Very truly yours,

(S) Geo. J. Seay
Governor.

GJS-CCP
1 Encl.

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-25

January 26, 1922.

Dear Mr. Secretary:

Further in reference to reclamation by the Federal Reserve Bank of Richmond upon ten checks drawn by the Bureau of War Risk Insurance, on which the endorsements of the payee are alleged to have been forged, I enclose herewith for your information copies of letter and enclosure received today from the Governor of the Federal Reserve Bank of Richmond, which are self-explanatory.

Very truly yours,

Governor.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Copy)

June 21, 1922.

My dear Governor:

In view of your letter of January 25, 1922, to Governor Harding, as to the 10 checks for $30.00 each, drawn by the Bureau of War Risk Insurance upon the Treasurer of the United States in favor of Elizabeth Johnson and cashed on endorsements of the payee which are alleged to have been forged, which was transmitted by a letter dated January 26, 1922, from Governor Harding, it may interest you to know that the Treasury is proceeding to enforce reclamation against the endorsers of these checks and has made demand upon the National Exchange Bank of Baltimore. In this connection I should like to add, for the sake of the record and in view of the points raised in the memorandum dated January 25, 1922, from M. G. Wallace, counsel of the Federal Reserve Bank of Richmond, which accompanied your letter, that the Treasury does not look to the Federal Reserve Banks as indorsers or guarantors of warrants or checks drawn on the Treasurer which may be cashed by the Federal Reserve Banks. The duties and functions of the Federal Reserve Banks, as depositaries and fiscal agents of the United States, in respect to the payment of Government warrants and checks are set forth in paragraphs 35-38 of Treasury Department Circular No. 176,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

June 21, 1922.

as amended and supplemented May 15, 1922, and the Treasury has no intention of holding the Federal Reserve Banks to any liability in this connection beyond the discharge of their duties and responsibilities under the terms of the circular.

Very truly yours,

(Signed) S. P. GILBERT, Jr.,
Under Secretary.

George J. Seay, Esq.,
Governor, Federal Reserve Bank,
Richmond, Va.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Copy) X-6867-a-27

THE UNDERSECRETARY OF THE TREASURY

Washington

June 21, 1922.

My dear Governor:

In view of our previous correspondence in the matter, I am enclosing for your information a copy of my letter of this date to the Governor of the Federal Reserve Bank of Richmond, which states the Treasury's attitude with respect to the liability of the Federal Reserve Banks on Government warrants and checks cashed by them.

Very truly yours,

(Signed) S. P. GILBERT, Jr.,

Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board.

1 enclosure.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-3456

June 27, 1922.

SUBJECT: Liability of Federal Reserve Banks on Government Warrants and Checks Cashed by Them.

Dear Sir:

The Under Secretary of the Treasury has sent the Board a copy of a letter he has written the Governor of one of the Federal Reserve Banks on the subject of the liability of Federal Reserve Banks on Government warrants and checks cashed by them. For your information I quote the following from the letter in question:

"The Treasury does not look to the Federal Reserve Banks as indorsers or guarantors of warrants or checks drawn on the Treasurer which may be cashed by the Federal Reserve Banks. The duties and functions of the Federal Reserve Banks, as depositaries and fiscal agents of the United States, in respect to the payment of Government warrants and checks are set forth in paragraphs 35-38 of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922, and the Treasury has no intention of holding the Federal Reserve Banks to any liability in this connection beyond the discharge of their duties and responsibilities under the terms of the circular."

Very truly yours,

Governor.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-6867-a-28

CONGRESS of the UNITED STATES

House of Representatives

Washington, D. C.

December 7, 1922.

Federal Reserve Board,
Treasury Department,
Washington, D. C.

Gentlemen:

A state Bank in my district in South Carolina has the National Loan and Exchange Bank of Columbia, South Carolina, as its correspondent and reserve agent, and has received a letter from said bank stating that in pursurance of the practice of the Federal Reserve Bank, Richmond, Virginia, the member bank in Columbia will debit the account of the local bank with all checks that the Government fails and refuses to pay, when the Government discovers after the check is issued, that for some reason payment thereon should be stopped. Also, even when Government vouchers have been paid and it has been decided later that the money was not due, the voucher is then returned back through the Federal Reserve Bank to the local bank which is required to have to take same up.

If this practice is enforced it will work a great hardship both to the local banks and to the various beneficiaries of the Bureau of War Risk Insurance, who are scattered throughout the country in the number of nearly one million. If this rule can be legally enforced, then, these claimants will find it almost impossible to have their checks cashed at local banks because, as a matter of fact, most of these beneficiaries are not responsible, financially, so that they can be compelled by judicial action to refund the money. Therefore the local bank is obligated not only to guarantee the genuineness of the endorsement and the genuineness of the voucher, but to guarantee that the voucher represents an actual governmental obligation. This is asking too much of the local banks, and as a result, they will be forced to refuse to cash government checks and thus the innocent beneficiaries of the government will suffer.

Please advise me at once what instructions have been given to the Reserve Banks and if none, what is your conclusions upon this state of facts?

Thanking you for early attention to this case, I am

Very respectfully,

(Signed) J. J. McSwain.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK OF
RICHMOND

December 9, 1922.

Hon. Edmund Platt, Vice Governor,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Platt:

I am in receipt of your letter of the 8th sending us a copy of a letter from Congressman J. J. McSwain, of South Carolina, in which he stated:

"A State bank in my District in South Carolina has the National Loan & Exchange Bank of Columbia as its correspondent and reserve agent, and has received a letter from said bank stating that in pursuance of the practice of the Federal Reserve Bank of Richmond, the member bank in Columbia will debit the account of the local bank with all checks that the Government fails and refuses to pay when the Government discovers after the check is issued payment thereon should be stopped. Also even when Government vouchers have been paid, and it has been decided later that the money was not due, the voucher is then returned back through the Federal Reserve Bank to the local bank, which is required to take same up."

The practice of the Treasury Department in such matters is fully described in paragraph 37 of the Department's Circular No. 176, which paragraph reads in part as follows:

"37. PAYMENT BY TREASURER.--The Treasurer of the United States reserves the usual right of the drawee to examine, when received, all Government warrants and checks cashed by Federal Reserve Banks and branches and general National bank despositaries, and to refuse payment thereon. The Treasurer will handle all such items received by him on the following basis: (1) Immediate return will be made of 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, in all of which cases the transit account of the remitting bank will be charged with the amount of the returned warrant or check and the remitting bank will be expected to give immediate credit therefor in the Treasurer's account. (2) 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 forwarded to the remitting bank and its transit account will be charged with the amount by the Treasurer, but the remitting bank will not be expected to give credit in the Treasurer's account for items of this class until it has received reimbursement therefor. (3) In cases of warrants or checks bearing a forged signature of the drawer, not discovered upon first

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

examination by the Treasurer, and in other cases where the Treasurer's right to reclaim is in question, the warrants or checks will be forwarded to the remitting bank as collection items and taken up by the Treasurer when credited, with no intermediate charge in the account of the remitting bank."

The Federal Reserve Bank of Richmond acts in strict accordance with the foregoing regulation of the Treasury Department. Should the Federal Reserve Bank have returned to it by the Treasurer 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, the Federal Reserve Bank will be required to act according to the Treasury regulation and will, of course, in that case be compelled to charge such check back to the account of the member bank from which it received it, and return said check to the bank. In the event, however, that any warrant or check which has been paid by the Treasury is subsequently found to bear a forged endorsement, etc., as fully described in paragraph 37 quoted above, it is the practice of the Federal Reserve Bank to acquaint the member bank from which it received such a check of the circumstances of the case, and we enclose copy of a letter which we usually address to the member bank under circumstances of that character.

In the event that the member bank declines for any reason sufficient to itself to give credit for the check in question, no entry is made against its account, but the matter is reported to the Treasury Department for such action as may be called for. It was formerly the practice of the Department to require Federal Reserve Banks to give immediate credit for all such checks as described above when returned by the Department for any of the reasons given, but, inasmuch as the law which governs banking institutions generally in such cases has been decided by the courts to be applicable to the Treasury Department, or for reasons of equity, the Treasury Department changed its practice with respect to Federal Reserve Banks and issued Circular No. 176, by which Federal Reserve Banks have been governed and to which the Treasury Department now conforms.

If the banking institution which appealed to Congressman McSwain holds the opinion that it should be relieved of all responsibility as endorser on Government checks when it cashes the same for the wrong person or upon a forged endorsement, or when the Government check itself has a forged signature or other defects, as indicated in the Department's circular, then it is manifest that responsibility cannot be waived.

The responsibility of banks in general which cash Government checks and warrants is no greater than when cashing other checks. It is well understood that when any bank finds that it has cashed a check

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with a forged endorsement of the payee, it has the right of recourse to the endorser, whether a bank or person, from which the check was received by it. These are responsibilities that pertain to the banking business and are well fixed by law, and cannot be avoided.

The purpose of this letter is simply to advise you that the practice of the Federal Reserve Bank of Richmond is in strict accord with Treasury regulations, and to express the opinion that Treasury regulations by which we are governed conform to general banking custom everywhere.

We enclose a copy of this letter, which we shall be glad to have you transmit to Congressman McSwain, should you feel so inclined.

Very truly yours,

(Signed) Geo. J. Seay,

Governor.

GJS-CCP
Encls.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Copy)

X-6867-a-30

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
Washington, D. C.

December 14, 1922.

Hon. Edmund Platt,
Acting Governor,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Platt:

I beg leave to acknowledge receipt of your letter of December 13, in which was enclosed copy of letter from Mr. George J. Seay, Governor of the Federal Reserve Bank of Richmond, Virginia.

In reply to his letter I beg to say that in my humble opinion the same does not meet the question presented by my letter.

Of course any lawyer must know that the member bank, or local bank, cashing a check upon a forged signature, or in case of false personation, will be liable to make good the money. The case I mention is this: Where there is no doubt about the identity of the person, and no doubt about the genuineness of the signature, but the government subsequently takes the position, as is often the case when dealing with the Veterans' Bureau, that the Government did not owe the money at the time the check was issued, or that the check was issued for a greater sum than it should have been issued for, and in such case the government returns the voucher back through channels and has the same charged to the bank which cashed the check for the right person, upon a proper endorsement, and in such case, I cannot for the life of me see how a bank which cashed a government voucher for the right person can be chargeable with notice that as a matter of absolute truth the voucher is for an excess amount, or not due at all. It seems to me in such case the fault lies with the Veterans' Bureau, or any other Bureau issuing the check, and should be charged to it and the government be estopped to deny the validity of its own vouchers which have been put into circulation by its own hand.

Yours very respectfully,

(Signed) J. J. McSwain.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Copy) X-6867a-31

December 22, 1922.

Dear Mr. McSwain:

Replying to your letter of December 14th, it seems to me that Governor Seay's letter, which was enclosed with mine of the 13th, covered pretty fully the matter of complying with instructions of the Treasury Department with regard to the handling of Government checks, but it was, perhaps, so fully covered that the case more specifically outlined in your letter of December 14th could not easily be picked out from it. Of course, you understand that this is a matter where the Reserve banks must follow Treasury instructions and I may say that these instructions have been a matter of debate between the banks and the Treasury on several occasions. They are decidedly more liberal than they used to be and I think the bank which wrote you about them probably had not compared the former practice with the present.

In the case you mentioned, namely, "Where there is no doubt about the identity of the person, and no doubt about the genuineness of the signature, but the government subsequently takes the position, as is often the case when dealing with the Veterans' Bureau, that the government did not owe the money at the time the check was issued, or that the check was issued for a greater sum than it should have been issued for", it would seem at first thought that you are right in maintaining that the Government itself should stand any loss that might result from failure to recover from the person to whom the check was paid but this is a matter of law, and in that particular case if the government itself has paid the check my understanding is the Government sends it back through the Federal Reserve bank to the bank which cashed it as practically a collection item under present practice and the Federal Reserve bank does not charge back the amount of the check to the member bank unless it can be collected. The Reserve bank, however, is required to charge back the check if payment is stopped because of discovery of error before check is paid by the Treasurer of the United States and hence the practice of some banks is not to cash these checks but to take them from the payee for collection.

I am taking the liberty of referring this correspondence to the Under Secretary of the Treasury.

Yours very truly,

(Signed) Edmund Platt,

Acting Governor.

Hon. J. J. McSwain,
House of Representatives,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-32

THE COMMERCIAL BANK

Clinton, S. C.

December 11, 1922.

Hon. A. W. Mellon,
Secretary of the Treasury,
Washington, D. C.

Dear Sir:-

The following circular letter comes to us from our correspondent bank thru the Federal Reserve Bank of Richmond, Va.:

"The Government has for many years exercised the right to return at any time, warrants and checks which for any cause have not been considered good, and we have been advised that this practice will be continued. The Federal Reserve Bank of Richmond, in view of this practice and as a condition of paying government warrants and checks on the Treasurer of the United States, reserves the right to debit the account of the last endorsing bank, unconditionally, at any time, with any such returned items deposited with, endorsed to, or otherwise made by this bank."

In view of the above we shall appreciate if you will give us some information as to what checks we should cash and should not.

For instance: we have several customers who draw regular compensation checks and also get regular insurance checks. Now, today we are cashing your insurance checks Nos. 58799200-01-02-03 and 04, Mrs. Dollie Harris McCoy. In addition to this we are cashing for the same party compensation checks Nos. 49654894-95-96-97, made payable to the same party who is guardian for the estate of Douglas McCoy.

We also cash checks for Lula Johnson, Mrs. Sallie Tolden Hudgens, and Mrs. Mary Morre. All the above parties receive insurance checks, also compensation checks.

Now, what we wish to know is whether or not we should cash these checks, without any question of you having to charge them back to us.

Of course, it is our pleasure to render any and all service we can to these parties, but we do not care to assume the responsibility for the Government's failure to issue these checks correctly, as we are sure of the identity of the parties for whom we are cashing them.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Kindly advise us whether we should continue this practice and in your opinion not be liable for any checks cashed for the parties named in this letter.

Your very prompt attention will be greatly appreciated.

Yours very truly,

(Signed) F. M. Boland,
Cashier.

B/fb

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y X-6867-a-33

December 28, 1922.

Dear Sir:

I have your letter of December 11th, advising of a circular letter received from a correspondent bank through the Federal Reserve Bank of Richmond, purporting to regulate the "charging back" of Government warrants and checks, and inquiring as to its effect, especially with regard to your responsibility in cases of over-payment of war risk insurance and compensation checks.

You have, no doubt, heard from my letter of December 12th to Senator Dial, who wrote the Treasury in your behalf regarding this matter, and have also been advised by the Federal Reserve Bank of Richmond of its present practice and its view of the rights and obligations of banks endorsing checks drawn on the Treasurer of the United States. The correct practice is stated in these communications.

With regard to specific instances of war risk insurance and compensation checks, concerning which you appear to be in doubt, you are informed that the United States Veterans Bureau states that there are many cases where it is possible for a beneficiary to receive both compensation and insurance from that Bureau. For instance, when a soldier is given a permenent total disability rating on account of sickness contracted or injuries received while in the service, he is awarded compensation and if he is a policy

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

holder, he is entitled to receive his insurance. In the same way if a soldier is receiving compensation from the Veterans Bureau and is the holder of a war risk insurance policy, at his death, the compensation will be awarded to his dependents and the insurance will be paid to the beneficiary named in the policy. The bank cashing such checks, should observe the same precautions as in cashing ordinary commercial checks and its legal obligations are similar to those in connection with the cashing of commercial items. Obviously, the bank will not be held for an over-payment caused by negligence of the United States Veterans Bureau in drawing the checks. The checks referred to in your letter are reported by the Veterans Bureau to have been correctly drawn.

Very truly yours,

A. W. MELLON
Secretary of the Treasury.

F. M. Boland, Esq.,
Cashier, The Commercial Bank,
Clinton, S. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-6867-a-34

January 5, 1923.

Dear Mr. Gilbert:

I have just been reading over with great interest the correspondence enclosed with yours of January 3rd, which you have had with the Commercial Bank of Clinton, South Carolina, with relation to Treasury items.

I notice this specific statement in Secretary Mellon's letter of December 28th directed to F. M. Boland, Cashier of the Commercial Bank of Clinton. "Obviously, the bank will not be held for an over-payment caused by negligence of the United States Veterans Bureau in drawing the checks".

This looks to me like a definite ruling and standing by itself would seem to mean that the bank should not be held for an over-payment even if the discovery of over-payment was made before the check had been paid by the Treasurer of the United States and a stop order had been issued after the bank had cashed the check and while it was in transit to the Treasurer's office. It seems to me that is the interpretation that will naturally be put upon that sentence by the Cashier of the Commercial Bank of Clinton, South Carolina, even though in the sentence above it is stated the bank's "legal obligations are similar to those in connection with the cashing of commercial items".

My understanding has been that in such cases where stop orders are issued after the cashing of a check, but before it had been finally paid by the Treasurer of the United States, the practice has been to charge back the check through the Federal Reserve bank to the bank which cashed it but that if the Treasurer of the United States had already paid the check before the discovery of error was made the check was then sent back merely as a collection item and without attempting to hold the bank which cashed the check responsible for the over-payment.

Yours very truly,

Acting Governor.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-35

FEDERAL RESERVE BANK

OF RICHMOND

November 1, 1923.

The Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt,
General Counsel.

My dear Mr. Wyatt:

I have your letter of October 30th requesting me to send you a copy of our circular relating to the payment of Government checks, which was in effect in June, 1922.

I have examined the file of circulars issued by this bank and I am unable to find any circular which deals particularly with the payment of Government checks. In our published time schedules we list Government checks as Immediate Credit items, but make no especial provision concerning our liability.

As a matter of practice, until very recently we never received Government checks except from member banks, and, as you know, we have had for several years a contract printed upon our signature card which embodied our liability for all checks received on deposit or for collection. This contract embodied substantially the 8th paragraph of Regulation J. I enclose you herewith a copy.

Recently, the admission of certain non-member banks to the Baltimore Clearing House has brought it about that we receive from such non-member banks Government checks through the daily clearing. I do not know whether or not we have had any particular understanding with these non-member banks. I believe that I suggested to the Manager of our Baltimore Branch that it would be wise to put such non-member banks on notice that we receive Treasurer's checks through the Clearing House for payment in accordance with the terms of Treasury Circular No. 176.

About the time that the Closter case arose, the Treasury Department had adopted the practice of returning to us photostatic copies of checks upon which the endorsement was forged, accompanied by the statement that the investigation of the Treasury Department was sufficient to confirm the allegation of forgery, and the request that we make reclamation from the bank which had presented the check. The bare statement of this conclusion by the Treasury Department was frequently unsatisfactory to the bank which, perhaps, had received the check from one of its customers, which customer had received it in the course of trade. The customer naturally objected to taking up the check upon the mere statement that a forgery had been committed, when he was furnished with no evidence of the circumstances. The pressure of business in the Treasury Department made it difficult for us to secure explanations or any statement of the nature of the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

evidence upon which the Treasury had determined that the endorsement was a forgery.

