

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5464]
February 24, 1964]

“Window Dressing” in Bank Reports

To the Member Banks of the
Second Federal Reserve District:

The Committee on Government Operations of the House of Representatives on November 22, 1963 issued House Report No. 920, entitled “*Window Dressing*” in *Bank Reports*, recommending:

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.

In its findings and conclusions, the Committee stated “Window dressing is a deceptive, uneconomical practice which has a tendency to undermine public confidence in the banking industry, with possible resultant adverse consequences to the economy of the Nation.”

In December, we wrote to certain of our member banks whose deposits, exclusive of foreign branch deposits, had increased more than 3 per cent between the official call report date (December 28, 1962) and December 31, 1962 (one business day later), asking them for information that would help us judge the extent to which “window dressing” activities had been responsible for the increase in their deposits. The information received from such banks indicates that most of the deposit expansion was the result of normal business transactions and that “window dressing” was not a significant factor.

There was evidence, however, that some of the banks had inflated their year-end statements by including in deposits the gross amount of “reciprocal bank balances” and “Federal Reserve transit accounts.” The instructions for preparing condition reports require that the net amount of “reciprocal bank balances” be shown and that “Federal Reserve transit accounts” be included in “other liabilities” or netted against balances held at the Reserve Bank. We think that in the interest of good bank reporting these accounts should be treated in the same manner in any published statement of the bank.

We urge each member bank in the District that has engaged in any form of “window dressing” in official call reports or other published statements to refrain from such practices in the future.

ALFRED HAYES,
President.