

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, December 16, 1963

**To the Chief Executive Officer of Each Member Bank
in the Eleventh Federal Reserve District:**

On November 22, 1963, the Committee on Government Operations of the House of Representatives issued a report entitled "Window Dressing in Bank Reports." Hearings were held early in October 1963 on this subject by the Legal and Monetary Affairs Subcommittee of the Committee on Government Operations.

While legislation was not proposed at this time, the Report of the Committee on Government Operations included recommendations designed to eliminate the undesirable practice of "window dressing" and at the same time to preserve the statistical and supervisory value of call reports.

These recommendations include:

"1. That the Federal bank supervisory agencies make a coordinated concerted, continued use of their powers of moral suasion to have the banking community refrain and desist from the use of nonpurpose transactions and from window dressing of bank reports and statements.

"2. That the Federal bank supervisory agencies adopt uniform rules or regulations under which, commencing with the second call date in 1964:

"(a) Every bank shall be required (1) to include in every required and voluntary report and statement of condition a certification that no window dressing is contained therein, and (2) to file with its Federal supervisory agency as many copies of such reports and statements as such agency shall require.

"(b) Any supervisory agency which finds through bank examination or otherwise that contrary to such certification a bank has engaged in window dressing shall give public notice of its findings by publication of the name of the bank, the extent of the window dressing and other details thereof in the Federal Register and by press release; and shall refer the matter to the Attorney General for possible prosecution under the false statements statutes."

I think it would be very unfortunate if the undesirable practice of "window dressing" should require legislation as a means of correction. We will all agree, I believe, that "window dressing" is an indefensible practice. It is misleading and deceptive and should be eliminated. The answer to the problem lies with the commercial banks; the problem of "window dressing" can be eliminated if the commercial banks are determined to stop it; if they do not, the answer may be sought in legislation or stringent regulation. The challenge should be plain to the commercial banking system.

I am writing this letter to every member bank in the Eleventh Federal Reserve District urging each bank to eliminate "window dressing" if it has engaged in the practice, and urging each bank—large or small—to cooperate in every way practical, by word of mouth and otherwise, to bring the practice of "window dressing" to an end. In particular, I request that banks refrain from initiating nonpurpose transactions or participating in such transactions initiated by others.

I look forward to your support in this matter for I believe the alternative to self-policing and correction is perfectly obvious.

Yours very truly,

Watrous H. Irons

President