I examined the law and came to the conclusion that, after the Treasurer of the United States has paid a check upon an endorsement purporting to be genuine, he has the same right to recover against prior endorsers, if the endorsement be a forgery, as has any other person, but he has no better right. I therefore took the position that the Treasurer of the United States must do what any other person must do; that is to say, submit evidence sufficient to convince the endorser that the previous endorsement is a forgery, or, if he failed to convince the person against whom he makes claim, he must institute an action and establish his claim to the satisfaction of the court. This bank, therefore, upon my advice, notified the Treasurer that we would not credit him with checks returned with the statement that an endorsement was forged unless we were furnished with evidence which was sufficient to convince the bank which had endorsed prior to us that the allegation of forgery was sustained. This action upon our part led to some correspondence between ourselves and the Treasury Department.

In further examining the system, I found that Section 29 of Treasury Circular No. 176, dated December 31, 1919, read in part as follows:

> "Each Federal reserve bank and branch will cash Government warrants and checks drawn on the Treasurer of the United States when they are presented and properly endorsed by responsible incorporated banks and trust companies who guarantee all prior endorsements thereon, including the endorsement of the drawer when the check is drawn in his favor."

The same provision is now contained in Section 35 of Treasury Circular No. 176, as revised May 15, 1922.

I concluded that under the above provision a Federal reserve bank was in the position of a mere agent for the Treasurer of the United States, and that our standing instructions were to cash any check drawn upon the Treasurer of the United States, provided it was properly endorsed by a responsible incorporated bank. Our responsibility went no further than securing the endorsement of a responsible incorporated bank. When this was done and the check was paid, it became incumbent upon the Treasurer to prosecute his claim, if any, against the responsible incorporated bank upon the endorsement of which the check had been cashed. I therefore took the position that if it subsequently developed that an endorsement prior to the collecting bank was a forgery, we were not interested in the matter, but that it was the business of the Treasurer of the United States to adjust the matter with the last endorsing bank. Accordingly, this bank offered in such cases to use its good offices in endeavoring to secure adjustments of claims against banks which had cashed Treasurer's checks which were said to bear forged endorsements, but only upon the understanding that if the bank denied liability we would drop the matter and the Treasurer could then prosecute his own claim, as he was advised.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

You will perhaps recall that at the end of this correspondence the general question came before the Governors' Conference, and the Treasurer of the United States apparently acquiesced in our views, as evidenced by a letter written by him to the Federal Reserve Board, which is quoted in a circular letter of the Federal Reserve Board, dated June 27, 1922, lettered X-3456.

After the above discussion of this question, I came to the conclusion that we assumed no liability in cashing Government checks, provided only that they bore the endorsement of responsible incorporated banks. Consequently, when the Closter case arose, and I again considered the matter, I decided that there was no reason for us to reserve any special rights or privileges with respect to Government checks which we cash, but that we could afford to stand upon our collection contract with the member bank from which we received the check and general rules of law as protecting us in the event that the check were returned upon first examination, and upon Circular No. 176 if the check were paid upon first presentation and later returned after payment because of a forged endorsement.

I fear I have gone unnecessarily into detail in my answer to your letter, but it occurred to me that it was possible that the Solicitor of the Treasury had overlooked the above situation and might wish to refer to the correspondence which passed between the Department and the various Federal reserve banks and the Federal Reserve Board at the time which I mentioned.

I am, of course, delighted to learn that the Solicitor has no intent of bringing suit against the Federal Reserve Bank of Richmond, but you can tell him that if he finds that there is any reason to bring suit against us because of our method of handling Government checks or the position which we have taken with respect to them, I will not hold him to his promise and will be very glad to give him any information which he might wish, and at the same time leave him free to use it against us if he thinks it can be so used.

Very truly yours,

(Signed) M. G. Wallace

M. G. Wallace,
Counsel.

MGW:W.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-36

February 3, 1925.

The Federal Reserve Board

Mr. Wyatt, General Counsel.

Liability of Federal Reserve Banks for paying Counterfeit War Savings Stamps as Fiscal Agents of the Treasury.

The opinion of this office has been requested as to the liability of Federal reserve banks which pay War Savings Certificates as fiscal agents of the United States when such certificates are later found to be counterfeit.

The facts leading up to the request for this opinion are briefly as follows:

Acting pursuant to the provisions of Section 15 of the Federal Reserve Act and the Act of May 29, 1920, the Secretary of the Treasury authorized the Federal reserve banks to pay War Savings Certificates, charge them to the account of the Treasurer of the United States, and send them to the Treasury Department. Sometime ago a very clever counterfeit of War Savings Certificates, known as the "Series of 1919", was perpetrated and many of such counterfeit certificates were presented to and paid by the Federal reserve banks. The amounts thereof were charged to the Treasurer's account and the certificates were forwarded to the Treasury where they were examined and the charges against the Treasurer's account were allowed without the fact being discovered that they were counterfeit. Some months later the counterfeit was discovered and thereupon the Treasurer of the United States directed the Federal reserve banks to credit to his account the amount of counterfeit certificates paid by each of them and thus assume the loss. The Federal reserve banks refused to do so, taking the position that in paying War Savings Certificates they acted only as agents and are not liable except for their own negligence and that in this case they were not guilty of any negligence, since the fact that these stamps were counterfeit could not be discovered by the usual examination.

This question was considered at the recent conference of Counsel to all Federal reserve banks and the following resolution was unanimously adopted by the conference:

"RESOLVED That it is the opinion of this conference:

"1. That the several Federal reserve banks are under no legal obligation to reimburse the Treasurer of the United States for the amount of counterfeit War Savings Stamps now or hereafter paid by them as fiscal agents of the United States unless said Federal reserve banks have failed to use due care at the time said stamps were paid by them.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"2. That the several Federal reserve banks should not comply with the request of the Treasurer of the United States to credit him with the amount of such stamps now discovered to be counterfeit.

"3. That the several Federal reserve banks which now or may hereafter pay such counterfeit stamps should cooperate with the Treasurer of the United States in recovering from the persons or banks by whom such stamps were presented to said banks for payment of the amounts thereof, but that such cooperation should not extend to charging to the account of any member or nonmember clearing bank with any Federal reserve bank the amount of any such stamp and no suit should be instituted by any Federal reserve bank (as Fiscal Agent of the United States) to recover back the amount paid on any such stamps.

"4. That as to the amounts for which the several Federal reserve banks have reimbursed postmasters for payments made by them on such counterfeit stamps the several Federal reserve banks, as fiscal agents of the United States should make counter-entries in their accounts with the Treasurer of the United States, as requested by him."

I have since gone into the matter more fully and am of the opinion that the conclusions stated in the above resolution are correct.

Section 15 of the Federal Reserve Act provides in part that, "The moneys held in the general fund of the Treasury * * * may, under the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks when required by the Secretary of the Treasury shall act as Fiscal Agents of the United States"; and the Act approved May 29, 1920, abolishing the office of Assistant Treasurer of the United States, authorizes the Secretary of the Treasury to utilize the Federal reserve banks "acting as depositaries or Fiscal Agents of the United States" for the purpose of performing any of the functions previously performed by the Assistant Treasurers.

Congress has thus authorized the Federal reserve banks to act in two distinct capacities when requested to do so by the Secretary of the Treasury: (a) As depositaries, and (b) as fiscal agents. Since Congress has used two different terms, "depositaries" and "fiscal agents", it must have intended the Federal reserve banks to occupy different relationships to the United States when acting in these two different capacities. When the banks act as fiscal agents, therefore, they do not perform the duties of, and are not subject to the liabilities of, an ordinary depositary, but stand in a different relation to the United States.

In the case of State v. Dubuclet, 27 Aa. Ann. Rep. 29, it was held that the terms "depositary" and "fiscal agent" are not synonymous. In this case the Court said that the designation in a State statute of a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

person to act as fiscal agent does not mean that he should also act as depositary of the public moneys so as to enable him to demand that the Treasurer of the State turn over the State's moneys to him as depositary. The Court said:

> "Our examination of these laws does not bring us to the conclusion, as suggested, that the term 'fiscal agent' means necessarily the depositary of the public funds so as, by the simple use of it in a statute, without any directions in that respect, to make it the duty of the city or State treasurer to deposit all moneys therein and confer on such agent power to compel such deposit with him or it. * * * "

It is important, therefore, to determine at the outset whether the Federal reserve banks were acting as "depositaries" or as "fiscal agents" when they paid these war savings certificates.

This question would seem to be settled conclusively by the express terms of Treasury Department Circular No. 330, promulgated by the Secretary of the Treasury under date of November 15, 1923. This circular provides that unregistered war savings certificates "will likewise be accepted for payment at the Federal reserve banks and their branches, acting as fiscal agents of the United States" and that

> "Banking institutions generally will handle redemptions and exchanges for their customers, but the only official agencies are the post offices, the Federal Reserve Banks, and branches, and the Treasury Department at Washington * * * ".

Under the terms of this circular, persons presenting war savings certificates of the Series of 1919 for redemption or exchange are authorized to make application on Treasury Form P. D. 830, which is printed on the same sheet of paper as the Circular and is in effect a part of it. According to this printed form the application is always addressed, "To the Secretary of the Treasury, Washington, D. C." Applications for the redemption of War Savings Certificates, therefore, are all addressed to the Secretary of the Treasury, and in redeeming such certificates the Federal reserve banks are acting only as agents of the Secretary of the Treasury. This Circular No. 330, also provides that unregistered War Savings Certificates shall be "accepted for payment at the Federal reserve banks and their branches". The use of the phrase "accepted for payment" further indicates that the Secretary desired the banks to pay the certificates on behalf of the United States and as agents of the United States and not to purchase them for their own account and later sell them to the United States with an endorsement or implied warranty of genuineness. Furthermore, the Treasury Department's confidential instructions on this subject provide that, at the option of the Federal reserve banks, they may be authorized to use official disbursing checks drawn

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

on the Treasury of the United States in making payments for such certificates. See Treasury Department Memoranda No. 144, May 28, 1923, No. 131, November 11, 1922.

The regulations of the Secretary of the Treasury with reference to War Savings Certificates have the force and effect of law. United States of America v. Paul Sacks, 257 U. S. 37; United States of America v. Herman Janowitz, 257 U. S. 42.

It seems clear, therefore, that in paying War Savings Certificates the Federal reserve banks acted as fiscal agents and not as depositaries of the United States Government. As to these certificates, therefore, their relation to the Government was one of agency and not one of debtor and creditor.

A fiscal agent, as I understand that term, is merely an agent to perform certain duties with reference to financial or fiscal matters; and it would seem that his legal duties and liabilities would be governed by the same general principles of law as are applicable to any other agent. Webster's Dictionary defines the word "fiscal" as "pertaining to the public treasury or revenue". Congress must have used the term "fiscal agent" in its usual sense, for it is a fundamental rule of statutory construction that words used in a statute must be given their usual meaning unless there is something in the context to show that they are intended to have a special or different meaning. In the present case there is nothing in the context of the statute to indicate that Congress used the term "fiscal agent" in any other sense than as an agent of the United States to perform certain functions on behalf of the Treasury. The term "fiscal agent" as used in these statutes, therefore, must be taken to mean an agent authorized by the United States to act in relation to the public treasury or revenue.

I have searched the authorities diligently and have been unable to find anything which would indicate that the duties and liabilities of a fiscal agent are any different from those of any other agent, or that there are any special rules of law applicable to fiscal agents. In my opinion, therefore, the duties and liabilities of a fiscal agent are governed by the same general principles of law as those of any other agent.

It is a fundamental principle of the law of agency that an agent is only required to exercise due care in performing the acts entrusted to him by his principal and is not liable personally for any loss resulting from such acts, unless such loss results from his negligence. The Federal reserve banks clearly were not negligent in failing to discover that the War Savings Certificates were counterfeit, since the Treasury Department itself was unable to discover this fact and accepted and cancelled the very certificates in question.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

This apparently is conceded by the Treasury Department. It would seem to follow that the Federal reserve banks cannot be required to assume the resulting loss and that any such loss must fall on their principal.

In a somewhat similar case the Secretary of the Treasury has taken the position that the Federal reserve banks are only liable for negligence in cashing forged checks and warrants drawn on the Treasurer of the United States. He held that in case of a forgery of a warrant or check the banks are not liable if they use due care in examining such items as to their genuineness and as to the genuineness of the endorsements.

On June 27, 1922, Mr. Gilbert, the Under-Secretary of the Treasury, wrote the Federal Reserve Board as follows:

> "The Treasury does not look to the Federal Reserve banks as indorsers or guarantors of warrants or checks drawn on the Treasurer which may be cashed by the Federal Reserve Banks. The duties and functions of the Federal Reserve Banks, as depositaries and fiscal agents of the United States, in respect to the payment of Government warrants and checks are set forth in paragraphs 35-38 of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922, and the Treasury has no intention of holding the Federal Reserve Banks to any liability in this connection beyond the discharge of their duties and responsibilities under the terms of the circular."

In a letter dated July 29, 1922, addressed to Mr. C. E. Mitchell, President of the National City Bank of New York, the Secretary of the Treasury said:

> "The Federal Reserve Banks do not pay Government warrants and checks, but cash them under Treasury regulations. The Treasurer of the United States, as the drawee of Government warrants and checks, makes payment thereof, <u>and the Government, rather than the Federal Reserve Bank, is the real party at interest when the question arises of recovery on warrants and checks paid on forged endorsements.</u> * * * *
> "In the event that recovery could not be made in this manner it would, of course, be necessary to bring suit, and in ordinary course suit would be brought by the United States, rather than by the Federal Reserve Bank, since the Federal Reserve Banks act in such matters for account of the United States and the United States is the real party at interest."

The Secretary of the Treasury sent a copy of this letter to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the Federal Reserve Board for its information, and at his request copies were sent to all the Federal reserve banks.

The case now under discussion, and the liability of a Federal reserve bank in cashing forged Treasury warrants are analogous in that in both cases the items are not drawn on the Federal reserve bank but are the obligations of a third party made payable at the Federal reserve bank. Since the Federal reserve banks were held to be liable only for negligence in the case of forged warrants and checks they should not be held to a greater degree of liability in the case of counterfeit War Savings Certificates. Indeed the reason for holding the Federal reserve banks liable only for negligence is stronger in the case now under consideration, for in the Circular directing Federal reserve banks to cash warrants and checks drawn on the Treasurer it is not expressly stipulated that they should cash such warrants and checks as fiscal agents of the United States.

The ruling of the Secretary of the Treasury that the Federal reserve banks are only liable for negligence in cashing forged Government checks and warrants, was made under Department Circular No. 176, issued by the Secretary of the Treasury on May 15, 1922, which directs the Federal reserve banks to pay Government warrants and checks, but does not use the term "fiscal agent". Treasury Department Circular No. 330, under authority of which the Federal reserve banks paid the War Savings Certificates of the series of 1919, was issued subsequent to that ruling and this further indicates that the term "fiscal agent" was used advisedly in Department Circular No. 330, in order to remove any doubt as to the extent of the liability of Federal reserve banks in paying maturing War Savings Certificates.

It is clear from the above facts that as between the Federal reserve banks and the United States both parties understood that the banks were acting merely as agents and that it is only the duty of such banks to exercise due care in cashing the war savings certificates. The banks did not undertake to warrant the genuineness of all certificates cashed and the Secretary of the Treasury did not understand that the certificates were so warranted.

In my opinion, therefore, the Federal reserve banks are not liable to the Treasury Department for the amounts of any War Savings Certificates which they pay as fiscal agents of the Treasury and which are subsequently found to be counterfeit, unless the banks are negligent in failing to discover that such certificates are counterfeit.

Respectfully,

WW SAD OMC

Walter Wyatt
General Counsel.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

FEDERAL RESERVE
BOARD

X-6867-a-37

Jan. 14, 1927.

TO: The Files

FROM: Mr. Wyatt

Subject: Cashing of Government checks by Federal reserve banks when presented through mails by nonmember banks.

I discussed with Mr. Hand of the Treasury Department today the letter on the above subject addressed to the Board by Mr. James E. Clark, Editor of the Journal of the Bankers Association.

Mr. Hand stated that it was his understanding that the Treasury would expect the Federal reserve banks to cash Government checks when presented to them through the mails by nonmember banks under the terms of the present Treasury Circular No. 176. I explained to him that it was unusual for such checks to be presented direct to Federal reserve banks through the mails by nonmember banks, because such banks usually send such checks to their city correspondents. Moreover I explained that when Federal reserve banks receive checks from member banks they simply credit the amount to the account of such member banks and do not have to remit either currency or an exchange draft therefor unless member banks request it. I also explained that in cashing such checks for member banks Federal reserve banks are protected by their member banks' indorsement and by the fact that they hold the reserve account and subscription to capital of such member banks and sometimes additional collateral, all of which secures the Federal reserve bank against loss in the event of insolvency of the indorsing bank. No such convenience or protection is afforded when cashing such checks for nonmember banks. I told him that in view of this situation Governor Crissinger **thought** that the Treasury Department ought to amend Section 35 of its Department Circular No. 176 by striking out the words "responsible incorporated banks and trust companies" and inserting in lieu thereof the words "member banks of the Federal Reserve System" so that Federal reserve banks would only be required to cash checks when presented by or through a member bank. Mr. Hand stated that the Treasury hesitated to do this because the Treasury has always endeavored not to take any part in the controversy between the nonmember banks and the Federal Reserve System with reference to check collections, but that in view of the fact that this controversy has largely subsided the Treasury might be willing to consider the matter.

Incidentally he told me that Treasury Department Circular No. 176 dated May 15, 1922, has never been superseded by a new circular; but that the Treasury is now preparing a new circular to supersede that circular.

There then ensued a discussion of the liability of a Federal reserve bank in cashing for a nonmember bank Treasury checks which bear forged signatures or indorsements. I took the position that the Federal reserve banks act merely as agents of the Government in cashing such checks and are not legally liable except for actual negligence. Mr. Hand stated that the Treasury Department has acceded to this position and has agreed not to hold the Federal reserve banks liable in such cases. I asked him for a copy of the Treasury Department ruling on this subject and he referred me to the inclosures of the Board's letter X-3504 of August 16,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

1922, pertaining to a dispute between the Treasury Department and the National City Bank. Subsequently I examined carefully that corresponence and found that it does not clearly reverse the policy stated in Section 37 of Treasury circular No. 176 but on the contrary merely explains the policy as stated in that circular. Moreover subdivision 1 of Section 37 clearly provides that the Treasury Department would ~~back~~ charge to Federal reserve banks 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, and will expect Federal reserve banks to give immediate credit therefor in the Treasurer's account. I called this to Mr. Hand's attention and he advised me that the Treasury has agreed that Federal reserve banks are not liable in such cases, but referred me to no written ruling on the subject. I feel very strongly that the position stated in subdivision 1 of Section 37 is wrong and that it should be changed, especially in view of the decision of the Attorney General on the question of the liability of Federal reserve banks in paying counterfeit War Savings Stamps. I so advised Mr. Hand and urged him to revise his circular accordingly. He then admitted that the Treasury Circular was purposely made ambiguous in order to avoid passing upon the question whether in "cashing" government checks Federal reserve banks are acting in the capacity of fiscal agents for the Treasury, government depositaries, or collecting agents for the banks from which they receive such checks. I told him that this ambiguity was unbusinesslike and unfair to the Federal reserve banks, who are entitled to know in what capacity they are acting and what their legal liabilities are.

