

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

L-16

February 3, 1933.

Dear Sir:

For your information in connection with the proposal to revise Sections 32 and 34 of Treasury Department Circular No. 176 in accordance with the recommendations made by the last Conference of Counsel, I inclose a copy of S. 257, "A Bill authorizing adjustment of the claim of the Baltimore Branch of the Federal Reserve Bank of Richmond", and a copy of the report thereon by the Senate Committee on Claims.

I am informed by the Manager of the Baltimore Branch that the item in question was charged to the account of its indorser, the Merchants National Bank of Baltimore, as soon as it was returned by the Treasury Department but that the Merchants National Bank has never accepted the charge and the item remains in suspense. The Manager of the Branch takes the view that the Federal Reserve Bank had a perfect right to charge the item back to its member bank and has obtained reimbursement by doing so and that, therefore, it does not need any relief. He says the Baltimore Branch did not request the passage of this bill but that its introduction was brought about by the activities of the Merchants National Bank and its successor, the First National Bank of Baltimore.

I am somewhat disturbed by the situation which has been created as a result of the Comptroller General of the United States taking the

position that the Baltimore Branch of the Federal Reserve Bank of Richmond is the holder in due course for value of this Government check and by the precedent which would be created if this bill is enacted on the theory that the Baltimore Branch has a claim as the bona fide owner of the check. I would greatly appreciate an expression of your views, therefore, as to what steps, if any, should be taken to protect the interests of the Federal reserve banks with respect to the questions of law involved.

In view of the assurances frequently given by officials of the Treasury Department that, in the event of a Federal reserve bank sustaining any loss as a result of "cashing" Government checks, they would obtain the passage of a bill to relieve the Federal reserve bank, it is interesting to note that a bill for the relief of the Federal Reserve Bank of Richmond in the small sum of \$643 has not yet been enacted, although it was recommended by the Comptroller General of the United States on May 11, 1928. It is also interesting to note that, although the Comptroller General says that, "It is clearly inequitable and unjust that the holder of this check should suffer loss because of a mistake made in the first instance by the War Department in its erroneous report to the United States Veterans' Bureau", the bill provides for reimbursement of only the face amount of the check and even if the bill is enacted, the owner of the check will lose the use of the money from May 20, 1927, until the date of reimbursement.

Having heard nothing from the Treasury Department regarding the conference with officials of that Department requested by the com-

mittee appointed at the last Conference of Counsel to negotiate with the Treasury Department with a view of obtaining amendments to Sections 32 and 34 of Treasury Department Circular No. 176, I discussed the subject a week or ten days ago with Mr. Bell, Commissioner of Accounts and Deposits and again yesterday with Mr. Douglas, Assistant Secretary of the Treasury and finally obtained a promise that Mr. Douglas will let me know the first of next week when it will be possible for the officials of the Treasury Department to confer with the committee. It appears that the committee's letter to the Secretary of the Treasury inclosing a copy of its report and requesting a conference was referred to Mr. Bell and that he referred it to two men in his division who have prepared memoranda on the subject, but that Mr. Bell has not yet found an opportunity to study the matter and is not prepared for a conference and does not think he will have time for such a conference until after the present Congress adjourns on the 4th of March. However, I have pointed out to both Mr. Douglas and Mr. Bell the importance of disposing of the matter without further delay, and I think there is some chance of obtaining a conference sometime this month.

Very truly yours,

Walter Wyatt,
General Counsel.

TO COUNSEL FOR ALL FEDERAL RESERVE BANKS (HEAD OFFICES ONLY)