



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-16
January 28, 1976

TO ALL MEMBER BANKS IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

Quoted below is the text of a letter dated January 20, 1976, from the Board of Governors of the Federal Reserve System to the Presidents of all Federal Reserve Banks:

The Federal Reserve Bank of New York has informed the Board that several member banks in the Second District have requested clarification of the Board's letter of December 12, 1975 (see Federal Reserve Bank of Dallas Circular No. 75-185), concerning the involvement of banks in foreign boycott practices. Specifically, these banks have asked whether it was the Board's intention to impose legal obligations upon member banks with respect to boycott practices that differ from those already imposed upon banks by the Department of Commerce regulations issued under the Export Administration Act.

The Commerce Department's Export Administration Regulations (15 C.F.R. Part 369), as amended effective December 1, 1975, deal in two ways with the subject of restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States. First, those regulations prohibit exporters and related service organizations, including banks, from taking any action that has the effect of furthering or supporting such a restrictive trade practice where the practice may discriminate against U.S. citizens or firms on the basis of race, color, religion, sex, or national origin. Second, even where the restrictive trade practice does not have such a discriminatory effect upon U.S. citizens or firms, the Commerce Department regulations encourage and request exporters and related service organizations, including banks, to refuse to take any action that has the effect of furthering or supporting such a practice. In either case--that is, whether the restrictive trade practice is discriminatory against U.S. citizens or in furtherance of an economic boycott against a country friendly to the U.S.--firms that are requested to take action that would have the effect of furthering or supporting such a restrictive trade practice or boycott are required to report the request to the Office of Export Administration of the Commerce Department.

Primary responsibility for implementing and enforcing U.S. policy in this area rests with the Department of Commerce. The purpose of the Board's December 12 statement was to direct the attention of member banks to this policy, as well as to the possible applicability of other laws, including Federal antitrust laws. It was not intended to create new legal obligations for banks, but rather to ensure that they are familiar with their existing obligations under the Export Administration regulations and other pertinent laws. The Commerce Regulations are based on

the following declaration in the Export Administration Act of 1969:

It is the policy of the United States (A) to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States, and (B) to encourage and request domestic concerns engaged in the export of articles, materials, supplies, or information, to refuse to take any action, including the furnishing of information or the signing of agreements, which has the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States.

The Board expects that member banks will give serious and good faith consideration to U.S. policy, as just noted. The Board also expects that member banks will fully comply with those portions of the Commerce Department regulations that are mandatory. Furthermore, the Board fully supports the Commerce Department regulation that encourages and requests exporters and their banks not to participate in boycott practices.

If you have any questions regarding this matter, please contact this Bank's Examination Department at (214) 651-6274.

Sincerely yours,

T. W. Plant

First Vice President