During the course of this conversation I learned that the Treasury expects to issue its new circular within the next two weeks and I informally suggested to Mr. Hand the advisability of submitting it to the Federal reserve banks for criticism and also giving them an opportunity to discuss the matter with the Treasury Department before the circular is finally promulgated, in order that all differences between the Treasury and the Federal reserve banks may be satisfactory adjusted and the circular put into form satisfactory to both parties. Mr. Hand could not agree to any such arrangement without first taking the matter up with Mr. Winston, but promised to take the matter up with him.

In the course of the discussion Mr. Hand advised me that sometimes nonmember banks send Government checks through the mails direct to the Treasury Department for payment and ask either for another Treasury check in payment or for a shipment of currency. He stated that in such cases the Treasury makes payment but is very reluctant to do so, because it involves considerable trouble to the Treasury and the Treasury has the protection of no bank indorsement except that of the bank which sent the check to the Treasury. I then called his attention to the fact that, inasmuch as the Federal reserve banks act merely as agents of the Treasury Department in cashing such checks, the situation is exactly the same when Government checks are sent direct to Federal reserve banks for payment by nonmember banks and that the Treasury in that case is likewise without the protection of a member bank indorsement. This was a new thought to Mr. Hand, but he agreed that I was right and stated that he believed it would be to the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

interest of the Treasury Department to follow Governor Crissinger's suggestion and amend the circular so as to require Federal reserve banks to pay Government checks only when presented by or through member banks. He was a little worried, however, for fear that such a change in the circular might bring criticism upon the Treasury Department. On this point I told him that I was confident that the usual banking practice is for nonmember banks to send such checks to their city correspondents, which usually are member banks, and that, therefore, such a change in the circular would not involve any change in the usual banking practice. He stated that if this were the case he thought the Treasury Department would be willing to make such an amendment to the circular. I told him I was not sure about the facts regarding the banking practice but if he would like to be assured on the subject the Board could send a telegram to all Federal reserve banks asking to be advised whether nonmember banks ever have Government checks presented to them direct through the mails, and if so, how frequently this is done. Mr. Hand said, however, that he would prefer that we should not send such a telegram to the Federal reserve banks until he first took the matter up with Mr. Winston and ascertained whether Mr. Winston was willing to have this done.

It is my personal opinion that the fact that the Treasury Department is now revising its Circular No. 176 offers an unusual opportunity to iron out the differences between the Federal reserve banks and the Treasury Department with reference to the handling of these checks and that it is of extreme importance that the Federal reserve banks should be given an opportunity to confer with the Treasury Department on this subject and to discuss certain portions of the circular with the Treasury Department before the new circular is definitely promulgated. I believe that the most satisfactory way of handling this would be to arrange a conference in Washington of Counsel to all Federal reserve banks to consider a tentative draft of such circular and discuss the matter with the Treasury Department. If this were done the conference should be reenforced by Mr. Strater and some of the other transit men. I took the matter up with Governor Crissinger and he was very reluctant to go to the expense of having such a large conference here but seemed willing to have the matter ironed out between the Treasury Department and the representatives of two or three Federal reserve banks.

Walter Wyatt.

(Signed) Walter Wyatt

WW-sad-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-38

January 22, 1927.

Mr. Hand

Mr. Wyatt

Cashing of Government Checks presented through mails to Federal Reserve Banks by nonmember banks.

In accordance with your request, the Board sent the following telegram to all Federal reserve banks on January 18, 1927:

"Please wire whether Government checks are ever presented to you through mails by nonmember banks. If so, how frequently does this happen and how do you handle them?"

The following is the text of the replies received from the Federal Reserve Banks:

Boston.

"We are receiving Government checks through the mails from two nonmember banks for account of two member banks."

New York.

"Answering inquiry contained your telegram even date Government checks are not presented to us through mails by nonmember banks. They come to us through the mails from member banks other F R banks through the clearing house exchanges and over our counters. By special arrangement with Treasury we cash certain government warrants for government employees known to us."

Philadelphia.

"No government checks presented to us through any source by nonmember banks."

Cleveland.

"Possibly two or three times a year we receive government checks from nonmember banks. These are entered for collection ascertaining from Treasury Department that items will be paid before forwarding our official check in payment."

Richmond.

"Your wire 18th. Can recall no instances in many months of government checks sent us through mails by nonmember banks. In the few instances we recall in times past such checks were returned to senders with request that they come to us through regular member bank channels, this on account endorsements and other considerations."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Atlanta.

"No government checks have been presented to us through the mails for payment in recent years by nonmember banks if such checks were presented through the mails by nonmember banks we would pay them in accordance with the request of the remitting bank by means of cashiers check or shipment of cash at the expense of the nonmember banks."

Chicago.

"Replying to your wire with respect to Government checks presented to us through mails by nonmember banks, we do receive such checks occasionally, probably not more than half a dozen a year. They are always special items, accompanied by letters testamentary or letters of guardianship and are handled for collection. Payment when received is made to the nonmember bank by our officers check. In this district nonmember banks, with the few exceptions mentioned, deposit government checks with their member bank correspondents and this procedure seems to be satisfactory because it places the proceeds at once with the correspondent."

St. Louis.

"In only a very few instances have government checks been presented to us through the mails by nonmember banks not carrying accounts with us. In such instances they have been returned with the request that they be collected through the usual banking channels.

Minneapolis.

"Replying to your wire of today Government checks are never presented to us through mails by nonmember banks."

Kansas City.

"Replying telegram: Our branches state Government checks have never been presented to them by nonmember banks through mails or otherwise but at the head office we have on two or three occasions received government checks from nonmember banks for collection and remittance. In those instances remittances have been made by cashiers check when endorsements appeared regular. We also frequently receive government checks in our fiscal agency department involving estates, guardianship or other similar matters usually accompanied by court authorities and in such cases the authorities are detached and forwarded to the Treasury Department, the checks being

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Kansas City (cont.)

"returned to endorsing bank with notation "Authorities on file" with instructions to effect collection in usual manner through member banks. In a few instances we have also received government checks in payment for subscriptions to Treasury issues or in payment for purchases of bonds through investment department and when entirely satisfied as to endorsements, such checks are accepted by us; otherwise returned to subscriber stop In Kansas City we pay through clearing house, Government checks cleared on us by nonmember banks that are members of clearing house."

Dallas.

"Your wire date. The Great majority government checks are presented to us through member banks and in those few instances where we receive them from nonmember banks and we can satisfy ourselves as to responsibility of endorsing bank considering amount involved it has been our custom to pay them. Inasmuch as we are without facilities for knowing condition of nonmember banks it is preferable that such checks be presented through member banks and we sometimes make this suggestion where we are unable to satisfy ourselves and where the amount involved warrants customary caution. I am writing you in regard to matter which probably occasioned this inquiry and which was improperly handled through a misunderstanding of circumstances."

San Francisco.

"Your wire date. Only very infrequently are government checks presented by nonmember banks. We forward them to Treasurer for collection issuing cashiers check when Treasurer authorizes payment."

Very truly yours,

Walter Wyatt,
General Counsel.

WW MD 1-22-27

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

Law Office Of
Locke, Locke, Stroud & Randolph,
American Exchange Building,
Dallas, Texas.

July 5th 1927.

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

Gentlemen:

The Federal Reserve Bank of Dallas recently submitted to us a question pertaining to insurance covering cancelled Government warrants and checks in transit between Dallas, Texas, and Washington, D.C.

The question arose due to the fact that the insurance in effect at the present automatically insures shipments of Government warrants and checks in lots of less than $300,000 for the flat sum of $5,000 and in lots greater than $300,000 for the flat sum of $10,000. The purpose of carrying the insurance is to cover expenses incurred in securing duplicates of the warrants or checks and other instruments necessary should a shipment be lost or stolen while in transit.

The warrants being cancelled and of no value other than from an accounting standpoint, the question arose as to whether or not any sum would be recoverable from the insurance company without the policy expressly so providing. With this point in view Mr. Swan suggested that the policy have attached to it a rider reading substantially as follows:

> "It is agreed that securities, bank checks or commercial paper that is not negotiable in form may be insured for not less than ten per cent. of their face amount. In case of loss of any such shipment the assured shall be indemnified for the total cost of procuring the reissue of the property insured, including the legal and advertising expenses, loss of interest and all charges directly resulting from the loss or from the delay in replacement, such total cost not to exceed the amount of insurance."

We think the rider suggested is sufficiently broad to cover the purposes desired,- however, it occurs to us that a much broader question than that of insurance has been raised and we are writing you with reference to the matter in order to get your views.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

We have consistently taken the position that, in the payment of Government warrants and checks under the instructions of the Treasury Department, we are acting merely as an agent in the performance of ministerial duties. With this point in mind the Treasury Department was induced, some time ago, to reverse the position that it had formerly taken with reference to its right to arbitrarily charge back Government warrants which upon investigation proved to be forgeries.

While the treasury's instructions at this time permit the various Federal Reserve Banks to charge the amount of Government warrants paid under such instructions to the account of the secretary of the treasury, this charge is not fully acquiesced in by the Treasury Department until the instruments so paid have reached Washington and have been inspected. As far as we know there has never been a loss in transit of such shipments, but the question occurs to us that in the event there should be a loss of a substantial amount of these instruments between Dallas and Washington, what would be the status of the charge, under the present practices, which the Federal Reserve Bank of Dallas has made because of the payment of these warrants. In other words, would the Treasury Department permit the charge to stand should the Federal Reserve Bank be unable to procure duplicate instruments and endorsements? In the event of a large shipment it is entirely possible that the payee and endorser of many of these instruments could never be located and the question would arise as to what would be the status of the charge representing these amounts.

We are of the opinion that, in view of the fact that Federal Reserve Banks are acting as fiscal agents in the payment of these obligations, the Treasury Department should give explicit instructions as to how they wanted shipments made and that when a Federal Reserve Bank had followed these instructions its duties would have been discharged and in the event of loss the charge would be final as between the Federal Reserve Bank and the Treasury Department. Of course, there is no objection insofar as the Federal Reserve Bank of Dallas is concerned to defraying the cost of insurance if the Treasury Department cares to have the same taken out in reasonable amounts nor is there any objection to lending every effort in the case of loss to secure the execution of duplicates, but we think that the Treasury Department should require nothing further of the Federal Reserve Banks.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

This is a matter of system-wide importance as all Federal Reserve Banks are confronted with the same questions and we would like very much to have the benefit of your views in connection with the questions brought out in this letter. In the event you should think it important to take the matter up with the Treasury Department, we would also like to have an expression from you as to the best method of doing so.

Very truly yours,

(S) Locke, Locke, Stroud & Randolph.

EBS-s

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6867-a-40

August 17, 1927.

Locke, Locke, Stroud & Randolph,
American Exchange Building,
Dallas, Texas.

Gentlemen:

I have received your letter of July 5th with reference to the relations between the Treasury Department and the Federal Reserve Bank with regard to the payment of Government warrants and checks and specifically with reference to the duties and liabilities of the Federal reserve banks with regard to the shipment to the Treasurer of the United States of cancelled warrants and checks. You suggest that this is a matter of system-wide importance and you would like to know the best method of taking it up with the Treasury Department.

I agree with your view that in all fairness the Treasury Department should issue regulations specifying clearly the legal relations between it and the Federal reserve banks in connection with the payment of Government warrants and checks and stating specifically the duties of the Federal reserve banks in this connection. I also agree with you that the Treasurer of the United States should give specific instructions as to the shipment of cancelled warrants and checks and that when the Federal reserve banks comply with these instructions it should be recognized that their legal duties have been discharged and they are no longer responsible for any losses that may occur.

This is a matter which I think should be taken up by negotiations with the Treasury Department and, in view of its system-wide importance, it seems to me that it would be advisable to have the point placed on the program and discussed at a conference of Governors of all Federal reserve banks at which the Governors should agree upon what they consider the proper method of handling this subject. After the Federal reserve banks are all in agreement I think it would be advisable for them to appoint a committee to confer with the Treasury Department on this subject with a view of arriving at a definite understanding regarding all legal and practical problems arising in connection with the handling of Government warrants and checks.

These views, however, are merely my own personal views and not the views of the Federal Reserve Board.

Very truly yours,

(S) Walter Wyatt,
General Counsel.

WW-SAD

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

II - C Duties and liabilities of Federal Reserve Banks with regard to shipment of cancelled Government warrants and checks. (Report to be submitted by Gov. Talley)

The Chairman. We will hear Governor Talley's report on that.

Governor Talley. That report is so framed that it may be received and filed if that is the pleasure of the Conference.

(The report of Governor Talley is as follows)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY X-6867-a-41

FEDERAL RESERVE BANK

OF DALLAS

April 25, 1928.

Mr. Benjamin Strong,
Chairman Governors' Conference,
Washington, D. C.

Dear Governor Strong:

As a Committee of one appointed by the Governors' Conference November 2 and 3, 1927, to confer with the Treasury in reference to Topic II-C, "Duties and liabilities of Federal Reserve banks with regard to shipment of cancelled Government warrants and checks", on the program of the last Governors' Conference, I am submitting the following report:

Through the courtesy of Honorable Ogden L. Mills, Undersecretary of the Treasury, I discussed this topic with Mr. Hand, the Commissioner of Accounts, and Mr. Cunningham of the Treasury, on the day the last Conference adjourned. Based upon the general observation of Mr. E. B. Stroud, Jr., Counsel for the Federal Reserve Bank of Dallas, I endeavored to arrive at some practical conclusion upon which a definite plan of handling paid Treasury warrants between Federal reserve banks and the Treasury could be formulated so that the Federal reserve banks could eliminate as much risk as possible that might be inherent from these transactions between the time of encashment and final payment of Treasury warrants and final payment and release by the Treasury Department, as well as to have as full knowledge as possible of the liability of the Treasury to the Federal reserve banks in the event of the loss in transit or non-receipt otherwise of the shipments of Treasury warrants to the Treasury after encashment.

Everyone is aware that no department of the Government will either assume or define the liability of the Government in any hypothetical or probable case and will therefore not undertake to bind the officials of any department in that connection, such liability being left to congressional determination and relief when the question of such liability arises.

Mr. Hand and Mr. Cunningham were fully appreciative of the position of the Federal reserve banks and offered the full cooperation of the Treasury in connection with any unusual situation that might arise in connection with the loss or destruction of any warrants in transit or the non-receipt by the Treasury after debit to the Treasurer's account. They carefully explained that the Controller General would not clear the Treasurer's account without the submission of vouchers but that in all probability the submission of affidavits accompanied by certified copies of invoices or transcripts giving minute description of warrants which had been shipped and not received by the Treasury, would be considered by the Controller General and in any event such documents would be accepted as a basis of a petition for congressional relief.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The members of the Conference will appreciate I am sure that considerable expense would be involved in making up transcripts or manifests in minute detail and that this expense would perhaps, in the light of a favorable experience since 1916, be prohibitive. Therefore, if an arrangements could be made to insure the shipments of Treasury warrants to the Treasury at some low premium rate, say 2 1/2 cents per $1000, as now applied to the shipment of cancelled coupons, the expense of doing so would be far less than that involved in making up manifests or transcripts in minutia.

The service and facility of encashment of Treasury warrants at Federal reserve banks seem to have been kept out of the sphere of domain of the fiscal agency functions of the Federal reserve banks performed for the Secretary of the Treasury as specified in the Federal Reserve Act, and in this respect the encashment of warrants by the Federal reserve banks is looked upon as a depository function in the same view as such service is performed by active national bank depositaries.

After considerable study of the subject my own view is that the Federal reserve banks would be looked upon and determined to be paying agents of any Treasury and that such warrants that had been encashed by Federal reserve banks would be considered to have been paid to the holder of such warrants as though such warrants were actually drawn upon a Federal reserve bank and without recourse upon such holders.

The present practice of the Federal Reserve Bank of Dallas is to insure a shipment of Treasury warrants to the Treasury at 10 per cent of their face value and an endorsement upon its insurance contract has been obtained to permit and accept this practice. It is thought that an insurance coverage in this matter would be sufficient to cover interest and expenses in connection with obtaining duplicates or final relief in the matter of loss or destruction or non-receipt by the Treasury of any particular shipment.

Inasmuch as this question was raised by Counsel for the Federal Reserve Bank of Dallas and was not covered by the Conference of Counsel of February 9 and 10, 1928, your committee has no definite recommendation to make.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-6880

TREASURY DEPARTMENT

WASHINGTON

April 23, 1931.

My dear Governor:

For the Secretary, and agreeable to the request in your letter of April 20, 1931, I am enclosing a copy of the opinion of the Attorney General, given under date of May 27, 1925, in the matter of the liability of Federal Reserve Banks in the redemption of certain War-savings stamps subsequently found to be counterfeit.

The Board is at liberty to transmit copies of the opinion to the Federal Reserve Banks, but it should be pointed out that the opinion relates to a specific instance of liability.

Very truly yours,

(Signed) Ogden L. Mills

OGDEN L. MILLS
Undersecretary of the Treasury

Hon. Eugene Meyer,

Governor, Federal Reserve Board.

Enclosure

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

DEPARTMENT OF JUSTICE,
Washington.

May 27, 1925.

Sir:-

I have the honor to acknowledge receipt of your letter of February 18, 1925, with its enclosures, respecting the relations of Federal reserve banks to the United States in cashing war-savings stamps and the liability assumed thereby.

The facts are set forth in a letter addressed by you to the Solicitor of the Treasury, a copy of which is transmitted with your letter to this Department, and may be summarized as follows:

Section 15 of the Federal Reserve Act, approved December 23, 1913, c. 6, 38 Stat. 265, authorized the Secretary of the Treasury to deposit public funds in the Federal reserve banks, "which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the government, or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits."

On November 24, 1915, the Secretary of the Treasury communicated to the Federal Reserve Board his intention to appoint "the Federal reserve banks depositaries and fiscal agents in the manner thus indicated by the act." In said communication the Secretary stated: "Each Federal reserve bank will be required to perform on behalf of the government the services which are now rendered by the national bank depositaries located in said cities, as well as any other services incidental to or growing out of the duties and responsibilities

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of fiscal agents." On the same date the Secretary of the Treasury addressed a communication to each Federal reserve bank advising the officers thereof that said bank "is hereby designated a depositary and a fiscal agent of the United States under section 15 of the Federal Reserve Act, effective on and after January 1, 1916, and until revoked."

By the Legislative, Executive and Judicial Appropriation Act, approved May 29, 1920, c. 214, 41 Stat. 631,655, the subtreasuries were abolished and the Secretary of the Treasury was authorized, in his discretion, "to utilize any of the Federal reserve banks acting as depositaries or fiscal agents of the United States, for the purpose of performing any or all of such duties and functions" theretofore performed by assistant treasurers of the United States.

By General Regulation No. 176, issued May 15, 1922, Federal reserve banks were authorized to accept deposits of public funds and credit the Treasurer of the United States therewith, and to cash government warrants and checks drawn on the Treasurer and charge the same to the account of the Treasurer of the United States, subject to examination and payment by him.

