

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1939.

Dear Sir:

For your information there is enclosed a copy of a letter which the Board recently addressed to the President of one of the Federal Reserve banks with regard to the policy of the bank as to the holding in safekeeping of securities pledged by member banks to secure deposits of public funds.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary

Enclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT DALLAS

September 29, 1939.

Mr. R. R. Gilbert, President,
Federal Reserve Bank of Dallas,
Dallas, Texas.

Dear Mr. Gilbert:

This refers to your letter of September 15, 1939, advising that the _____ National Bank of _____, New Mexico, has requested that your bank reconsider its policy of declining to hold for safekeeping securities pledged to secure deposits of public funds. It is noted that this matter has been taken up with your board of directors and that it was the unanimous feeling of the members of your board and of your officers that the service should be extended to your member banks, if it could properly be done, and that your board by a unanimous resolution instructed that the question be submitted to the Board of Governors.

In this connection you advise that all of the Federal Reserve banks except four now extend this service to their member banks and that the Federal Reserve Bank of Kansas City performs this function for member banks in the part of New Mexico which is in the Kansas City district, whereas member banks in the part of New Mexico which is in the Dallas district are not accorded the service.

The question whether Federal Reserve banks have authority under the law to receive and hold in safekeeping securities pledged by member banks to secure deposits of public funds is one which has been under consideration by the Board and its Counsel on several occasions in the past, and it is noted that the question has also been considered from time to time by Counsel for the Federal Reserve Bank of Dallas. However, a number of Federal Reserve banks have been performing this service for some years past, and it appears that the practice received the approval of the Conference of Governors in December 1929 and of the Conference of Presidents in October 1937. The Board of Governors agrees with the directors and officers of your bank that this is a valuable service, both to the member banks and to public officials. In the circumstances if the Federal Reserve Bank of Dallas should decide to undertake to do so, the Board of Governors will offer no objection to its rendering the service to its member banks under such safeguards as your Counsel may deem advisable.

Very truly yours,
(Signed) Chester Morrill

Chester Morrill,
Secretary.