

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 8, 1938To Chairman EcclesSubject: Deposits of foreign centralFrom Mr. Wyatt, General Counselbanks in this country.CONFIDENTIAL

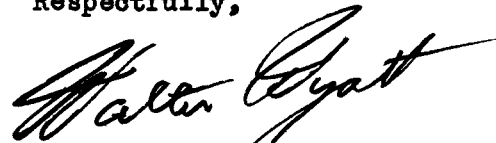
At the Board meeting this morning you expressed the view that foreign central banks should be required to carry either all of their deposits in this country with the Federal Reserve bank or to carry none of them with the Federal Reserve bank, in order that they may not be in a position to affect our monetary situation by shifting balances in and out of the Federal Reserve bank.

It appears to me that the Board could enforce such a rule under the present law and without the need of any further legislation.

Under section 14(e) Federal Reserve banks are authorized to receive deposits from foreign banks only "with the consent of the Board"; and, in granting its consent for Federal Reserve banks to receive deposits from foreign central banks, the Board could provide that such consent shall be effective only so long as such foreign central banks have no balances with any other banks in this country.

The exercise of this power would seem especially appropriate in view of the Board's duty under section 14(g) to exercise special supervision over all relationships entered into by any Federal Reserve bank with any foreign bank or banker.

Respectfully,

Walter Wyatt,
General Counsel.