Under authority of section 6 of the Second Liberty Bond Act, approved September 24, 1917, c. 56, 40 Stat. 291, as amended, the Secretary of the Treasury issued certain war-savings certificates, known as "War-Savings Certificates, Series 1919", to mature on January 1, 1924. (Treasury Circular No. 128, December 18, 1918). On November 15, 1923, the Secretary issued Department Circular No. 330, addressed to holders of war-savings certificates, series 1919, postmasters, Federal reserve banks and others, in regard to the redemption or exchange of war-savings certificates. In section 1 thereof it is provided:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

> Certificates having registered stamps affixed are payable only at the post office where registered. Unregistered certificates are payable at any money-order post office or at the Treasury Department in Washington, and will likewise be accepted for payment at the Federal Reserve Banks and their branches, acting as fiscal agents of the United States. * * * Banking institutions generally will handle redemptions and exchanges for their customers, but the only official agencies are the post offices, the Federal Reserve Banks and branches, and the Treasury Department at Washington, except that duly qualified collateral agents for the issue and sale of Treasury Savings Certificates may make exchanges of unregistered War-Savings Certificates for Treasury Savings Certificates. (Italics supplied).

Instructions were given Federal reserve banks in regard to the redemption of war-savings certificates by Memorandum No. 155, dated November 15, 1923, and Memorandum No. 158, dated November 24, 1923. In a memorandum to Federal reserve banks, dated April 24, 1924, dealing with fiscal agency expenses, the Treasury Department defined the fiscal relations existing between Federal reserve banks and the Treasury Department as follows:

> The relationship between the Treasury and the Federal Reserve Banks is two-fold - the Banks act as fiscal agents of the Treasury and as depositaries. As fiscal agents the Banks announce issues, receive subscriptions, make allotments, receive payments, make deliveries, and subsequently conduct exchange transactions in the securities delivered.

It is stated several counterfeit war-savings stamps have been discovered and instructions given to Federal reserve banks in regard thereto in order that the banks might be fully advised and could take precautions against payment of such counterfeits. It is further stated that in October 1924 a fifth counterfeit 1919 war-savings stamp was discovered, and

> * * * upon examination of the stamps which had been redeemed by Federal Reserve Banks and forwarded to the Treasurer of the United States, it was discovered that a number of such counterfeit stamps had been re-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

> deemed by the Federal Reserve Banks, and the Treasurer of the United States had allowed credit in the Federal Reserve Banks' accounts for such stamps. These stamps had been presented subsequent to May, 1924, and the counterfeit was an exceedingly clever one which would not be detected in the usual examination as to genuineness.
>
> The Treasurer of the United States under date of November 25, 1924, advised all Federal Reserve Banks who had transmitted such counterfeit stamps that such stamps were counterfeit, and directed them to make adjustment of the charges in the Treasurer's account by crediting the amount charged on account of the redemption of such stamps to the Treasurer's account.

The various Federal reserve banks have been called upon to make good the amount paid out on said counterfeit stamps. This the banks have refused to do, denying their liability for the amount of counterfeit stamps redeemed by them.

You now request to be advised in what capacity the Federal reserve banks were acting in the cashing of war-savings stamps, and the extent of their liability in that respect.

That the Federal reserve banks, in the purchase or redemption of war-savings certificates, acted in the capacity of agents of the Treasury Department, is not open to question. Section 15 of the Federal Reserve Act required the Federal reserve banks to act as fiscal agents of the United States when required to do so by the Secretary of the Treasury. On November 24, 1915, the Secretary of the Treasury informed the officers of each Federal reserve bank that the bank had been designated a fiscal agent of the United States, and on November 15, 1923, the Secretary gave instructions to each Federal reserve bank in regard to the redemption or exchange of war-savings certificates, designating such banks as "fiscal agents of the United States" for that purpose.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

What then are the liabilities of the banks acting as such fiscal agents? The word "fiscal" as used in the several acts of Congress and the designation of the Secretary of the Treasury has no special or unusual meaning. It is a descriptive adjective qualifying the word "agent" and indicates "of or pertaining to the treasury or public finances". (Words and Phrases, Vol. 3). As an agent of the United States, with duties and responsibilities limited by the statute and the regulations issued by the Secretary of the Treasury, a Federal reserve bank acts in a representative capacity and, like any other agent, so long as it keeps within the scope of its employment, its acts are those of its principal. As the law of agency applies to the relationship between the Federal reserve banks and the United States, represented by the Secretary of the Treasury, it follows that a Federal Reserve bank is liable to its principal only for its non-feasance or malfeasance.

The relation of principal and agent is one of trust, and the agent must bestow on the affairs of his principal the same degree of care and skill which a reasonably prudent man ordinarily bestows on his own affairs. If he fails to exercise ordinary care and prudence in the discharge of his duties as agent, he is guilty of negligence and will be held liable to his principal. St. Paul Fire Insurance Co. v. Lauberstein, 162 Wis. 165; 155 N.W. 918. An agent, however, is not liable to his principal for a mere mistake in judgment. Briere v. Taylor, 126 Wis. 347; Chapel v. Clark, 117 Mich. 63.

In National Bank v. Merchants Bank, 91 U. S. 92,104, the Supreme Court said: "If this, however, were doubtful, the doubt ought to be resolved favorably to the agent. In the case in hand the Bank of Commerce having accepted the agency to collect, was bound only to reasonable care

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

diligence in the discharge of its assumed duties." In Preston v. Prather, 137 U.S. 604,608, the court said: "No one taking upon himself a duty for another without consideration is bound, either in law or morals, to do more than a man of that character would do generally for himself under like conditions.. The exercise of reasonable care is in all such cases the dictate of good faith."

That the banks were not negligent in redeeming the counterfeit stamps is shown by the statement that "The counterfeit was an exceedingly clever one which would not be detected in the usual examination as to genuineness." It cannot be denied that the Treasury Department is as well qualified to detect counterfeits as are Federal reserve banks, and the fact that the counterfeit stamps were accepted as genuine by the Treasury Department indicates that the several banks were free from negligence in redeeming such stamps.

Where a Federal reserve bank, acting as fiscal agent of the United States, uses reasonable care, skill, and diligence in the execution of the duties of the agency, it cannot be held liable for the acceptance for redemption of war-savings certificates or war-savings stamps which are subsequently discovered to be counterfeits, and especially is this true where the counterfeits were so similar to the genuine that the Treasury Department itself was deceived into accepting them as genuine.

Aside from the question of agency existing between Federal reserve banks and the United States, as represented by the Secretary of the Treasury, it is doubtful whether the Federal reserve banks could be held liable under the facts as set forth in your letter.

In United States Bank v. Bank of Georgia, 10 Wheat. 332,341, the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

court had under consideration bank notes, issued by the Bank of Georgia, which had been fraudulently altered. In the regular course of business the altered notes came into the possession of the United States Bank and were sent by it to and accepted by the Bank of Georgia as genuine. Subsequently the fraudulent alterations were discovered and the Bank of Georgia sought to reclaim from the United States Bank. Mr. Justice Story, speaking for the court, said:

> It is bound to know its own paper, and provide for its payment, and must be presumed to use all reasonable means, by private marks and otherwise, to secure itself against forgeries and impositions. In point of fact, it is well known, that every bank is in the habit of using secret marks, and peculiar characters, for this purpose, and of keeping a regular register of all the notes it issues, so as to guide its own discretion as to its discounts and circulation, and to enable it to detect frauds. Its own security, not less than that of the public, requires such precautions. Under such circumstances, the receipt by a bank of forged notes, purporting to be its own must be deemed an adoption of them. It has the means of knowing if they are genuine; if these means are not employed, it is certainly evidence of a neglect of that duty, which the public have a right to require. And in respect to persons equally innocent, where one is bound to know and set upon his knowledge, and the other has no means of knowledge, there seems to be no reason for burdening the latter with any loss, in exoneration of the former.

In the more recent case of United States v. Chase National Bank, 252 U. S. 485, the court had under consideration the question of recovery by the United States of money paid on a forged check drawn on the Treasurer of the United States. The name of the drawer of the check had been forged and negotiated through the Chase National Bank, which bank presented the check to the Assistant Treasurer at New York for payment.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Some time after payment it was discovered that the check was a forgery, and the United States sued the Chase National Bank for the amount of the check. The court (pp. 494,495) held that it was encumbent on the plaintiff to detect the forgery of the drawer's name, citing with approval the decision in Price v. Neal, 3 Burr. 1354,1357, and stating that the rule there laid down has never since been departed from. On page 496 the court said:

> He cannot be called upon to pay again and the collecting bank has not received the proceeds of an instrument to which another held a better title. The equities of the drawee who has paid are not superior to those of the innocent collecting bank who had full right to act upon the assumption that the former knew the drawer's signature or at least took the risk of a mistake concerning it.

The Act of May 29, 1920, supra, which abolished the subtreasuries, authorized the Secretary of the Treasury to utilize Federal reserve banks to perform all of the "duties and functions" theretofore performed by Assistant Treasurers of the United States. In acting as fiscal agents for the United States in the redemption and exchange of war-savings certificates the Federal reserve banks stand in the same relation to the United States as Assistant Treasurers formerly stood.

A case somewhat analogous to that under consideration was decided by the Supreme Court in Cooke, et al. v. United States, 91 U. S. 389. The Assistant Treasurer at New York purchased from J. Cooke & Co., for redemption, certain treasury notes among which were a number of counterfeit notes. No attempt was made to hold the Assistant Treasurer liable for accepting the counterfeits, but action was brought against

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Cooke & Co., for the amount paid by the Assistant Treasurer. Chief Justice Waite, speaking for the court, (pp. 396,397,) said:

> It is, undoubtedly, also true, as a general rule of commercial law, that where one accepts forged paper purporting to be his own, and pays it to a holder for value, he cannot recall the payment. The operative fact in this rule is the acceptance, or more properly, perhaps, the adoption, of the paper as genuine by its apparent maker. Often the bare receipt of the paper accompanied by payment is equivalent to an adoption within the meaning of the rule; because, as every man is presumed to know his own signature, and ought to detect its forgery by simple inspection, the examination which he can give when the demand upon him is made is all that the law considers necessary for his protection. He must repudiate as soon as he <u>ought</u> to have discovered the forgery, otherwise he will be regarded as accepting the paper.
>
> * * * * * * *
>
> So, too, if the paper is received and paid for by an agent, the principal is not charged unless the agent had authority to act for him in passing upon the character of the instrument. It is the negligence of the principal that binds; and that of the agent has no effect, except to the extent that it is chargeable to the principal.

It does not appear, from the facts stated by you, that the Federal reserve banks are chargeable with lack of diligence amounting to negligence in accepting for redemption the counterfeit war-savings certificates or war-savings stamps which were subsequently accepted by the Treasury Department as genuine. The authorities are one in holding that, in the absence of negligence, the agent is not liable.

It is my opinion, therefore, that, under the statute and the designation of the Secretary of the Treasury, Federal reserve banks in accepting for redemption war-savings certificates were and are acting as fiscal agents of the United States; that as such fiscal agents they are not liable except

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

for lack of ordinary care and diligence, and that in the case submitted the Federal reserve banks are not liable to the United States for having accepted as genuine counterfeit war-savings stamps which so cleverly imitated the genuine stamps issued by the Treasury Department as to deceive that Department when presented to it.

Respectfully,

(Signed) John G. Sargent

Attorney General.

The Honorable,

The Secretary of the Treasury.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6883

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

STATEMENT FOR THE PRESS

For release at 2:30 p.m. May 7, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of $1\frac{1}{2}$ per cent on all classes of paper of all maturities, effective May 8, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6884

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

STATEMENT FOR THE PRESS

For release at 5:00 p.m. May 7, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Dallas has established a rediscount rate of 3 per cent on all classes of paper of all maturities, effective May 8, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6885

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. May 8, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a rediscount rate of 2½% on all classes of paper of all maturities, effective May 9, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6886

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For release at 3:00 p. m. May 8, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Chicago has established a rediscount rate of 2½% on all classes of paper of all maturities, effective May 9, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6887

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

April 1 to 30, 1931.

	$5	$10	$20	Total Sheets	Amount
Boston	90,000	100,000	24,000	214,000	$20,426.30
New York	250,000	184,000	75,000	509,000	48,584.05
Philadelphia	100,000	52,000	15,000	167,000	15,940.15
Cleveland	100,000	42,000	40,000	182,000	17,371.90
Richmond	68,000	32,000	-	100,000	9,545.00
Atlanta	40,000	20,000	10,000	70,000	6,681.50
Chicago	200,000	-	-	200,000	19,090.00
Minneapolis	25,000	10,000	-	35,000	3,340.75
Kansas City	35,000	-	-	35,000	3,340.75
Dallas	32,000	20,000	-	52,000	4,963.40
	940,000	460,000	164,000	1,564,000	$149,283.80

1,564,000 sheets, $95.45 M, $149.283.80

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6888

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. May 8, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of St. Louis has established a rediscount rate of 2½% on all classes of paper of all maturities, effective May 9, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6889

May 13, 1931.

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:

"NOXBEGGING" Series dated May 18, 1931, and maturing July 17, 1931.

"NOXBELT" Series dated May 18, 1931, and maturing August 17, 1931.

These words should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBEAKER" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6891

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. May 14, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Richmond has established a rediscount rate of 3% on all classes of paper of all maturities, effective May 15, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6892

May 14, 1931.

SUBJECT: Progressive Penalties on Deficient Reserves.

Dear Sir:

The attached memorandum, addressed to the Governor of the Federal Reserve Board by the Chief of the Division of Bank Operations, on the subject "Progressive Penalties on Deficient Reserves of Member Banks" was read to the recent Conference of Governors which requested that the Federal Reserve Board forward a copy to each Federal reserve bank which now applies progressive penalties for continued deficiencies in reserves. It is being forwarded to the other Federal reserve banks as a matter of information.

The suggestion has been made that the Federal Reserve Board amend its Regulation D, so as either (a) to abolish the progressive penalty altogether, or (b) to make it mandatory and applicable uniformly to all Federal reserve districts. Accordingly, the Board has requested the System Committee on Reserves to make a special study and report as to the effectiveness and desirability of assessing progressive penalties.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

April 25, 1931.

TO Governor Meyer SUBJECT: Progressive penalties on deficient reserves of member banks.

FROM Mr. Smead

Section 19 of the Federal Reserve Act provides that the required reserve 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. In accordance with this section the Federal Reserve Board has provided in Regulation D that a penalty on the amount of the deficiency in reserves 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, also that upon the application of a Federal reserve bank the Board will approve progressive penalties for continued deficiencies in reserves, the total penalty not to exceed 10 per cent.

At the present time 7 Federal reserve banks apply progressive penalty rates on continued deficiencies in reserves, six of them having a maximum penalty rate of 10 per cent, and one 8 per cent. In order to compare the deficiencies in the districts which apply progressive penalties with deficiencies in districts which do not apply progressive penalties, we have prepared the attached table showing:

1. Average number of member banks in operation in 1930.
2. Number of member banks subject to basic and to progressive penalties for deficiencies in reserves.
3. Number of banks out of each 1,000 in operation that were subject to basic and to progressive penalties on deficiencies.
4. Ratio of average deficiencies to average reserve balances of all member banks.

From an examination of the table it appears that the Federal reserve banks that apply progressive penalty rates have relatively more banks with

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

continued deficiencies, than do the reserve banks that do not apply progressive penalty rates. This raises the question whether the progressive penalties are paid by

(a) Member banks which, owing to their overextended condition, are unable to maintain their required reserves, or
(b) Member banks which are in a reasonably satisfactory condition but, through negligence or otherwise, make no attempt to maintain their required reserves.

The Federal Reserve Banks of Chicago, Minneapolis and Dallas, which at one time applied progressive rates, have discontinued them. The reasons given for discontinuing the progressive penalties are as follows:

Governor Young of Minneapolis - "After a thorough investigation of the situation, we are convinced that the banks that pay a ten per cent penalty rate do not do so because of their unwillingness to carry sufficient reserve with us, but solely because of their utter inability to do so."

Mr. Walsh of Dallas - "The progressive rate does not in itself act as a deterrent to member banks, and those banks that have paid the increased rate, even to the maximum, although having every desire to do so, have been unable to maintain their required reserve by reason of having reached their maximum ability."

Mr. Heath of Chicago - "Our observation is that by far the greater number of member banks whose reserves are continually deficient, are unable to maintain such reserves without rediscounting further, and that their condition as a rule is not such as to justify further increase in rediscounts."

Data available in this office indicate that during the past two years, 286 member banks have been subject to the maximum penalty rates of 10 per cent, or would have been subject to such rates had they been applied in all districts. Of these 286 banks, 163 are still members, 79 have suspended, 29 have been absorbed by other banks, 8 have been reorganized or succeeded by new banks, 6 have withdrawn from the System, and 1 has gone into voluntary liquidation.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The fact that Federal reserve banks that apply progressive penalties have relatively more member banks with continued deficiencies than Federal reserve banks that do not apply progressive penalties, and that a relatively large percentage of the member banks that pay the progressive penalties are in an overextended condition, raises the question as to whether the application of progressive penalties does not, in most cases, place additional burdens on those member banks which are least able to bear them.

It occurs to me that you may wish to discuss this question with the Governors at their conference next week.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DEFICIENCIES IN RESERVES OF MEMBER BANKS DURING 1930

B-324

Federal Reserve District	Average number of member banks in district	Average number of banks subject to penalties for deficient reserves: Total	At maximum rate of 10 per cent*	At lower progressive rates*	At normal rate	Number of banks, out of each 1000 in operation, that were --: Deficient in reserves (total)	Subject to maximum penalty of 10%	Subject to lower progressive penalties	Subject to normal penalty	Average daily reserves of all member banks	Average daily deficiencies	Ratio of average deficiencies to average reserves of all member banks
										(In thousands of dollars)		
F.R.BANKS THAT APPLY PROGRESSIVE PENALTIES												
Boston	400	60	-	4	56	150	-	10	140	147,066	125	.085%
Philadelphia	756	110	-	5	105	146	-	7	139	137,819	153	.111
Cleveland	783	124	3	19	103	158	4	24	132	191,745	386	.201
San Francisco	594	139	1	10	128	234	2	17	215	175,653	123	.070
Richmond	492	160	10	26	125	325	20	53	254	63,713	375	.589
Atlanta	411	136	16	21	99	331	39	51	241	61,648	355	.576
Kansas City	885	158	5	14	138	179	6	16	156	87,741	171	.195
Total	4,321	887	35	99	754	205	8	23	175	865,385	1,688	.195
F.R.BANKS THAT DO NOT APPLY PROGRESSIVE PENALTIES												
New York	923	237	-	4	233	257	-	4	252	981,690	476	.048
Chicago	1,132	238	9	24	206	210	8	21	182	344,423	574	.167
St. Louis	548	198	5	16	177	361	9	29	323	76,220	287	.377
Minneapolis	662	114	6	18	91	172	9	27	138	51,086	126	.247
Dallas	716	128	5	16	106	179	7	22	148	60,289	245	.406
Total	3,981	915	25	78	813	230	6	20	204	1,513,708	1,708	.113

*For the last five districts, columns 3 and 4 represent the member banks which would have been subject to progressive rates if such rates had been applied by the respective Federal reserve banks. In the Atlanta district the maximum rate is 8 per cent.

