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JAN 11 1951

Dear Allan:

I refer to recent conversations between the Federal Reserve Bank of New York and the Treasury Department regarding the possibility of obtaining the cooperation of the New York banks in reporting export transactions in controlled commodities which, on the basis of information available to the banks, would appear to suggest evasions of export controls. As you know, we are particularly eager to obtain clues which might lead to the detection of shipments which, although nominally destined to a friendly area, in fact are intended to be transhipped to some country under Soviet control or influence.

In the course of the discussions I have referred to, the conclusion was reached that fruitful results might be obtained through a systematic and confidential approach to the banks by officials of the New York Federal Reserve Bank in association with officials of the Treasury Department. It was also agreed that this approach would be more effective if the banks could be assured that in future other Government agencies would, so far as practicable, resort to this channel for their contacts with the banks on this subject. The Departments of State and Commerce agree that occasional and uncoordinated contacts with the New York banks will not yield good results and accordingly are quite prepared to rely on the Federal Reserve Bank of New York and the Treasury Department as the channel through which to obtain such information as the banks can provide respecting controlled exports, except where an inquiry is made relating to a particular export transaction concerning which the Washington agency has already obtained some information from some other source. These agencies believe that the systematic approach to the New York banks which we are contemplating will make a real contribution to the enforcement of export control.

In the light of these developments, I shall appreciate it if you will initiate the approach to the New York banks. In eliciting the support of the bankers, it would be appropriate to inform them that every effort will be made to respect the confidential source of any information which they can provide, and to assure them that it is the

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intention of the interested Government agencies, so far as practicable, to rely on the Federal Reserve Bank and the Treasury Department as the channel through which such information will be obtained from them.

Sincerely,

signed JOHN W. SNYDER

Secretary of the Treasury

Mr. Allan Sproul, President
Federal Reserve Bank of New York
New York, New York

FAS:bb

1-11-51