

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-580

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 4, 1942



Dear Sir:

The Board has received several inquiries regarding the retention by Registrants of records and papers relating to credits within the scope of the Executive Order of August 9, 1941, and Regulation W. These inquiries concern the records and papers which should be preserved and the date when they may be destroyed, and bring into question what action the Board expects to take under sections 12(h) and 12(i) of the Regulation and the sufficiency of those sections in their present form.

In studying this matter, consideration was given to the preparation of a letter to all Federal Reserve Banks setting forth a general rule sufficiently flexible to cover all of the many classes of businesses affected, since it was deemed inadvisable to attempt to specify in detail all of the records and papers that should be preserved. However, the disposition of this problem and the security of the enforcement program in general made it appear desirable that sections 12(h) and 12(i) be amended. Accordingly, there is enclosed herewith a proposed Amendment No. 10 to the Regulation on which the Board would like your views and comments. Your promptness in forwarding replies will be much appreciated.

Briefly, you will note that the proposed section 12(h) prescribes a general rule requiring every Registrant to preserve, for a period of two years after the date of the last payment received on any credit within the scope of the Executive Order, such records and papers as are relevant to establishing whether or not the credit was in conformity with the Regulation. The two-year period, which is new, conforms with a similar requirement in the small loan laws of many States and would seem to be adequate for an effective enforcement program. Otherwise, such general rule merely clarifies what may be regarded as the substance, in this connection, of present sections 12(h) and 12(i).

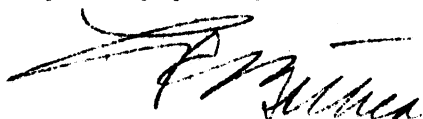
The proposed section 12(i) retains the provision now in section 12(h) for such statistical reports as the Board may call



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for. In addition, however, such proposal spells out in more detail than present section 12(i) the Registrant's obligation to permit inspections of his business operations, including his records and papers, by representatives of the Board or the Federal Reserve Banks, and the Board's authority to require testimony and the production of records and papers in determining whether or not a Registrant has complied with the provisions of the Regulation.

Very truly yours,



L. P. Bothea,  
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

PROPOSED AMENDMENT NO. 10 TO REGULATION W.

Regulation W is hereby amended, effective \_\_\_\_\_,  
by striking out subsections (h) and (i) of section 12 and substituting  
the following:

"(h) Preservation of Records. - Every Registrant shall preserve, for a period of two years after the date of the last payment received on any extension of credit within the scope of the Executive Order, such books, accounts, records, and other papers (including any statements required by or obtained pursuant to this Regulation) as are relevant to establishing whether or not such extension of credit was in conformity with the requirements of this Regulation, except that the Registrant may preserve photographic reproductions in lieu of such books, accounts, records, or papers.

"(i) Reports, Inspections and Production of Records.- Every Registrant shall make such reports as the Board may from time to time require as necessary or appropriate for enabling it to perform its functions under the Executive Order. Every Registrant shall permit the Board or any Federal Reserve Bank, by its duly authorized representatives, to make inspections of the Registrant's business operations, including inspections of the books, accounts, records, and other papers described in section 12(h), for the purpose of determining whether or not the Registrant has complied with the requirements of this Regulation; and, when ordered to do so by the Board, every Registrant shall furnish such information, under oath or otherwise, including the production of the books, accounts, records, and other papers described in section 12(h), as the Board may deem necessary or appropriate for such purpose."