NOTE: Total number of member banks, as shown in column 1, is the average of 12 end-of-month dates; the number of banks deficient in reserves is the average of quarterly reports; daily deficiencies are also averages of quarterly reports.

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
APRIL 24, 1931

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6893

May 19, 1931.

SUBJECT: Holidays during June, 1931.

Dear Sir:

The Federal reserve banks and branches listed below will be closed on Wednesday, June 3rd, in observance of the birthday of Jefferson Davis, and therefore will not participate in either the gold fund clearing or the Federal reserve note clearing of that date:

Richmond	*Memphis
Atlanta	Dallas
*New Orleans	El Paso
Birmingham	Houston
*Nashville	San Antonio
Jacksonville	

*Confederate Memorial Day

Please include credits of June 3rd in the gold fund clearing with your credits for June 4th for the offices affected, and make no shipments of Federal reserve notes, fit or unfit, for account of the head offices mentioned, on June 3rd.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6894

May 21, 1931.

SUBJECT: Expense, Main Line, Leased Wire System, April, 1931.

Dear Sir:

Enclosed herewith you will find two mimeographed statements, X-6894-a and X-6894-b, covering in detail operations of the main line, Leased Wire System, during the month of April, 1931.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF APRIL, 1931.

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	26,434	3,171	29,605	3.46
New York	118,447	-	118,447	13.85
Philadelphia	31,020	1,542	32,562	3.81
Cleveland	79,790	3,157	82,947	9.70
Richmond	57,647	2,371	60,018	7.02
Atlanta	58,152	9,948	68,100	7.96
Chicago	94,267	4,562	98,829	11.56
St. Louis	71,777	3,357	75,134	8.78
Minneapolis	30,839	3,674	34,513	4.04
Kansas City	74,796	2,989	77,785	9.09
Dallas	64,280	12,029	76,309	8.92
San Francisco	96,722	4,315	101,037	11.81
Total	804,171	51,115	855,286	100.00

F. R. Board business . . . . 300,055 — 1,155,341

Treasury Department business Incoming and Outgoing 122,070

Total words transmitted over main lines. 1,277,411

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6894-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, APRIL, 1931.

Name of bank	Operators' salaries	Operators' overtime	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	$260.00	$5.00	$ -	$265.00	$732.30	$265.00	$467.30
New York	1,134.15	-	-	1,134.15	2,931.33	1,134.15	1,797.18
Philadelphia	225.00	-	-	225.00	806.38	225.00	581.38
Cleveland	306.66	-	-	306.66	2,052.99	306.66	1,746.33
Richmond	190.00	-	230.00 (&)	420.00	1,485.77	420.00	1,065.77
Atlanta	270.00	-	-	270.00	1,684.72	270.00	1,414.72
Chicago	3,693.50 (#)	3.00	-	3,696.50	2,446.66	3,696.50	1,249.84 (*)
St. Louis	195.00	-	-	195.00	1,858.27	195.00	1,663.27
Minneapolis	200.00	-	-	200.00	855.06	200.00	655.06
Kansas City	287.50	-	-	287.50	1,923.89	287.50	1,636.39
Dallas	251.00	-	-	251.00	1,887.90	251.00	1,636.90
San Francisco	380.00	-	-	380.00	2,499.57	380.00	2,119.57
Federal Reserve Board	-	-	15,770.25	15,770.25	-	-	-
Total	$7,392.81	$8.00	$16,000.25	$23,401.06	$21,164.84	$7,630.81	$14,783.87
				2,236.22(a)			1,249.84 (b)
				$21,164.84			$13,534.03

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $2,236.22 from Treasury Department covering business for the month of April, 1931.
(b) Amount reimbursable to Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6895

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 4:30 p.m. May 20, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of Kansas City has established a rediscount rate of 3% on all classes of paper of all maturities, effective May 21, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6898

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. May 21, 1931.

The Federal Reserve Board announces that the Federal Reserve Bank of San Francisco has established a rediscount rate of 2½% on all classes of paper of all maturities, effective May 22, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6899

May 27, 1931.

SUBJECT: Code word to cover Telegraphic transactions in Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXBERRY" Series dated June 1, 1931, and maturing August 31, 1931.

This word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBELT" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6901

May 28, 1931.

SUBJECT: Enforcement of Provisions of Clayton Anti-Trust Act.

Dear Sir:

The Federal Reserve Board has recently received an inquiry with reference to whether it is necessary for a Federal reserve agent to check up apparent violations of provisions of the Clayton Anti-Trust Act shown by reports of examination of national banks. For your information in this connection you are advised as follows:

It is the established practice of the Comptroller of the Currency to report to the Federal Reserve Board apparent violations of the provisions of the Clayton Act shown by each report of examination of a national bank. The Federal Reserve Board in each case checks the Comptroller's report against its own records and if the person affected has not obtained the Board's permission to serve the banks involved the Board addresses a letter to him calling attention to the apparent violation. A copy of the Board's letter is forwarded to the Federal reserve agent of the district in which the banks involved are located. If a reply to the Board's letter is not received within a reasonable time, a second letter is written and the Board follows up each of these cases until it is finally disposed of in accordance with the law. Under these circumstances, it is not necessary for a Federal reserve agent to check up apparent violations of the provisions of the Clayton Act shown by reports of examination of national banks, unless the Federal reserve agent is requested to do so by the Board in a particular case. Each Federal reserve agent, however, should check up any apparent violation of the Clayton Act discovered through sources other than reports of examination of national banks.

The administration of the provisions of the Clayton Act relating to banks and private bankers is vested in the Federal Reserve Board and it is essential that the Board have complete information with reference to whether these provisions of the Clayton Act are being complied with. The Board

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

accordingly desires each Federal reserve agent to check up at least once a year all private bankers and officers, directors and employees of all banks in his district subject to the provisions of the Clayton Act and advise the Board as to all violations of the provisions of the Clayton Act. This may be done by requesting advice from private bankers as to the banks they are serving and requesting banks to submit a list of officers, directors or employees serving other banks, or by inspection of published lists of directors of banks, or by any other method which the Federal reserve agent may deem effective and advisable. Upon discovery of an apparent violation of the Clayton Act, it is appropriate for the Federal reserve agent to take up the matter with the officer, director or employee involved before reporting the matter to the Board and endeavor to have him bring his service within the provisions of the Clayton Act. This method of handling the matter greatly simplifies the procedure and is in accordance with the Board's wishes. The Board's Regulation L, as you know, contains detailed information with reference to the various circumstances under which the provisions of the Clayton Act are applicable to private bankers and to officers, directors or employees of banks.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO THE FEDERAL RESERVE BOARD

X-6902

June 2, 1931.

Dear Sir:

This is to inform you that the Federal Reserve Board, having been advised by Mr. Walter L. Eddy that because of the condition of his health he will be unable to resume his official duties, has reluctantly accepted Mr. Eddy's resignation as Secretary of the Federal Reserve Board, effective May 31, 1931.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COLQUITT, PARKER, TROUTMAN & ARKWRIGHT
Attorneys at Law
Suite 1607 William Oliver Bldg.,
Atlanta

May 26, 1931.

Mr. W. S. Johns, Deputy Governor,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Johns:

At your request I have examined the letter written to you under date of May 22nd by Mr. George H. Smith, Vice-President of the Citizens Bank & Trust Company of Savannah, Georgia.

In Mr. Smith's letter reference is made to a recent decision of Georgia Supreme Court which involved warehouse receipts showing an endorsement on the back of a "statement of ownership and encumbrances" reading as follows:

> "The undersigned hereby certifies on the date stated that he is the owner or authorized agent of the owner of the cotton covered by this receipt and that, other than the warehouseman's lien evidenced on the face of this receipt and the following, there are no liens, mortgages, or other encumbrances on said cotton."

The case to which Mr. Smith referred is Orvis Brothers & Company, et al v. Mobley, Superintendent of Banks, decided in January of this year (a re-hearing denied February 14, 1931) and reported in 171 Ga. 906.

The facts in that case were that Nesbitt-Williams Cotton Company received in trust certain cotton from the Exchange Bank of Cordele. The Cotton Company was an agent for the purpose of effecting a sale of the cotton. It deposited the same in a bonded warehouse at Cordele and took warehouse receipts in the firm name, which receipts showed an endorsement identical with that above quoted. This storage of the cotton was without the knowledge or consent of the Exchange Bank and was alleged to be a "wilful and deliberate breach of trust and conversion of the cotton."

Nesbitt-Williams Company were dealing on the exchange through certain brokers and when called upon for margins delivered

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the warehouse receipts. The Exchange Bank suspended and the Superintendent of Banks brought suit for the value of the cotton.

In holding that the petition or declaration set out a cause of action as against a general demurrer the court said:

"We are of the opinion that the court below did not err in overruling the demurrers to the petition. We are aware of the rule which makes a bonded warehouse receipt a negotiable instrument. Maryland Casualty Co. v. Washington Loan & Banking Co., 167 Ga. 354 (145 S. E. 761); Maryland Casualty Co. v. Johnson Co., 167 Ga. (145 S. E. 766). And also the rule that a bona fide purchaser of a negotiable paper not dishonored, or of money, or bank bills, or other recognized currency, will be protected, though the seller had no title. Civil Code (1910) Sec. 4118; First National Bank of Sparta v. City of Sparta, 154 Ga. 25 (114 S. E. 221). It will be observed from reading the statement of ownership and encumbrances of Nesbitt-Williams Cotton Company, attached to the receipt of the Cordele Compress Bonded Warehouse of Cordele, Georgia, that Nesbitt-Williams Cotton Company certifies that it 'is the owner or authorized agent of the owner of the cotton covered by this receipt, and that, other than the warehouseman's lien evidenced on the face of this receipt and the following, there are no liens, mortgages, or other encumbrances on said cotton.' This receipt was sufficient to put the purchaser on notice to enquire as to who was the true 'owner or authorized agent of the owner of the cotton covered by this receipt,' etc. The petition alleges that the Nesbitt-Williams Cotton Company had an agreement with the Exchange Bank of Cordele, the plaintiff, whereby the cotton company, or firm, was to hold the cotton purchased by them, and paid for by the bank, in trust, until the cotton was sold and the proceeds paid on the bank's debt, and that the title to the cotton was to remain in the bank until the bank was paid. In these circumstances the cotton firm, or company, never had title to the cotton, and had no authority to place the cotton in the bonded warehouse as its own; and when the cotton brokers accepted the receipt with the above stipulation in it, they were put upon notice that the cotton company 'was owner, or agent

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the owner.' But which? If the cotton brokers had used ordinary diligence to ascertain the true owner, they would have found that the title to the cotton never was in the cotton firm, and that it had no right to deposit the cotton in a bonded warehouse in its own name, and trade the receipt for a pre-existing debt. The plaintiffs in error never paid anything for the cotton receipts. The receipts were taken for a pre-existing debt incurred by the cotton firm on account of dealing in future or margin contracts with the plaintiffs in error, who were members of the New York Cotton Exchange. The plaintiffs in error paid nothing in cash for the receipts, and are in no worse condition than they were before they received them. The case is different from one where a debtor pays a pre-existing debt with property that is his own. Before taking the warehouse receipt, if plaintiffs in error had investigated, as they were bound to do, they would have ascertained the fact that the cotton firm did not own the cotton. The doctrine of caveat emptor applies to a case like the present. The purchaser must 'beware' of what he is buying; he must 'look out' to see whether the title to the thing he is buying is the seller, especially where he is put upon notice that the seller is either 'owner or the agent of the owner.' If he was merely the agent of the owner, where was the evidence of the 'agency?' Inquiry would have disclosed, under the allegations of the petition, that the cotton firm were the agents 'to ship and sell the cotton and apply the proceeds to the debt due the bank,' and not to deposit the cotton in a bonded warehouse to the individual name of the cotton firm, and sell the receipt to a third person, and apply the proceeds to the cotton firm's individual pre-existing debt. To allow the latter to be done would work a great injustice and do violence to the law. See Farmers & Merchants Bank v. Hamilton, 30 Ga. App. 194 (117 S. E. 287)."

I understand from you that the form of the "Statement of ownership and encumbrances" set out above is a prescribed form appearing on many of the warehouse receipts which are taken by the Federal Reserve Bank as collateral. There is, of course,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

always some risk attendant upon the acquisition of warehouse receipts in cases where the party transferring same has no right so to do. Undoubtedly, however, the utilization of a form of receipt containing a certificate or statement of ownership, etc. made by one describing himself as "owner or authorized agent" increases such risks as inhere in transactions of this character.

Believing the matter to be of general interest, I am sending a copy of this letter to Mr. Wyatt, General Counsel of the Federal Reserve Board.

I am returning Mr. Smith's letter herewith.

Very truly yours,

(S) Robt. S. Parker.

RSP/w.

Copy to:

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6905

June 5, 1931.

SUBJECT: Code word to cover telegraphic transactions in 3-1/8% Treasury Bonds of 1946 - 1949.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOWCEASE" has been designated to cover the new issue of 3-1/8% Treasury Bonds of 1946 - 1949.

This code word should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOWCABAL" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6906

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928

May 1 to 29, 1931.

	$5	$10	$20	$500	$1000	Total Sheets	Amount
Boston	90,000	100,000	-	-	-	190,000	$ 18,135.50
New York	250,000	180,000	75,000	-	-	505,000	48,202.25
Philadelphia	100,000	60,000	15,000	-	-	175,000	16,703.75
Cleveland	70,000	45,000	45,000	-	-	160,000	15,272.00
Richmond	68,000	32,000	38,000	-	-	138,000	13,172.10
Atlanta	22,000	18,000	20,000	-	-	60,000	5,727.00
Chicago	200,000	-	-	3,350	1,650	205,000	19,567.25
Minneapolis	25,000	10,000	12,000	-	-	47,000	4,486.15
Kansas City	40,000	-	-	-	-	40,000	3,818.00
Dallas	30,000	20,000	12,000	-	-	62,000	5,917.90
	895,000	465,000	217,000	3,350	1,650	1,582,000	$151,001.90

1,582,000 sheets, @ $95.45 per M, ... $151,001.90

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

IN THE COURT OF COMMON PLEAS 5

PHILADELPHIA COUNTY, PENNSYLVANIA

A. B. MOBLEY, AS SUPERINTENDENT OF BANKS FOR THE STATE OF GEORGIA, IN POSSESSION OF THE ASSETS AND BUSINESS OF CITIZENS-FLOYDBANK & TRUST COMPANY, A CORPORATION OF ROME, GEORGIA; and CITIZENS-FLOYD BANK AND TRUST COMPANY, A CORPORATION OF ROME, GEORGIA, PLAINTIFFS	NUMBER 763
VS	
FEDERAL RESERVE BANK OF PHILADELPHIA, A CORPORATION, DEFENDANT,	JUNE TERM, 1931

STATEMENT OF CLAIM

A. B. Mobley, as Superintendent of Banks for the State of Georgia, in possession of the assets and business of Citizens-Floyd Bank and Trust Company, a banking corporation under the laws of Georgia, and said Citizens-Floyd Bank and Trust Company, being the plaintiffs above named, bring this action against the Federal Reserve Bank of Philadelphia, a corporation under the laws of the United States, being the defendant above named, to recover damages in the sum of $250,000.00, which sum is justly due and payable by Defendant upon a cause of action whereof the following is a statement:

- 1 -

At the times and upon the occasions hereinafter referred to plaintiff Bank was and now is a banking corporation existing and organized under the laws of the State of Georgia, with its principal office and place of business in the City of Rome, in the State of Georgia.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Defendant now is and at all times hereinafter mentioned was a corporation existing and organized under and by virtue of the laws of the United States, more particularly under the terms and provisions of the Act of Congress, approved December 23rd, 1913, and as hereafter amended, to which Act and Amendment thereto reference is hereby duly made, said Act of Congress being generally known as the Federal Reserve Act, and said Defendant has and has had its principal office and chief place of business in the City of Philadelphia, in the State of Pennsylvania, and is subject to the jurisdiction of this Honorable Court.

- 3 -

On and prior to November 13th, 1930, A. B. Mobley was and he now is the Superintendent of Banks for the State of Georgia, and as such is the chief officer of the Department of Banking, created under and by virtue of the terms of an Act of the Legislature approved August 16th, 1919; amended by an Act approved August 21st, 1922, and again amended by an Act approved August 26th, 1925. The Act is voluminous, but reference is hereby duly made thereto, as may be material, necessary or proper. It is codified in sections 2262(a) to 2282(a), inclusive, in Volume 8, 1922 Supplement, and Volume 12, 1926 Supplement, of Park's Annotated Code of Georgia.

The most pertinent parts thereof are set forth and made a part hereof, as Exhibit A hereto.

- 4 -

On or about November 13th, 1930, such Superintendent of Banks, said A. B. Mobley, took possession of the assets of said plaintiff Bank,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and since said date has, as such official, liquidated all of its assignable assets, not including in said liquidation, however, this cause of action.

- 5 -

Plaintiff Bank under its charter conducted a commercial banking business at Rome, Georgia, continuously from January, 1924, until November 13th, 1930.

- 6 -

During the month of June, 1930, Harper Manufacturing Company, Consolidated Grocery Company, Purity Ice Cream Company, Inc. and J. P. Reid, all of Rome, Georgia, were, with many others, depositors in and each had a checking account with plaintiff Bank, and respectively were entitled to draw and issue checks against their respective deposits for the payment of money on presentation and demand.

- 7 -

On or about June 4th, 1930, said Harper Manufacturing Company, having then and there a checking account as aforesaid, with sufficient balance to its credit, drew against said account its check number 2641, dated June 4th, 1930, in the sum of $15.40, payable to the order of J. E. Rhoads and Sons, and issued and delivered said check to said payee, then and now a resident of Philadelphia, Pennsylvania, with the purpose and intention that said check be presented by said payee in regular course to Plaintiff Bank, as the drawee therein, for payment.

- 8 -

Said check was deposited by the said payee with the Central

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

National Bank of Philadelphia on or about June 7th, 1930, and was by said bank in turn endorsed and transmitted to the Defendant for collection. Whereupon the Defendant, without cause and contrary to the truth, attached a slip of paper to the face of said check bearing the words "Bank Reported Closed" and returned said check as a worthless and uncollectible item to the said Central National Bank. A true and correct copy of said check, including all endorsements on the back thereof, is hereunto annexed, made a part hereof and marked "Exhibit 1". The slip of paper attached to said check, above referred to, was in form the same as "Exhibit 3" hereinafter referred to, save and except the date and amount.

\- 9 -

By said quoted words so attached to said check Defendant meant by the word "Bank" the said Citizens-Floyd Bank and Trust Company. By the word "Closed" Defendant meant and in effect said that said Plaintiff Bank was not open for business and was no longer engaged in business but had closed its doors, failed financially and had ceased to function as a bank and that said check was, therefore, worthless and could not be paid on presentation and demand.

