

Minutes of actions taken in New York by the Board of Governors of the Federal Reserve System on Tuesday, September 19, 1950.

PRESENT: Mr. McCabe, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Norton
 Mr. Powell

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 15, 1950, were approved unanimously.

Letter to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"This is in reply to your letter of September 8, 1950 requesting that the Board increase the amount of bankers acceptances which may be purchased with your bank's guarantee of payment at maturity and held at any one time by your bank for foreign central banks (including the Bank for International Settlements). In accordance with your request the Board has increased from 25 million dollars to 50 million dollars the amount of acceptances which may be so purchased and held in accordance with the terms and conditions outlined in the Board's letter of February 9, 1937.

"A copy of this letter is being sent to the Presidents of all Federal Reserve banks for their information."

Approved unanimously.

Letter to Mr. Maurice C. Sparling, President, National Association of Supervisors of State Banks, 215 West Sixth Street, Los Angeles, California, reading as follows:

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"The Board's Regulation W relating to consumer credit, which was issued under the authority of the Defense Production Act of 1950, became effective September 18, 1950. Copies of the regulation and of the Board's press release dated September 8, 1950 regarding the regulation are enclosed.

"If the regulation is to accomplish its purposes it is apparent that it must have effective and uniform enforcement. Such a program is essential in fairness to the consuming public and to those subject to the regulation.

"The Board wishes to avoid unnecessary duplication of investigations, particularly of banks and other financial institutions which are already subject to comprehensive examination programs. Accordingly, the Board, as it did in connection with the regulation in effect during World War II and later when the regulation was reinstated in 1948, is again seeking the cooperation of State and Federal banking agencies in the administration and enforcement program. The attached outline sets out the general plan for enforcement to be used in connection with the present regulation.

"The Board would like to have the cooperation of the various State bank supervisors with respect to non-insured banks and other institutions under their supervision as suggested in I(B)(1) of the attached outline. That cooperation might be extended along the following lines:

1. The State examiners to take appropriate steps in their examinations to promote understanding of, and compliance with, Regulation W, and to determine whether violations of the regulation exist either as to credits originated by the institution or credits acquired by it from others.
2. If violations by institutions under State supervision are discovered, which in the opinion of representatives of the State supervisor are inadvertent, State representatives to take steps to obtain correction of the violations along the lines which it is contemplated will be taken by the Federal Reserve Banks in similar circumstances under section II-A of the enclosed Outline of Enforcement Program; and
3. If violations by institutions under State supervision are discovered, which in the

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"opinion of representatives of the State supervisor are apparently willful and steps should be taken to determine whether penalties should be prescribed, State representatives to report the facts in the case to the Federal Reserve Bank of the district in which the apparently willful violation occurs or to the Board of Governors.

"While the procedure referred to above relates particularly to non-insured banks and other credit agencies not also under Federal supervision, the Board would appreciate it if similar procedures would be followed in the case of any violations discovered in the course of independent examinations by State examiners of insured member and nonmember State banks.

"The procedure regarding treatment of violations of the Regulation, as stated in the attached outline of the enforcement program, is the same as the one in effect during 1948-49. While it may be altered in some minor respects, it will afford a basis for the enforcement program in connection with the present regulation. The procedure was cleared with the Department of Justice in 1948 and a copy of the attached outline has been forwarded to the Department of Justice for clearance in connection with the present regulation. In view of the fact that your Association is meeting this week we are writing you at this time before formal clearance has been obtained.

"We shall appreciate it if you will bring this request to the attention of the National Association of Supervisors of State Banks. In carrying out the program, we hope the representatives of the various State bank supervisors and appropriate representatives at the various Federal Reserve Banks will maintain close informal contacts in order that the Federal Reserve Bank representatives may be of all possible assistance to the State bank supervisors in their cooperation in this program.

"Needless to say, the Board counts on the continuation of the close cooperation it has enjoyed with the National Association of Supervisors of State Banks and will welcome any opportunities, formal or informal, to further the mutual interest in promoting and maintaining sound banking and credit conditions."

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Approved unanimously.


Secretary.