

FEDERAL RESERVE BOARD

WASHINGTON

X-9269

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

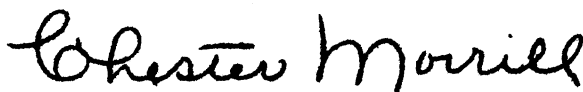
July 25, 1935.

SUBJECT: Deposits of Funds Paid into
Federal Courts Pending the
Outcome of Litigation.

Dear Sir:

For the information of your bank, there are inclosed herewith a copy of a letter received by the Board from the Federal Reserve Bank of Atlanta, a copy of an informal memorandum prepared by the Chief of the Division of Deposits of the Treasury Department, and a copy of the Board's telegram in reply to the letter from the Federal Reserve Bank of Atlanta, with regard to a proposal to deposit in the Federal Reserve Bank of Atlanta funds paid into the registry of a United States District Court pending a final decision in a suit brought to enjoin the collection of processing taxes.

Very truly yours,



Chester Morrill,
Secretary.

Inclosures.

To the Governors of all Federal Reserve Banks
except Atlanta.

COPY

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FEDERAL RESERVE BANK
OF ATLANTA

Office of
Governor

July 20, 1935

Federal Reserve Board,
Washington, D. C.

Dear Sirs:

The Clerk of the United States District Court for the Middle District of Georgia called me today by telephone from Macon stating that Judge Deaver of that court had heard an application for injunction filed by various textile manufacturers against Federal officials seeking to enjoin the further collection of processing taxes. I am not familiar with the case except insofar as I have read newspaper accounts of the same and as was disclosed to me today by the Clerk.

I understood from my telephone conversation that the court proposes to grant an injunction upon certain conditions, including the condition that pending a final determination of the litigation, processing taxes will be paid into the registry of the court at weekly intervals by any one seeking the benefit of the injunction.

The statement was made to me that the processing taxes so paid into the registry of the court might easily aggregate in excess of one million dollars and that neither of the two commercial banks in Macon would be in position to accept such payments as the depository of the court and furnish the necessary bond or security for such deposits. It was further stated that the Judge would not wish the funds deposited in any commercial bank outside of the district. Macon is the largest city in the district.

The Judge wishes these funds to be placed on deposit with the Federal Reserve Bank, to be withdrawn only after final decree rendered in the cause, and then only upon order of the court, countersigned by the Clerk.

The matter seems to be one of considerable importance, for which reason it is being submitted to you. It is conceivable that other suits may be brought or that other manufacturers may

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intervene in the pending action, thus augmenting the funds as to which the court may wish to give similar direction.

Ordinarily, of course, we would not wish to accept deposits of funds impounded in litigation. However, in the instant case we recognize that funds which may be decreed to belong to the United States are involved, and we have every wish to cooperate with the Treasury Department. While the funds as deposited would not be the property of the United States and we could not, therefore, accept the same as Fiscal Agent, but only as a depositary designated by the court for the receipt of funds paid into the court's registry, still the funds would be affected with an inchoate public interest and might be decreed to be the property of the Government. For these reasons our Counsel feels that the acceptance of the deposits might not be ultra-vires, although that question is not free from doubt. At any rate, if the Federal Reserve Board were to desire us to accept such deposits we would, of course, do so, and if the Treasury Department were to desire us to accept as a depositary and the Board should interpose no objections thereto, we would want to comply with the wishes of the Department.

I have adverted to the possibility of other similar suits in this state and in other states of the district. I have, of course, no information as to whether any other such suit is in contemplation. I feel, however, as though the instant case would not necessarily constitute a precedent since the circumstances which have influenced the Judge in the present case, to submit his inquiry to the Federal Reserve Bank, would not necessarily exist in other cases where larger commercial banks might be available for the purpose.

I have told the Clerk of the District Court that I hoped to be in position to give him a final answer by Monday, or by Tuesday at the latest; naturally the situation is somewhat urgent.

Very truly yours,

(Signed) Oscar Newton

Oscar Newton,
Governor.

COPY

X-9269-b

TREASURY DEPARTMENT

Office of the Secretary

WASHINGTON

Division of Deposits

July 23, 1935.

To Mr. Vest:

Reference is made to the copy of letter of the Governor of the Federal Reserve Bank of Atlanta concerning the designation of that bank as depository for receipt of court funds, which funds represent processing taxes which it is contemplated will be paid into the registry of the court pending final determination. I have investigated the matter and I understand that the Clerk of the United States District Court at Macon has advised the Department of Justice of the situation and that Department has arranged by telegraph to have the funds carried on the books of the Treasurer of the United States. The funds will be carried in a special deposit account, and disbursements made by check drawn on the Treasurer of the United States. It is also my understanding that similar arrangements have been made both in Omaha, Nebraska, and St. Louis, Missouri, covering processing taxes paid into the registry of the Court at those points.

As to the designation of Federal Reserve Banks to act as depositories for moneys paid into the United States Courts, your attention is invited to the statute governing such deposits, found in Title 28, section 851, U. S. Code, which provides:

"All moneys paid into any court of the United States, or received by the officers thereof, in any cause pending or adjudicated in such court, shall be forthwith deposited with the Treasurer, or a designated depository of the United States, in the name and to the credit of such court
* * *."

This office is not aware of any decision or ruling as to whether or not, under the provisions of section 15¹ as amended, Federal Reserve Banks may legally be designated as depositories for moneys paid into the court. As a matter of fact, it is not necessary, inasmuch as the deposits may be carried on the books of the Treasurer of the United States, and have been in many instances in the past.

* Federal Reserve Act.

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A memorandum addressed to you under date of April 26, 1935, in connection with the letter of Mr. Sid B. Redding, Clerk, United States District Court, Eastern District of Arkansas, addressed to Governor Eccles, contained the following statement:

"With respect to the general question raised by Mr. Redding, namely, that the Federal Reserve Banks be authorized to carry any and all court funds on their books, I desire to point out that the individual bankruptcy accounts would run into the thousands in every district and I should presume that many of these accounts are rather active checking accounts. Furthermore, should the Federal Reserve Board permit Federal Reserve Banks to carry checking accounts of this character, pressure probably would be brought to bear later for the establishment of many official checking accounts of postmasters and other government officers and agencies throughout the country."

(Signed) E. D. Batchelder

Chief, Division of Deposits

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TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

July 23, 1935.

NEWTON
ATLANTA

Your letter of July 20 re deposits of funds paid into United States District Court for Middle District of Georgia. We have conferred informally with representatives of the Treasury Department who state that they understand that clerk of court at Macon has advised Department of Justice of situation and latter department has arranged by telegraph to have funds carried on books of Treasurer of United States in a special deposit account, disbursements to be made by check drawn on the Treasurer. It is also understood that similar arrangements have been made both in Omaha, Nebraska, and St. Louis, Missouri, covering processing taxes paid into the registry of the court at those points. It is assumed that arrangement described takes care of situation and that there is now no necessity for acceptance of deposits of funds in question by your bank. If this is not the case, however, please advise.

(Signed) Chester Morrill

MORRILL