\- 10 -

Said check with the said words so attached, as aforesaid, in due course of business was returned as worthless and uncollectible by said Defendant to its said correspondent bank, and in due course and in accordance with the intent, purpose and object of the Defendant was by its said correspondent returned to said Rhoads and Sons, and in due course and in accordance with the intent, purpose and object

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of said Defendant, was by said Rhoads and Sons returned to said Harper Manufacturing Company, the maker thereof, as a worthless check, and was received (so dishonored) by the officers and employees thereof. And moreover, in accordance with the intent, purpose and object of the said Defendant, the said false information and statement so stamped on and attached to said check was by the officers and employees of said Harper Manufacturing Company given and published to other persons who were then and there depositors and customers of said Plaintiff Bank.

- 10-A -

By reference to the endorsements on the said check of Harper Manufacturing Company, it appears that said check was redeposited by the said payee on or about June 24th, 1930, and on or about said date again came into the hands of the Defendant from the said Central National Bank of Philadelphia and was again returned by the Defendant as a worthless and uncollectible item, with the notation, in substance and effect, that the Plaintiff Bank, the drawee in said check, was reported closed and again the said libelous statement was published through various channels hereinbefore outlined. Further reference to the said check shows that it was finally handled through banking channels, other than the Defendant, was presented to the Plaintiff Bank for payment and was paid on or about August 20th, 1930.

- 11 -

On or about June 9th, 1930, Consolidated Grocery Company of Rome, having then and there a checking account, as aforesaid, with sufficient balance to its credit, drew against said account its check number 891, dated June 9th, 1930, in the sum of $67.83, payable to the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

order of Campbell Soup Company of Camden, New Jersey, and issued and delivered said check to said payee with the purpose and intention that said check be presented by said payee in regular course to Plaintiff Bank, as the drawee therein, for payment.

- 12 -

Said check was deposited by said payee with the First Camden National Bank and Trust Company, of Camden, New Jersey, on or about June 11th, 1930, and was by said Bank in turn endorsed and transmitted to the Defendant for collection. Defendant, without cause and contrary to the truth, attached a slip of paper to the face of said check bearing the words "Bank Reported Closed", and returned said check as a worthless and uncollectible item to the said First Camden National Bank and Trust Company. A true and correct photostatic copy of said check, including all endorsements on the bank thereof, is hereunto annexed and made a part hereof and marked "Exhibit 2". A true and correct copy of said slip of paper which was attached to the face of said check and bearing the words "Bank Reported Closed" is, also, hereunto annexed and made a part hereof and marked "Exhibit 3".

- 13 -

By said quoted words so attached to said check Defendant meant by the word "Bank" said Citizens-Floyd Bank and Trust Company. By the word "Closed" Defendant meant and in effect said that said Plaintiff Bank was not open and was no longer engaged in business, but had closed its doors, failed financially and had ceased to function as a bank, and that said check was, therefore, worthless and could not be paid on presentation and demand.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Said check, with the said words so attached as aforesaid, in due course of business was returned as worthless and uncollectible by the Defendant to its said correspondent, and in due course and in accordance with the intent, purpose and object of the Defendant was by its said correspondent returned to said Campbell Soup Company, and in due course and in accordance with the intent, purpose and object of the defendant was by said Campbell Soup Company returned to said Consolidated Grocery Company, the maker thereof, as a worthless check and was received (so dishonored) by the officers and employees thereof. And moreover in accordance with the intent, purpose and object of the said Defendant, the said false information and statement so stamped on or attached to said check was by the officers and employees of said Consolidated Grocery Company given and published to other persons who then and there were depositors and customers of the Plaintiff Bank.

- 15 -

By reference to the endorsements on the back of said check it will appear that same was redeposited by the payee thereof and reendorsed to the defendant on or about June 27th, 1930, when the said check was again returned as worthless and uncollectible. By further reference to the said endorsements it will appear that thereafter and through other banking channels said check was duly presented to Plaintiff Bank and paid on or about July 3rd, 1930.

- 16 -

On or about June 14th, 1930, Purity Ice Cream Company, Inc., having then and there a checking account as aforesaid, with

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

sufficient balance to its credit, drew against said account its check number 7582, dated June 14th, 1930, in the sum of $119.42, payable to the order of Refrigeration Discount Corp., of Detroit, Michigan, and issued and delivered said check to said payee with the purpose and intention that said check be presented by said payee in regular course to Plaintiff Bank, as the drawee, for payment.

- 17 -

Said check was deposited by said payee with the Peoples-Wayne County Bank of Detroit, Michigan, by whom the check was forwarded through regular banking channels to the First National Bank, Philadelphia, Pennsylvania, which last named bank endorsed and transmitted said check to the Defendant for collection, on or about June 20th, 1930. Defendant, without cause and contrary to the truth, attached a slip of paper to the face of said check, bearing the words "Bank Reported Closed" and there was stamped with a rubber stamp on the back of the said check the same words, and returned said check as a worthless and uncollectible item to the said First National Bank of Philadelphia. A true and correct photostatic copy of said check, including all endorsements on the back thereof, is hereunto annexed, made a part hereof, and marked "Exhibit 4". The slip of paper attached to the face of said check is of the same form, tenor and effect as shown in "Exhibit 3", excepting only the date, number and amount.

- 18 -

By said quoted words so attached to said check Defendant meant by the word "Bank" said Citizens-Floyd Bank and Trust Company. By the word "Closed" Defendant meant and in effect said that said

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Plaintiff Bank was not open and was no longer engaged in business, but had closed its doors, failed financially and had ceased to function as a bank and that said check was, therefore, worthless and could not be paid on presentation and demand.

\- 19 -

Said check with the words so attached, as well as stamped on the back thereof, as aforesaid, in due course of business was returned as worthless and uncollectible by the Defendant to its said correspondent bank and in due course and in accordance with the intent, purpose and object of the Defendant was by its said correspondent returned, through the banking channels indicated by the endorsements on the said check, to the said Refrigeration Discount Corp., and in due course and in accordance with the intent, purpose and object of said Defendant was by the said Refrigeration Discount Corp., returned to said Purity Ice Cream Company, the maker thereof, as a worthless check and was received (so dishonored) by the officers and employees thereof. And moreover in accordance with the intent, purpose and object of the defendant the said false information and statement so stamped on and attached to said check was by the officers and employees of the said Purity Ice Cream Company, Inc., given and published to other persons who then and there were depositors and customers of Plaintiff Bank.

\- 20 -

By reference to the endorsements on the back of said check it will appear that same was thereafter presented to Plaintiff Bank for payment through other channels and was paid on July 3rd, 1930.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

- 21 -

On or about June 23rd, 1930, J. P. Reid, of Rome, Georgia, having then and there a checking account as aforesaid, with sufficient balance to its credit, drew against said account his check number 415 dated June 23rd, 1930, in the sum of $25.48, payable to the order of Frank H. Fleer Corpn. of Philadelphia, Pennsylvania, and issued and delivered said check to said payee with the purpose and intention that said check be presented by said payee in regular course to Plaintiff Bank, as the drawee therein, for payment.

- 22 -

Said check was deposited by said payee with the Northwestern National Bank of Philadelphia, on or about June 27th, 1930, and was by said bank in turn endorsed and transmitted on said date to the Defendant for collection. Defendant, without cause and contrary to the truth, attached a slip of paper to the face of said check, bearing the words "Bank Reported Closed" and returned said check as a worthless and uncollectible item to the said Northwestern National Bank. A true and correct photostatic copy of said check, including all endorsements on the back thereof is hereto annexed, made a part hereof and marked "Exhibit 5". The slip of paper thereto attached by the Defendant is of the same form, tenor and effect, as shown in "Exhibit 3", excepting the number, date and amount.

- 23 -

By said quoted words so attached to said check, Defendant meant by the word "Bank" said Citizens-Floyd Bank and Trust Company. By the word "Closed" Defendant meant and in effect said that said

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Plaintiff Bank was not open and was no longer engaged in business, but had closed its doors, failed financially and had ceased to function as a bank and that said check was, therefore, worthless and could not be paid on presentation and demand.

\- 24 -

Said check with the words so attached as aforesaid, in due course of business was returned as worthless and uncollectible by the defendant to its said correspondent bank and in due course and in accordance with the intent, purpose and object of said Defendant was by its said correspondent returned to said Frank H. Fleer Corpn., and in due course and in accordance with the intent, purpose and object of the Defendant was by said Frank H. Fleer Corpn. returned to said J. P. Reid, the maker thereof, as a worthless check and was received (so dishonored) by the said maker and his employees. And moreover in accordance with the intent, purpose and object of the said Defendant, the said false information and statement so stamped on and attached to said check was by the said maker and his employees given and published to other persons, who were then and there depositors and customers of the Plaintiff Bank.

\- 25 -

By reference to the endorsements appearing on said check, it will appear that thereafter same was presented through other channels to Plaintiff Bank and was on July 10th, 1930, duly paid.

\- 26 -

By the said words "Bank Reported Closed" so stamped and/or attached, as aforesaid, to each and all of the above described four (4)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

checks drawn by the said various depositors on Plaintiff Bank, Defendant meant and intended to convey, and by all persons Defendant was understood to mean and to state the Plaintiff Bank was not functioning but had failed financially, and was not open for banking business, that it was not financially capable of honoring said checks or either of them or any check drawn on it were same to be duly presented for payment, and further that Plaintiff Bank was in an unsound and insolvent condition financially and said meaning and each and all of them was the one had and understood from said published words by all persons into whose hands each of the said four dishonored checks came or passed.

\- 27 -

In truth and in fact Plaintiff Bank on the dates of each of said four checks and prior thereto and subsequent thereto was open for business, was performing its functions as a bank, was solvent and would have honored each and all of said four checks on presentation and was in a sound financial condition and, as stated, each and all of said checks were honored and paid when finally presented to plaintiff Bank for payment.

\- 28 -

The aforesaid libels consisting of the words "Bank Reported Closed", attached to or stamped on each of the aforesaid four checks and the publishing of the said several libels by the returning of each of the said checks, as aforesaid, through banking channels, were each and all done and published by said defendant wilfully, maliciously and without due care in the premises and in a reckless disregard for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the truth and with reckless disregard for the business, character and reputation and credit of plaintiff Bank.

- 29 -

Each and all of the aforesaid published libels related to the business of plaintiff Bank as a bank, and negativing as they did its character and reputation as an active and solvent commercial bank, had the effect of destroying the confidence of the public in plaintiff Bank, and drove away its customers, and destroyed its credit with other banks and business institutions, and made it difficult to obtain credit.

The capital stock of plaintiff is $100,000.00. Rome has about 13,000 inhabitants, and there are two other banks in said City. Being an agricultural territory bank deposits usually showed an increase in the Fall when crops are harvested and debts paid.

From its organization until June, 1930, plaintiff Bank had the confidence of the public, did a profitable business, and earned and paid its stockholders regular dividends of 7% per annum, paying for 1929 an 8% dividend.

On or about June 1st, 1930, plaintiff Bank was in a normal and sound financial condition for that Season, and had no reason to anticipate any financial difficulties. In fact plaintiff Bank had, as of May 1st, 1930, withdrawn from what is known as the Par List, promulgated by the Federal Reserve System, which includes the defendant, whereby plaintiff Bank reasonably expected to increase its earnings by thereafter collecting exchange charges which it had not enjoyed when its name appeared on said Par List. The effect of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

entering a bank's name on said Par List was to agree to remit to any and all banks, including Federal Reserve Banks, and the Defendant, the full face amount of any and all checks drawn on such bank, without any charge or deduction (known as exchange) for the service involved in such remittance.

On or about June 1st, 1930, plaintiff Bank had a surplus and undivided profits of approximately $26,800.00; general deposits of approximately $290,000.00; and savings deposits of approximately $103,000.00.

By virtue of the several libels herein complained of, following each other successively and persistently, and widely published in Rome, the confidence of the public in said community in plaintiff Bank and its solvency was so severely shaken, if not actually destroyed, as that a slow and quiet "run" was caused to begin on plaintiff Bank; that is to say, many of its depositors, hearing of said checks being dishonored and returned by the Defendant, with the statement that plaintiff Bank was reported closed, became uneasy and accordingly began to withdraw their deposits in whole or substantial part.

Therefore, beginning in June 1930, on the publication by the defendant of the aforesaid false and libelous reports, the deposits in plaintiff Bank began to steadily shrink, until on or November 13, 1930, the general deposits had been reduced to approximately $175,000.00, or approximately a reduction of 40% since June 1st, 1930; and the savings deposits had been reduced to approximately $84,000.00, or approximately a reduction of 20% since June 1st, 1930.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Such substantial shrinkages in deposits over said short period of time, and when normally an increase of deposits would be expected, constituted a heavy drain upon the resources of Plaintiff Bank. It was forced to curtail its loans, and its credit being injuriously affected by the said libels, it was inevitably forced into liquidation to avoid a ruinous sacrifice of its property and assets.

Whereupon the said Superintendent of Banks took possession of plaintiff Bank, as hereinbefore stated, for the purpose of its liquidation. Such enforced liquidation necessarily brought about a shrinkage or loss in value of its assets, so much so that under the provisions of the said Banking Act of Georgia, the said Superintendent of Banks levied an assessment of 100% on the stockholders of plaintiff Bank for the purpose of paying its depositors.

By virtue of the facts herein outlined, it is charged therefore that the closing and failure of plaintiff Bank, was the natural, direct and proximate result of the aforesaid false and libelous publications of the Defendant of and touching the business character, reputation and credit of plaintiff Bank.

Such failure of plaintiff Bank, and the consequent enforced liquidation of its assets immediately and directly entailed the loss of its capital of $100,000, its surplus and undivided profits of approximately $25,000.00, and a shrinkage, and loss in the value of its assets of approximately $100,000.00, besides loss of profits.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Plaintiff Bank was a comparatively small State bank located in a small City, distant some 800 miles from Philadelphia. On the other hand, defendant is a powerful unit in the great Federal Reserve System, with the backing of all the tremendous financial resources, power and prestige of that system. Defendant enjoys the services of the best banking talent that money can provide, and has at all times available to it, full, complete, and accurate information as to the status and condition of every bank in the United States, both State and National.

The Defendant as a unit in the Federal Reserve System, desires and undertakes to handle a very large volume of the business of clearing and collecting bank checks, and has or should have adequate and proper facilities for such work.

The Defendant well knows that the business of banking depends for its successful operation on the public confidence, without which no bank can continue in existence however sound and honest may be its management.

The Defendant well knows how easily, and by what trivial circumstances, such public confidence can be destroyed, and particularly the Defendant knew the troubled and unstable state of the public confidence in banks generally in the Summer of 1930.

The Defendant is or may be in constant and almost instantaneous communication with all of its sister Reserve Banks, including the Federal Reserve Bank of Atlanta, located about seventy miles from Rome, Georgia.

However, the Defendant, with all its resources, both

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

physical and financial, its sources of information, and its facilities for handling its business properly and with due regard for the rights of others, however small and insignificant they may be, secured false information as to the financial and business status of Plaintiff, and without taking the simple and easy steps necessary to verify or correct such false information, repeatedly and persistently spread through various and widely scattered banking and business channels the false and fatal report that Plaintiff Bank was "Closed".

Such conduct, it is charged, amounts to such a reckless and negligent disregard for the facts, and the rights of others as to be sufficient to imply actual malice and are such aggravating circumstances as to justify the imposition and recovery of punitive damages in such sum as may be awarded by the jury.

For the recovery of the damages hereinbefore set forth due to the libels and libelous acts of Defendant hereinbefore named, plaintiff Bank brings this action to recover the sum of $250,000.00. Hence this suit.

(Sgd) Paul Freeman

Alexander W. Smith, Jr.

Attorneys for Plaintiff

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6908

June 10, 1931.

SUBJECT: Federal Reserve Act.

Dear Sir:

The Board expects to have available for distribution about July 1st a revised edition of the Federal Reserve Act, embodying all amendments. At your earliest convenience kindly advise this office of the number of copies that will be required by your bank.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-6910

FEDERAL RESERVE BANK

OF NEW YORK

April 1, 1931.

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

Dear Walter:

I have your letter of March 31 and am very much obliged to you both for your comments on the question I raised concerning the handling of items covered by dishonored remittance drafts of closed national banks and for discussing the matter with the Comptroller's office and asking for an expression of views from counsel of other Federal Reserve Banks.

I shall of course be very much interested to hear from you again whenever you have anything further to report regarding the position of the office of the Comptroller of the Currency on this question. I have given considerable thought to it since I telephoned you on March 30, and I believe that the provisions of the Bank Collection Code, giving the collecting bank the option to treat as dishonored any items covered by a dishonored remittance draft, clearly do apply to items drawn on national banks as well as to items drawn on state banks. It seems to me and to the other officers in the bank with whom I have discussed the matter that this procedure not only is the most practicable way by which a Federal Reserve Bank may protect itself in these very difficult situations, but also that it will operate justly upon the rights of all parties. We hope very much, of course, that the Comptroller's office will take the same view of the matter.

Thanking you again for your help, I am

Yours faithfully,

(Signed) Walter S. Logan

Walter S. Logan,
General Counsel.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y X-6910-a

UELAND & UELAND
ATTORNEYS AND COUNSELORS

800 Security Building
Minneapolis

April 8, 1931.

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

Dear Mr. Wyatt:-

We have read your letter of April 1, 1931 with enclosures, with reference to Section 11 of the Bank Collection Code, with interest.

The effect of Section 11 appears to be that a check forwarded by mail to the drawee bank is not finally paid until the remittance draft is paid. This statutory rule would apply both to the drawer of the check and the bank on which it was drawn. Hence regardless of whether or not the check was stamped "paid" and charged against the account of the drawer, the drawee bank would remain liable to its depositor until the time of final payment of the draft.

Where the drawee bank suspends payment between the time when the check was stamped "paid" and charged to the account of the drawer and the time when the remittance draft is dishonored, and the collecting bank elects to treat the check as dishonored, the effect would appear to be that the insolvent bank's liability to its depositor is thereby made absolute, and it ceases to be liable on the dishonored remittance draft.

Supposing the insolvent institution to be a national bank, we agree with you that this would not involve any con-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

flict with the provisions of the National Bank Act. The liabilities of the insolvent are not increased, nor can we see that there is any preference effected.

We may suppose that the depositor was indebted to the insolvent bank. But it is doubtful whether he would have a right of set-off, as such right would arise subsequent to the suspension. See Richard Insurance Co., et al., vs. Litteer, 1 Fed. (2d) 311 (C. C. A. 8).

Very truly yours,

UELAND & UELAND,

By Sigurd Ueland

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6910-b

FEDERAL RESERVE BANK OF ST. LOUIS

Mr. Walter S. Logan,
Counsel and Deputy Governor,
Federal Reserve Bank of New York,
New York City.

April 8, 1931.

Dear Mr. Logan:

Upon my return to the office after rather an extended absence in Mississippi and Arkansas on account of litigation growing out of numerous bank failures, I found a letter from Mr. Wyatt enclosing copy of your letter of March 26, 1931 to him, and, his reply, under date of March 31st, together with Mr. Wyatt's request that I write you direct any comments or suggestions I may care to make on the subject therein referred to.

Prior to the adoption of the Uniform Collection Code, MISSOURI and ARKANSAS, under decisions of the highest Courts of the respective States - and following the PETERS case - allowed a preference on transit items handled under circumstances similar to those outlined in the Code. In INDIANA and KENTUCKY liquidating agents of State banks followed the Missouri and Arkansas decisions. These States adopted the Uniform Collection Code in 1929.

MISSOURI adopted the Uniform Collection Code in 1927; but, for some reason left out Sec. 11 (your section 350-j Neg. Instr. Act.); consequently, I have had no occasion to examine this section in its relation to the liquidation of National Banks.

Receivers of National banks refused to adopt the decisions laid down by the State Courts covering the right to preference, and, after the Code had been adopted, I made a rather extended study of it to see if, perchance, the Code might be claimed to be controlling in the liquidation of National banks, and, notwithstanding what the Court said in the case of ELMIRA SAVINGS BANK vs. DAVIS, 161 U. S. 375, I became convinced that - in so far as the preference rights given under the Code were different from the preference rights given by the Federal Courts in construing the Federal Statutes - that the relevant provisions of the Code were not binding on national banks.

Section 11, however, approaches the subject from an entirely different angle. The primary purpose is to deal with the respective rights, duties, and, liabilities of the parties to the paper, viz., the holders, endorsers, drawers, and, drawee, all of whom are subject to and controlled by the Negotiable Instrument Act, and followed alike both by the State and Federal courts; consequently, I cannot see how Sec. 11 conflicts with the National Bank Act in this respect.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6910-b

Mr. Logan.

On account of some urgent matters claiming my attention since my return, I have had to make a rather hurried investigation of the questions involved. I will, as soon as I can, get some of the more urgent matters out of the way, go into the question further, and, if a further investigation produces anything of assistance, I will write to you.

With kindest personal regards,

Very truly yours,

Jas. G. Mc Conkey,
General Counsel.

CC to Mr. Wyatt.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

SQUIRE, SANDERS & DEMPSEY

COPY

April 9, 1931.

Mr. Walter S. Logan,
Counsel and Deputy Governor,
Federal Reserve Bank of New York,
NEW YORK.

Dear Sir:-

I am in receipt of a letter from Mr. Walter Wyatt enclosing copies of your letter to him of March 26th and his reply thereto of March 31st, with respect to the application of Section 11 of the Uniform Bank Collection Code to national banks. He has requested me to write you my views on this question, with citations to any pertinent authorities of which I may know.

The first question which presents itself is whether the Uniform Bank Collection Code is applicable to national Banks. The definition of "banks" in Section 1 of the Code appears to be broad enough to include within its terms "national banks", and to the extent that provisions of the Code are not in conflict with any provisions of the National Banking Act relating to national banks, I see no reason why they should not be held applicable to national banks. Of course, insofar as Congress has legislated its jurisdiction is exclusive, but I do not find that Congress has enacted any provision with respect to national banks which might be said to be in conflict with this particular provision of the Uniform Collection Code.

Furthermore I do not see how the position of a national bank would be altered in applying the uniform collection Code in this respect,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

SQUIRE, SANDERS & DEMPSEY

COPY

as depositors in a national bank are not preferred over other creditors, and the transfer of the claim as against the bank from the holder of a check drawn upon it to the maker of the check who is a depositor in the bank, would not seem to in any wise alter the liability of the bank, or change the classification of the claim against the bank.

The only possible exception which occurs to me is the case in which the maker or depositor might be indebted to the bank in an amount greater than the amount of his account if the check were charged to his account. In such an instance, if the owner of the check elected to treat it as dishonored on the closing of the bank, and recovered against the maker of the check, the maker would, through the right of set-off of his own indebtedness to the bank, be enabled to secure a preference to the extent of his indebtedness to the bank. See Ardleigh v. Clothier, 51 Fed. 106, Scott v. Armstrong, 146 U. S. 499. However, as preferences resulting from the right of set-off appear to have been sustained as not contrary to the provisions of Section 5236, it seems logical that the preference which might be obtained in a case such as that instanced through the assertion of the right of set-off would not be contrary to Section 5236 of the National Banking Act.

Very truly yours,

cc- Mr. Wyatt.

(Signed) Sterling Newell

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF NEW YORK

April 9, 1931.

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

Dear Walter:

I am enclosing a copy of a letter which I am sending out tonight giving notice that we elect, pursuant to the provisions of Section 350-j of the Negotiable Instruments Law of New York, to treat a certain item as dishonored by nonpayment which was covered by an unpaid remittance draft of The First National Bank, Macedon, New York, which was closed yesterday. I tried to reach you on the telephone late this afternoon to give you this latest information in regard to this matter.

I am sending one of the originals of the letter to the Comptroller of the Currency, and I assume that the Receiver or Examiner in Charge will request the instructions of the Comptroller's office as to whether or not to comply with our request that the item be protested and returned. I am confident that our interpretation of the law is correct and that the item should, therefore, be returned, and I hope that the Comptroller's office will take this view also.

Yours faithfully,

(Signed) Walter S. Logan

Walter S. Logan,
General Counsel.

Encl.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK OF NEW YORK

April 9, 1931.

To

The First National Bank,
Macedon, New York.

Comptroller of the Currency,
Washington, D. C.

Receiver or Examiner in Charge,
The First National Bank,
Macedon, New York.

Gentlemen:

The draft of The First National Bank, Macedon, New York, dated April 7, 1931, drawn on Central Hanover Bank and Trust Company, New York, N. Y., for $7,541.06, received by us in remittance for the items drawn on said The First National Bank, Macedon, New York, which we presented to it by mail and which were listed in our cash letters dated April 6, 1931, was not paid in due course but was dishonored upon presentation for payment due to the closing of said The First National Bank, Macedon, New York. Included among the said items in remittance for which we received said draft, was an item dated April 1, 1931 for $4,481.25 drawn by Edith C. Wallace, Treasurer, Macedon High School, on The First National Bank, Macedon, New York, to the order of Comptroller of State of New York and endorsed by the latter and by The New York State National Bank, Albany, New York, from which bank we had received the item for collection. Upon the instructions of The New York State National Bank, Albany, New York, we hereby elect, pursuant to the provisions of Section 350-j of the Negotiable Instruments Law of New York, to treat said item of $4,481.25 as dishonored by nonpayment; and we hereby request The First National Bank, Macedon, New York, and the Comptroller of the Currency and the Receiver or Examiner in charge of the assets of said bank to cause said item of $4,481.25 to be duly protested and returned to us immediately.

Kindly acknowledge receipt of this letter.

Very truly yours,

FEDERAL RESERVE BANK OF NEW YORK,

By________________________
Deputy Governor and General Counsel.

WSL:GSR(MAR)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y

X-6910-f

MAYER, MEYER, AUSTRIAN & PLATT

CONTINENTAL ILLINOIS BANK BUILDING

CHICAGO

April 10, 1931.

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

Dear Mr. Wyatt:

I am in receipt of your letter of April 1st, 1931, relative to the application of Section 11 of the Uniform Bank Collection Code to checks drawn on national banks.

While it is my opinion that the Bank Collection Code, which has been adopted _in toto_ by the states of Indiana and Wisconsin in this District, insofar as it attempts to give a preference to the owners of checks in certain instances, is not applicable to national banks, I am inclined to agree with both you and Mr. Logan in your conclusion that this code is applicable insofar as it gives the collecting agent bank the option to treat an item as dishonored where the drawee's remitting draft is not paid in due course. There appears to be nothing in the latter provision of the Bank Collection Code which is in conflict with the federal law and therefore I believe it to be equally controlling in the case of national banks as well as state banks. Insofar as I have been able to ascertain, there have been no decisions passing upon this question.

I am very much interested in this question and would appreciate your advising me in the event either you or Mr. Logan should change your opinions on the same.

Yours very truly,

(Signed) Carl Meyer
D

CD

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C O P Y X-6910-g

FEDERAL RESERVE BANK OF RICHMOND

April 14, 1931

Mr. Walter S. Logan, General Counsel,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Mr. Logan:

I received from Mr. Wyatt a copy of your letter of March 31st but have been prevented from replying because of the pressure of business. The Uniform Check Collection Code is in force in two states in this district, South Carolina and Maryland, but we have had since the adoption of the Code no instance of a failure of a national bank in those states, which was indebted to us for an unpaid cash letter. Sometime ago I endeavored to find authorities which might guide me to a decision as to whether or not Section 11 of the Code would apply to national banks. I found no authorities, however, which appeared to me to settle the question.

Several capable lawyers have suggested that the entire Code was applicable to national banks, saying that the provisions which created a trust in favor of the forwarding bank amounted to a regulation of the title to property, and that a state statute upon this point was binding upon national banks upon the same principle that a statute regulating the assignment or negotiation of warehouse receipts, bills-of-lading, or other such instruments would be binding upon a national bank. This view has, I think, something to commend it, but I am rather inclined to think that the Supreme Court of the United States would not hold that a state statute might in effect give priority to a claim against a national bank merely by declaring that the bank should be deemed a trustee in a situation in which the federal courts had held that the real relationship was that of a debtor. It therefore seems to me that the Code would be inapplicable to national banks under the rule established in Davis v. Elmira Savings Bank, 161 U. S. 275, in so far as the Code undertakes to establish a preference.

I can see no good reason, however, why Section 11 should not apply to national banks. As you say, it would not disturb equality among any claimants because under the present rule the holder of a check which has been cancelled is a general creditor, and under Section 11 the drawer would, as you say, be the general creditor. It seems to me, therefore, that Section 11 is merely a definition of what constitutes the discharge of a negotiable instrument and regulates the rights and liabilities of the drawer and holder without substantially affecting the interest of the drawee bank. If, for example, some state should alter the usual rule of the law of negotiable instruments and enact that a certification of a check, even if made without the knowledge and consent of the drawer, should nevertheless not release the drawer, I can see no reason why this enactment, which merely affects the rights of the holder of the check and the drawer, should not be applicable to checks on national banks as well as to other instruments. Section 11 does little more than enact the same rule limited to cases in which the drawee fails.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK OF RICHMOND

Mr. Walter S. Logan, General Counsel,
Federal Reserve Bank of New York,
New York, N. Y. -2- April 14, 1931

The Supreme Court of the United States in Farmers and Merchants Bank v. Federal Reserve Bank, 262 U. S. 649, held in effect that any person receiving a check was obliged to take notice of the law in force at the place of payment regulating the discharge or payment of the instrument, and it seems to me that the reasoning of the court in this case is sufficiently broad to sustain the proposition that any person drawing a check on a national bank would be obliged to take notice that under the law of the state where that bank was located the cancellation of the check by the bank would not constitute an absolute but only a conditional payment.

This question is one of great interest to Federal reserve banks, and, as you see, it is one which is likely to be of practical importance to me at any time. If you have received letters on this subject from the Counsel for other Federal reserve banks I would greatly appreciate it if you would send me copies of the letters as I should like to know their views. If you have any correspondence with the office of the Comptroller of the Currency, of course, it would be of great interest to me to know the views of that office. Like you, I once discussed the matter informally with Mr. Barse and Mr. Awalt, but they, of course, were not willing to indicate an opinion.

The question is scarcely of sufficient importance to justify a conference of Counsel of Federal reserve banks, but it does seem to me highly desirable that some definite understanding be reached with the Comptroller of the Currency as soon as possible. For example, if the Comptroller of the Currency would agree to recognize our right to demand the return of the checks, the Federal reserve banks might adopt the general policy of electing to demand the return of the checks, making no effort to establish any claim which they might have to a preference.

I am taking the liberty of suggesting that you might continue your correspondence with the Comptroller and if the Comptroller is willing to make any tentative commitment you might communicate with all the Federal reserve banks and we might agree by correspondence upon some definite plan of action.

Very truly yours,

M. G. Wallace,
Counsel.

NGW R

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6910-h

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

92 gb

San Francisco Apl 21 922 am

Wyatt

Washington.

Reply to your letter april first referring to logans of march sixth regarding section eleven bank collection code delayed by absence on business trip to hawaii stop I have today advised Logan by wire that in my opinion this section is applicable to national banks comma does not conflict with provisions of national bank act and comes within the category of state legislation referred to in seven corpus juris page seven sixty note five eighty five and cases cited

Agnew

1232p

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6910-i

C
O
P
Y

April 24, 1931.

Mr. Walter S. Logan, Counsel and
Deputy Governor,
Federal Reserve Bank of New York,
New York City.

Dear Mr. Logan:-

We have not replied sooner to Mr. Wyatt's letter of April 1st enclosing copy of correspondence passing between you with reference to the provisions of section 11 of the bank collection code, due to the fact that our Mr. Stroud has been out of the city quite a good deal since the receipt of this letter.

We have not made an investigation of the decisions with reference to the matter, but it is our off-hand opinion that the statute would apply to national banks as well as state banks.

The principles of agency applying to the collection of checks in the absence of statute are merely common law principles. We see no reason why these principles cannot be regulated by statute. You are, of course, familiar with the so-called New York and Massachusetts rules applying to the collection of checks, and we are of the opinion that the statutory provisions of any particular state may affect these common law rules.

It seems to us that the statute in question is nothing more than a modern recognition of the fact that it is not practical for an agent collecting checks to always collect in cash. As pointed out to you in Mr. Wyatt's letter, the status of the insolvent national bank in so far as its assets or liabilities are concerned are in no wise affected by this statute.

It seems to us that, there being a state statute covering this situation, the federal courts would, under well defined principles, follow such statutes, and the decisions of the state courts construing the same in any litigation which might come before the federal courts, even though a national bank were a party thereto.

We are very much interested in the question, and as soon as we have an opportunity we will make a further study of the matter, and write you again.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In the meantime we shall appreciate your letting us know about any further conclusions which you may reach.

Yours very truly,

(Signed) Locke Locke Strand & Randolph

EBS: g
CC to Mr. Walter Wyatt,
Federal Reserve Board,
Washington, D. C.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6911

June 12, 1931.

SUBJECT: Expense, Main Line, Leased Wire System,
May, 1931.

Dear Sir:

Enclosed herewith you will find two mimeographed statements, X-6911-a and X-6911-b, covering in detail operations of the main line, Leased Wire System, during the month of May, 1931.

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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MAY, 1931.

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	25,736	3,333	29,069	3.55
New York	120,716	-	120,716	14.74
Philadelphia	30,694	1,707	32,401	3.96
Cleveland	75,464	3,063	78,527	9.59
Richmond	51,348	3,050	54,398	6.64
Atlanta	55,623	10,540	66,163	8.08
Chicago	90,908	4,525	95,433	11.66
St. Louis	66,951	3,294	70,245	8.58
Minneapolis	28,378	3,333	31,711	3.87
Kansas City	71,083	2,857	73,940	9.03
Dallas	62,108	12,768	74,876	9.14
San Francisco	87,154	4,215	91,369	11.16
Total	766,163	52,685	818,848	100.00

F. R. Board business . . . . 286,370 — 1,105,218

Treasury Department business Incoming and Outgoing 136,873

Total words transmitted over main lines. 1,242,091

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6911-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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, MAY, 1931.

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	$742.01	$260.00	$482.01
New York	1,134.15	-	-	1,134.15	3,080.90	1,134.15	1,946.75
Philadelphia	225.00	-	-	225.00	827.70	225.00	602.70
Cleveland	306.66	-	-	306.66	2,004.46	306.66	1,697.80
Richmond	190.00	-	230.00 (&)	420.00	1,387.87	420.00	967.87
Atlanta	270.00	-	-	270.00	1,688.85	270.00	1,418.85
Chicago	3,729.02 (#)	2.00	-	3,731.02	2,437.13	3,731.02	1,293.89 (*)
St. Louis	195.00	-	-	195.00	1,793.36	195.00	1,598.36
Minneapolis	282.85	-	-	282.85	808.89	282.85	526.04
Kansas City	287.50	-	-	287.50	1,887.42	287.50	1,599.92
Dallas	251.00	-	-	251.00	1,910.41	251.00	1,659.41
San Francisco	380.00	-	-	380.00	2,332.62	380.00	1,952.62
Federal Reserve Board	-	-	15,746.95	15,746.95	-	-	-
Total	$7,511.18	$2.00	$15,976.95	$23,490.13	$20,901.62	$7,743.18	$14,452.33
				2,588.51(a)			1,293.89 (b)
				$20,901.62			$13,158.44

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $2,588.51 from Treasury Department covering business for the month of May, 1931.
(b) Amount reimbursable to Chicago.

709

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6912

June 16, 1931.

SUBJECT: Holidays during July, 1931.

Dear Sir:

On Saturday, July 4th, there will be neither gold settlement fund nor Federal reserve note clearing, and the books of the Federal Reserve Board will be closed.

The following branches also will be closed on the dates indicated:

Monday	July 13	Nashville Memphis	Birthday of General Forrest
Friday	July 24	Salt Lake City	Pioneer Day

On the dates indicated, the branches affected will not participate in either the gold fund clearing or the Federal reserve note clearing.

Credits for the offices affected on each of the holidays should be included with your credits for the following business day in the gold fund clearing.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6914

June 19, 1931.

SUBJECT: Applications of State Banks and Trust Companies for Membership.

Dear Sir:

A number of applications for membership in the Federal Reserve System, bearing the favorable recommendation of the Federal reserve bank committee, have been received by the Federal Reserve Board recently, where the condition of the applicant banks was not, in the opinion of the Board, up to the standard which should be maintained by banks seeking membership, the reports showing substantial depreciation in investment account, established losses on loans, etc. During the consideration of these applications it was suggested that the Board adopt the policy of requiring that at the time of admission of a state bank or trust company to membership in the Federal Reserve System, it shall be free from all known losses and depreciation, so that on the date its membership becomes effective, its statement will reflect as nearly as possible the value of its assets.

After some consideration of the proposed policy the Board referred the matter to the recent Conference of Governors for an expression of opinion, and was advised that it was the sense of the Conference that the policy is sound in principle.

The Board has now given further thought to the matter and has voted to adopt the proposed policy. You are, therefore, requested to bring this action of the Board to the attention of your committee of directors which passes on membership applications, in order that it may be governed accordingly in making its recommendations to the Federal Reserve Board on applications received in the future.

By order of the Federal Reserve Board.

J. C. Noell,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6915

June 19, 1931.

SUBJECT: Action on Governors' Conference Topics.

Dear Sir:

There is attached hereto for your information, copy of a letter to the Secretary of the Governors' Conference, advising of the action taken by the Board on certain of the topics discussed at the Conference held in Washington on April 27-29, 1931.

Very truly yours,

J. C. Noell,
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS EXCEPT SAN FRANCISCO.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

COPY

X-6915-a

June 19, 1931.

Dear Mr. Strater:

This will acknowledge receipt of your letter of May 26th, enclosing copies of the Secretary's minutes of the Governors' Conference held in Washington on April 27th, 28th and 29th. The Federal Reserve Board has given consideration to the various topics discussed by the Conference and action has been taken as follows:

Topic II-D - Change in weekly Federal reserve bank statement. The Board has approved the suggestion that the special one-day certificates of indebtedness issued by the Treasury Department to Federal reserve banks to cover Treasury overdrafts on tax payment dates, be shown separately in the body of the weekly Federal reserve bank statement against the caption, "Special Treasury Certificates."

Topic II-E-1 - Payment of a sum equal to one or more months' salary to the widow, dependents, or estate of deceased officers or employees.

In connection with the first recommendation of the conference on this topic, the Federal Reserve Board has ruled that in the event of the death of an officer or employee of a Federal reserve bank, the salary of such officer or employee should be paid only up to the next succeeding pay day.

The Board has not yet acted, however, on the matters of an increase in group insurance for officers and employees at Federal reserve banks, and the establishment of annuity or pension plans by the individual banks.

Topic II-E-2 - Payment of salary in full or in part to officers or employees incapacitated on account of sickness or otherwise.

The Board has noted with approval the action of the Conference in voting that where the absence of officers or employees on account of sickness or other incapacitation exceeds the regular vacation period by thirty days, payment of salary during further leave of absence should be subject to approval by the Board of Directors and reported monthly to the Federal Reserve Board in accordance with the Board's letter of June 14th, 1928, (X-6069).

Supplementary Topic B. - Suggested policy in acting on applications of state banks and trust companies for membership.

The Board has adopted the proposed policy, in connection with its consideration of applications of state banks and trust companies for membership in the Federal Reserve System, that at the time of admission

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to membership the applicant bank shall be free from all known losses and depreciation so that on the date its membership becomes effective its statement will reflect as nearly as possible the value of its assets. In this connection, a letter is going forward today to all Federal Reserve Agents, requesting that they bring this action of the Board to the attention of their committees of directors which pass on applications, in order that they may be governed accordingly in making their recommendations to the Federal Reserve Board.

Topic I-D - Desirability of flexibility of interest rates paid on deposits and of bank dividends.

The Board has noted with approval the action and expressions of opinion of the Conference in regard to this topic.

Topic I-F - Possible desirability of amending the Federal Reserve Act so as to permit a Federal reserve bank in emergencies to make advances to member banks on the security of assets other than presently eligible paper.

Action on the resolution adopted by the Conference on this topic has been deferred by the Board for the time being.

Topic II-F - Advertising Federal reserve membership.

The Board has noted with approval the opinion of the Governors that Federal reserve banks could not with propriety give approval or support to any agency or organization soliciting subscriptions from banks and others for the purpose of explaining or advertising the benefits derived from membership in the Federal Reserve System.

No action is required by the Board on the other topics discussed at the Conference or on the various reports submitted by its committees.

A copy of this letter is being forwarded to the Governor of each Federal reserve bank for his information.

Very truly yours,

J. C. Noell,
Assistant Secretary.

Mr. H. F. Strater, Secretary,
Governors' Conference,
Federal Reserve Bank,
Cleveland, Ohio.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6917

June 24, 1931.

SUBJECT: ASSESSMENT FOR GENERAL EXPENSES OF THE FEDERAL RESERVE BOARD JULY 1 TO DECEMBER 31, 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 June 30, 1931, to defray the estimated general expenses of the Board from July 1 to December 31, 1931.

Kindly deposit one-half of the amount of your assessment in the General Account, Treasurer, U. S., on your books July 1, 1931, and one-half September 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.

Sent to Chairman, all districts.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

X-6917-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 (.00081) 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 June 30, 1931, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on July 1, 1931, and the second half on September 1, 1931.

June 23, 1931.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6919

June 26, 1931.

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:

"NOXBESTED" Issue dated July 1, 1931,
maturing Sept. 30, 1931.

"NOXBLEND" Issue dated July 2, 1931,
maturing Sept. 30, 1931.

These words should be inserted in the Federal reserve telegraph code book, following the supplemental code word "NOXBERRY" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 3, 1931
BO-201

SUBJECT: Form F.R.A.-5, Daily Statement of Federal Reserve Agent.

Dear Sir:

There are being forwarded to you today under separate cover, by registered mail, copies of the 1931 edition of form F.R.A-5, Daily Statement of Federal Reserve Agent.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON January 7, 1931
B-207

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Bank Suspensions during 1930.

Dear Sir:

There is enclosed herewith a list of member and nonmember banks reported to the Board as having suspended operations during the month of December and of banks previously suspended which resumed business during the same month. The statement also includes any corrections made in the lists previously sent to you. It will be appreciated if you will, as usual, check the data pertaining to your district against your records and advise the Board as soon as practicable whether or not any corrections or additions are necessary therein.

There are also enclosed for your information copies of tables which will appear in the forthcoming January issue of the Federal Reserve Bulletin, summarizing bank suspensions during 1930, by districts and by states. The number of bank suspensions and the number of suspended banks reopened during the year 1930, in each state in your district, according to our records was as follows:

State	Banks Suspended					Banks Reopened
	National	State Mem.	Nonmember	Private	Total	

It will be appreciated if you will kindly have the above figures checked against your records and advise us whether or not they are in agreement therewith. In notifying us of differences, kindly give the name, location, capital, and deposits of each bank which should be added or eliminated. The names of the banks included in the above summary may be ascertained by referring to the lists of bank suspensions furnished to you for checking purposes each month, as the summary is based on such monthly statements after taking into consideration the corrections therein which are regularly shown on the last page of the statements.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

LETTER TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD January 14, 1931.
B-215.

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO THE FEDERAL RESERVE BOARD

SUBJECT: Debits to Individual Accounts.

Dear Sir:

In compiling monthly figures of debits to individual accounts from weekly reports received in 1931, the figures for each city for those weeks which do not fall entirely within a given month will, as in the past, be prorated on the basis of actual business days. By reference to data available at the Board's offices we find that the report weeks in 1931 which begin in one month and end in another, i.e., the report weeks for which the figures must be prorated between two months, contain the following days observed as holidays in the states specified:

MARCH 2 - Texas

MAY 30 - District of Columbia and all states except Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina.

JUNE 3 - Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, Tennessee, Texas, Virginia.

AUGUST 1 - Colorado

OCTOBER 31 - Nevada

NOVEMBER 2 - Louisiana (in cities and towns where population exceeds 6,000)

NOVEMBER 3 - New Jersey, New York, Pennsylvania, Virginia

NOVEMBER 26 - All states and the District of Columbia

JANUARY 1, 1932 - All states and the District of Columbia

In case the above list is not correct for any of the states in your district or there are any additional holidays observed locally by cities for which debits figures are published by the Board, it will be appreciated if you will furnish the Board with a corrected list at your early convenience.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL F. R. AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 27, 1931.
B-228.

SUBJECT: Corrections in Weekly Statements.

Dear Sir:

For your information, and in order that correct comparative figures may be published in the consolidated weekly condition statement of the Federal reserve banks for 1931, if issued at your bank, there are shown below corrections made in the weekly Federal reserve bank press statements issued during 1930, which were received too late to be shown in the comparative column of the following week's statement and of which you have not heretofore been advised:

		CHANGED	
		From	To
		(In thousands of dollars)	
October 15 -	All other resources	11,752	13,498
	Total resources	5,104,785	5,106,531
	All other liabilities	15,246	16,992
	Total liabilities	5,104,785	5,106,531
22 -	All other resources	12,124	13,774
	Total resources	4,894,984	4,896,634
	All other liabilities	15,926	17,576
	Total liabilities	4,894,984	4,896,634

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 29, 1931.
B-236.

SUBJECT: Preliminary classification of loans and investments of member banks as of December 31, 1930.

Dear Sir:

There is enclosed herewith for your information a copy of a memorandum and statement prepared for the Board with respect to changes in the loan and investment account of member banks during the past quarter and the last 2 years, as disclosed by the December 31 call reports. The December 31 figures as given in the statement are based on the preliminary data furnished by the Federal reserve agents in response to the Board's letter St. 6838 of December 18.

The figures shown in the enclosed statement will be published in the forthcoming February issue of the Federal Reserve Bulletin, but in the meantime they are given to you for your confidential use.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO ALL GOVERNORS AND AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 30, 1931
B-237

SUBJECT: Weekly Member Bank Statement,
Form St. 51.

Dear Sir:

Since January 1929 it has been our practice, as you know, to show the figures in the weekly condition statement of reporting member banks in leading cities in millions, instead of in thousands of dollars as was the practice before that time. The telegraphic and mail reports of the Federal reserve agents to the Board, however, still show all figures, including district totals, in thousands of dollars. It would be much more convenient and reduce the work of the telegraph office if the district totals were reported to the Board in millions of dollars in the first instance, and it will be appreciated if you will kindly so report the totals hereafter. In order to guard against errors in transmission, it will be appreciated if you will have the figures adjusted into millions in such a way that the several loan and investment items will add exactly to the sub-totals of loans and investments, and that these sub-totals together with the other items will add to the total of items telegraphed (code ROWL). On the detailed working sheet forwarded to the Board, which should be in thousands of dollars as at present, the figures in millions as telegraphed should be shown immediately below the district total in thousands.

The comparison of the current week's report of each bank with figures for the previous week, which is now being made regularly by the Federal reserve agents, together with the periodic check against the quarterly call reports, has resulted in the prompt detection of most errors, thus reducing very materially the number of corrections that have been made in published figures. It is hoped that in the future it will rarely be necessary to make revisions in the weekly member bank condition figures after such figures have been republished in the Federal Reserve Bulletin.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 13, 1931
B - 248

SUBJECT: Condition of member banks
as of December 31, 1930.

Dear Sir:

For your information there is enclosed herewith a statement showing the resources and liabilities of all member banks in each Federal reserve district as of December 31,1930, also a statement giving a classification of loans, investments, deposits and borrowings of member banks in each district on the same date.

The Board's Member Bank Call Report (No. 50) giving detailed figures by states, cities and classes of banks, which will include the data shown in the enclosed statements, will be ready for distribution early in March.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 24, 1931.
B-255.

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 December 31, 1930. If no call was issued as of December 31, 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 you have not already done so.

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 BANKING DEPARTMENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 24, 1931.
B-255a.

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 December 31, 1930. If no call was issued as of December 31, 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 you have not already done so.

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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 13, 1931.
B-274.

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.

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 last three 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 last call. It is suggested that before the figures are telegraphed to the Board they be compared with corresponding figures for December 31 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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 14, 1931.
B-276.

SUBJECT: Member Bank Call Report
for December 31, 1930.

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Member Bank Call Report No. 50, showing the condition of all member banks on December 31, 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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 17, 1931.
B-277.

SUBJECT: Monthly report of discount and open market operations, Form B-3.

Dear Sir:

There is being forwarded under separate cover a supply of form B-3 (superseding Form A), "Discount and open market operations during the month of ___________", for use of your bank beginning with the month of March.

It will be noted that the form calls for the total discount and open market operations exclusive of bills payable in foreign currencies purchased abroad and of United States securities bought for or from the System's Special Investment Account.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL GOVERNORS EXCEPT NEW YORK*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 17, 1931.
B-278.

SUBJECT: Functional Expenses,
Second Half, 1930.

Dear Sir:

There are enclosed herewith copies of the consolidated Functional Expense Exhibit for the half year ending December 31, 1930. A copy of the exhibit is also being mailed to the Governor of the bank.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure.

LETTER TO CHAIRMAN OF EACH FEDERAL RESERVE BANK*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 11, 1931.
B-306.

SUBJECT: Functional Expenses,
Second Half, 1930.

Dear Sir:

In the Functional Expense exhibit for the second half of 1930 forwarded to you with our letter B-278 of March 17, the average number of nonmember banks instead of all banks was given under the heading "Average number of banks on par list." Accordingly we have revised page 37 and are enclosing herewith copies which may be substituted for the corresponding page in the exhibits furnished you.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 22, 1931
B-319

SUBJECT: Preliminary classification of loans and investments of member banks as of March 25, 1931.

Dear Sir:

There is enclosed herewith for your information a copy of a memorandum and statement prepared for the Board with respect to changes in the loan and investment account of member banks during the past quarter and the last 2 years, as disclosed by the March 25 call reports. The March 25 figures as given in the statement are based on the preliminary data furnished by the Federal reserve agents in response to the Board's letter B-274 of March 13.

The figures shown in the enclosed statement will be published in the forthcoming May issue of the Federal Reserve Bulletin, but in the meantime they are given to you for your confidential use.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO ALL GOVERNORS AND AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 23, 1931
B-323

SUBJECT: Branch, Group, and Chain Banking,
December 31, 1930.

Dear Sir:

Enclosed herewith is a memorandum recently submitted to the Board on the above subject. While the memorandum is marked "Not for publication," it is expected that an article summarizing the statistics on this subject will be printed in a forthcoming issue of the Federal Reserve Bulletin.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 19, 1931.
B-335.

SUBJECT: Operating Efficiency at the
Federal Reserve Banks.

Dear Sir:

For your information there is enclosed herewith a copy of the Board's statement, B-335 (formerly St. 6231), sent you under date of June 10, 1930, to which have now been added figures for the year 1930.

This statement indicates for the head offices of the Federal reserve banks the output per employee and per unit of cost in those departments for which a measured service is shown in the functional expense reports, Form E.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure.

TO GOVERNORS AND CHAIRMEN OF
ALL FEDERAL RESERVE BANKS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 19, 1931.
B-353.

SUBJECT: Condition of member banks
as of March 25, 1931.

Dear Sir:

For your information there is enclosed herewith a statement showing the resources and liabilities of all member banks in each Federal reserve district as of March 25, 1931, also a statement giving a classification of loans, investments, deposits and borrowings of member banks in each district on the same date.

The Board's Member Bank Call Report (No. 51) giving detailed figures by states, cities and classes of banks, which will include the data shown in the enclosed statements, will be ready for distribution early in June.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 21, 1931
B-358

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 March 25, 1931. If no call was issued as of March 25, 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 you have not already done so.

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 BANKING DEPARTMENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 21, 1931
B-358a

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 March 25, 1931. If no call was issued as of March 25, 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 you have not already done so.

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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 29, 1931.
B-366.

SUBJECT: Payment of Dividends on
June 30, 1931.

Dear Sir:

In accordance with established practice please submit at your early convenience a certified copy of the resolution of your Board of Directors with reference to the payment of the semi-annual dividend to member banks on June 30.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO CHAIRMEN OF ALL BANKS EXCEPT CHICAGO*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 8, 1931.
B-368

SUBJECT: Changes in Manual of Instructions, Form E.

Dear Sir:

There are enclosed herewith copies of each of the following pages of the Manual of Instructions governing the preparation of functional expense reports which have been revised effective as of January 1, 1931:

Pages	1-2	Pages	21	Pages	38-39
"	5-6	"	28	"	52-53
"	11	"	33	"	63
"	16-17	"	35-36	"	71-77

The revisions contained in the attached pages of the Manual are summarized below and the necessary changes will be made on Form E when it is reprinted.

Pages 1 and 5. The cost of preparing special reports requested by the Federal Reserve Board or by Congress should be charged to the unit in which the reports are prepared provided the budget is sufficiently large to cover the additional expense. Otherwise, the charge may be made to General Overhead-Controllable, All Other expense unit against an appropriate caption.

Page 1. So-called "efficiency prizes" should be included with salaries.

Page 5. The assessments made by the Federal Reserve Board to cover the cost of printing the par collection list should be charged to General Overhead - Controllable, All Other expense unit.

Page 5. The time of employees lent to assist the Federal Reserve Board examiners should be charged to General Overhead - Controllable, All Other expense unit.

Page 6. The item "Shipping charges on Gold Coin and Gold Certificates from U. S. mints" has been eliminated.

Page 11. Traveling expenses of employees transferred from one office to another for permanent assignment should be included in the Hiring Employees and Employees' Records unit.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Pages 2, 16 and 17. The changes on these pages have been made with a view to excluding from the word count in the Telegraph unit of the head office, the number of words relayed for the branches and also to indicate that the branches should be charged with their proportion of the number of main line leased wire operators as well as their proportion of the expense.

Page 21. The time of guards assigned to the protection of messengers, registered mail clerks, etc., while on the street should be charged to the Protection unit.

Page 28. The cost of maintaining insurance records should be charged to the Insurance function as indicated.

Page 33. The bank's allotment of bills payable in foreign currencies should not be included in item 7: "Pieces of paper purchased in open market for own account." References to "Form A" have been changed to "Form B-3."

Page 35. The bank's participation in securities purchased and sold by the Executive Committee of the Open Market Policy Conference should not be included in the item "Purchase and sale of securities for own account."

Page 36. The item "Shipping" has been eliminated from the operations of the Vault Custody unit as such expenses (except for Fiscal Agency and currency and coin shipments) are chargeable to the Registered Mail and Express unit.

Page 38 and 39. No credit should be taken in the item count of the Currency - Receiving and Sorting Unit for verifying bills by finger count and then storing them for subsequent sorting and counting.

Page 52. The count of non-cash items, including coupon collections, sent direct by members, should represent the number of payments plus the number of items returned unpaid as reported by other Federal reserve banks.

Page 53. In arriving at the count in the Coupon Collections (except Government) unit, each coupon envelope should be counted as one item.

Page 63. A new unit has been added to provide for showing separately expenses incurred in connection with the operations of the Federal Farm Board.

Pages 71-77. Changes on these pages were made to bring the items into agreement with corresponding items on Form 96 which was revised as of January 1, 1931.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 5, 1931.
B-375.

SUBJECT: Member Bank Call Report
for March 25, 1931.

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Member Bank Call Report No. 51, showing the condition of all member banks on March 25, 1931. 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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 10, 1931
B-378

SUBJECT: Group Life Insurance

Dear Sir:

In connection with the recommendation of the recent Governors' Conference regarding group life insurance, it will be appreciated if you will kindly furnish the Board at your early convenience with the following:

1. Copies of any group life insurance policies taken out since your reply to Board's letter X-4818 of March 28, 1927 and of all riders or endorsements attached since that time to group life insurance policies now in effect.

2. Average gross premium paid per thousand dollars of insurance currently and during the preceding year, together with copies of "age distribution and average rate" computations for these years as furnished by the insurance company.

3. (a) Amount of dividends, if any, received during the current and the preceding year, (b) net cost of insurance carried exclusively by the bank, (c) aggregate net payments by officers and employees for additional insurance, and (d) net contribution, if any, of bank towards such additional insurance.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL CHAIRMEN*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 13, 1931.
B-382.

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.

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 last four 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 last call. It is suggested that before the figures are telegraphed to the Board they be compared with corresponding figures for March 25 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*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 13, 1931.
B-383

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 June 30, 1931.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BOARD

WASHINGTON June 20, 1931.
B-392.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Monthly reports of deposits of member banks.

Dear Sir:

As you will recall your monthly report of deposits of member banks, form St. 6044 for January 1931, was accompanied, as requested in Board's letter St. 6751 of October 6, 1930, 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 in each of such cities during the month of January.

The effect of the change to the 1930 census basis on the figures of deposits of member banks in centers having a population under 15,000 was somewhat greater than had been anticipated and it is believed, therefore, that figures on the old basis should be available throughout the current year. It will be appreciated, therefore, if your current monthly reports for June to December are accompanied with statements similar to the one accompanying your January report and if in addition, at your convenience, you will furnish a statement showing like information for February to May, inclusive.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis