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**Congressional
Correspondence
August-October 1983**

*Chairman's
Office*

October 31, 1983

The Honorable George Bush
President of the Senate
United States Senate
Washington, D.C. 20510

Dear Mr. Vice President:

In accordance with 5 U.S.C. 552a(e) and the guidelines established by OMB Circular No. A-108, the Board of Governors of the Federal Reserve System submits the attached report on a new system of records that the Board proposes to have maintained by its contractor, the University of Michigan's Survey Research Center. A copy of the Federal Register notice for the new system of records is also enclosed.

The attached report and notice have also been distributed to the Speaker of the House of Representatives and to the Director of the Office of Management and Budget, as required by the Privacy Act of 1974. Inquiries and comments about the report may be addressed to the Secretary of the Board, Board of Governors of the Federal Reserve System, Constitution Ave. at 20th Street, N.W., Washington, D.C. 20551.

Sincerely,

Eric A. Lohdy

Enclosures

MEABrown:dj



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

PAUL A. VOLCKER
CHAIRMAN

October 31, 1983

The Honorable George Bush
President of the Senate
United States Senate
Washington, D.C. 20510

Dear Mr. Vice President:

In accordance with 5 U.S.C. 552a(o) and the guidelines established by OMB Circular No. A-108, the Board of Governors of the Federal Reserve System submits the attached report on a new system of records that the Board proposes to have maintained by its contractor, the University of Michigan's Survey Research Center. A copy of the Federal Register notice for the new system of records is also enclosed.

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Sincerely,

Paul A. Volcker

Enclosures

President of the Senate received

1100 - 11/3/83

by

Lisa Bell

Chairman's office

October 31, 1983

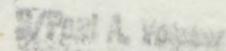
The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
H-205 Capital Building
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with 5 U.S.C. 552a(c) and the guidelines established by OMB Circular No. A-108, the Board of Governors of the Federal Reserve System submits the attached report on a new system of records that the Board proposes to have maintained by its contractor, the University of Michigan's Survey Research Center. A copy of the Federal Register notice for the new system of records is also enclosed.

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Sincerely,

Paul A. Volcker

Enclosures

MEABrown:dj



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

PAUL A. VOLCKER
CHAIRMAN

October 31, 1983

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
H-205 Capital Building
Washington, D.C. 20515

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Sincerely,

Paul A. Volcker

Enclosures

Speaker of the House of Representatives received

by

D. Cabral

3 NOV 1983
12:50



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

October 28, 1983

PAUL A. VOLCKER
CHAIRMAN

The Honorable Doug Barnard
Chairman
Subcommittee on Commerce, Consumer
and Monetary Affairs
Committee on Government Operations
Room B377 Rayburn House Office Bldg.
Washington, D.C. 20515

Dear Chairman Barnard:

In its June 9, 1982 order approving the application of Banca Commerciale Italiana ("BCI") to acquire the Long Island Trust Company, the Board raised a number of policy issues involving the treatment of foreign governmental entities under the Bank Holding Company Act (the "Act"). These issues arose because BCI is indirectly owned by the Italian Government which also controls a bank in Illinois and owns over 100 nonbanking companies, many of which are engaged in business in the United States.

The basic question is whether foreign governmental entities may engage in broader banking and nonbanking activities here than private U. S. or foreign companies with a banking presence in the United States. This question is one that involves not only U. S. banking policy but broader U. S. policy interests including foreign investment policy more generally, U. S. foreign relations and foreign economic policy.

You have expressed considerable interest in these issues and asked us to analyze some of the technical aspects of this question. Enclosed is a memorandum explaining the consequences, under the Bank Holding Company Act, of applying its terms to foreign governments with a U. S. banking presence. As you requested, the enclosed memorandum also briefly touches upon some of the additional factors that Congress will need to consider, and other issues you have raised.

The Honorable Doug Barnard

-2-

I hope that the study that I am forwarding to you proves helpful to Congressional consideration of these questions and would be pleased to discuss the issues with you further.

Sincerely,

S/Paul A. Volcker

Enclosure

NJ:MB (V-54 and V-233 (1982))

bcc: Ms. Jacklin
Mr. Bradfield
Legal Files (2)
Mrs. Mallardi (2) ✓

STAFF MEMORANDUM: A TECHNICAL ANALYSIS
OF SOME IMPLICATIONS OF APPLYING THE BANK
HOLDING COMPANY ACT TO FOREIGN GOVERNMENTAL
ENTITIES

A. Background

On June 9, 1982, the Board approved an application by Banca Commerciale Italiana ("BCI") to become a bank holding company by acquiring the Long Island Trust Company ("LITCO") of New York. BCI is majority-owned by a holding company, Istituto per la Ricostruzione Italiano ("IRI"), which is controlled by the Government of Italy. IRI indirectly controlled a U. S. bank in Illinois and thus, through the BCI application, would acquire a subsidiary bank in a second state. Had IRI been a domestic or foreign corporation having no foreign government ownership, the BHC Act would have prohibited the acquisition because it would have resulted in IRI's engaging indirectly in interstate banking contrary to section 3(d) of the BHC Act. In its Order, the Board also noted that IRI has over 100 subsidiaries engaged in nonbanking activities.

In several cases since the 1970 amendments to the BHC Act, the Board has approved applications in which foreign government ownership of the applicant was noted but the Board did not apply the Act to the applicant's government owners. In the BCI case, the Board noted its past practice and concluded as a consequence that it was appropriate to continue the practice in that case and confirm it with respect to currently

conducted activities of foreign government-owned entities with a banking presence in the United States.

However, the Board indicated its concerns with the implications of continuing the practice in the future, but also noted that undesirable consequences could result from strict application of the BHC Act to foreign governmental entities. Moreover, the consequences of applying the Act to foreign governmental entities raises policy issues that go beyond bank regulatory policy, including U. S. foreign relations, foreign investment and economic policy. On balance, the Board concluded that the complex public policy issues raised by applying the Act are best resolved in a Congressional framework that allows for all relevant policy considerations to be addressed.

In this connection, the Chairman of the House Subcommittee on Commerce, Consumer, and Monetary Affairs has requested an analysis of certain implications of applying the BHC Act to foreign governmental entities. In his request, Chairman Barnard expresses his concern with the disparity of treatment that results from the present practice by which foreign governments are able to operate and conduct business activities in the United States of a greater range and extent than would be permissible for any private business organization either domestic or foreign. Chairman Barnard raises a number of specific questions that are addressed in this memorandum, concerning the implications of any legislative action that

would explicitly apply the BHC Act to foreign governmental entities. He also asks whether there are ways to minimize any adverse consequences while achieving an objective of ensuring that foreign governments and their instrumentalities are treated, to the fullest extent feasible, no more favorably than private companies or organizations. A further question was raised whether any modification in the criteria of section 3(c) of the BHC Act is called for to permit the Board to review adequately applications from foreign government entities to acquire a bank in the United States.

This memorandum accordingly provides a technical analysis of the implications of strict application of the BHC Act to foreign governmental entities and some ways in which certain consequences of applying the Act might be mitigated.

B. Implications of applying the BHC Act to foreign government entities

Applying the BHC Act to encompass foreign governments and their instrumentalities in the definition of "company" would affect foreign government-owned banking organizations with operations in the United States in several ways.

1. Interstate banking

If a foreign government were considered a "company," then all foreign banks controlled by that government would be subject to interstate banking restrictions, regardless of the separate corporate existences of the banks. As a consequence, a foreign government would be allowed only one state to which

all of that government's controlled banks would be restricted in expanding their deposit-taking operations in the United States.^{1/}

The table at attachment A contains a list of all foreign banks controlled directly or indirectly by foreign governments and describes their banking presence in the United States. The application of the interstate banking prohibitions of the BHC Act to a foreign government as a holding company would create an issue only prospectively, with the exception of IRI and the Italian government. No other foreign government controls foreign banks that have U. S. subsidiary banks in more than one state.

The table at attachment B indicates the current home state of each foreign government-owned bank in the United States.

As to the "home state" provisions of the IBA and Regulation K prohibiting a foreign bank from having deposit-taking branches in more than one state, with the

^{1/} Section 5 of the International Banking Act of 1978 ("IBA") limits a foreign bank's ability to establish deposit-taking branches outside a single "home state." The restriction on interstate operation through attribution of ownership of multiple foreign banks to a single entity is governed by the Board's Regulation K which provides that foreign banks controlled by the same company must choose the same home state (12 C.F.R. § 211.22(e)). In addition, section 3(d) of the BHC Act prohibits the acquisition by a company of shares of banks in more than one state unless such interstate acquisition is specifically authorized by applicable law.

exception of the banks of France, Brazil, and Thailand, all of the government-controlled banks from the same country have the same home state. Application of these provisions to foreign governments other than those listed above would have only a prospective effect.

2. Nonbanking Activities

The BHC Act prohibits bank holding companies from engaging in any nonbanking activities or owning shares of companies engaged in such activities unless the activities fall within one of the specific exemptions of the Act.^{2/} The purpose of this restriction is to maintain in the United States the separation of banking and commerce so as to prevent potential conflicts of interests, unfair competition, undue concentration of resources and unsound banking practices that could result where a banking organization and nonbanks are controlled by a common owner. The major objectives are to maintain the U. S. banking system as an impartial distributor of credit and finance in the United States, to prevent concentration of economic power, and to limit excessive risk to the system.

As a consequence, domestic bank holding companies have only limited authority to engage in nonbanking activities in the United States and abroad. The most important exemptions to

^{2/} Section 8 of the IBA applies the limitations of Section 4 of the BHC Act to any foreign bank with a branch, agency or bank subsidiary in the United States, and to any company that controls such foreign bank.

the Act's prohibitions are provided by section 4(c)(8) and section 4(c)(13) of the Act. The first provision allows any bank holding company to acquire shares of any company the activities of which the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The second provision allows any bank holding company to invest in shares of any company "which does no business in the United States except as an incident to its international or foreign business,^{3/} if the Board . . . determines that . . . the exemption would not be substantially at variance with the purposes of this Act and would be in the public interest."

Two additional exemptions are applicable solely to foreign banking organizations. The overall purpose of these two exemptive provisions is to lessen the extraterritorial effects of the Act while limiting, to the extent feasible, the potential adverse effects in the United States from the combination of banking and commercial activities in the same organization. At the same time, the provisions seek to minimize the competitive advantages that may result by virtue of creating exemptions for foreign banking organizations.

^{3/} These activities are those generally permissible to Edge and Agreement Corporations under sections 25(a) and 25 of the Federal Reserve Act and Regulation K (12 C.F.R. § 211) in the United States and abroad.

Section 2(h) of the BHC Act provides that the restrictions on nonbanking activities of section 4 of the Act shall not apply to acquisition of shares of a foreign company that engages in the same general line of business in the United States as the company conducts abroad, except that this exemption is inapplicable to: (a) shares in companies that engage in the business of underwriting, selling or distributing securities in the United States that would not be permissible for domestic bank holding companies, and (b) the conduct in the United States of any banking or financial operations or types of activities permitted under section 4(c)(8) except with prior Board approval. However, the exemption is available only to a foreign bank holding company that is principally engaged in the banking business outside the United States.

In addition to the section 2(h) exemption, section 4(c)(9) of the BHC Act exempts shares held or activities conducted "by any company organized under the laws of a foreign country the greater part of whose business is conducted outside the United States, if the Board by regulation or order determines that, under the circumstances and subject to the conditions set forth in the regulation or order, the exemption would not be substantially at variance with the purposes of this Act and would be in the public interest."

In adopting regulations implementing these provisions, the Board had two general purposes. The first, which is most relevant here, was to define the kinds of foreign institutions

that would qualify for the section 4(c)(9)/2(h) exceptions. The aim was essentially supervisory -- to ensure that the foreign institutions serve as a source of financial and managerial strength to their U.S. banking operations.^{4/} Accordingly, the Board restricted the availability of the exemptions to foreign institutions that are primarily banking institutions abroad. The Board's Regulation K requires that to qualify for the exemptions afforded by the regulation the foreign institution must be principally engaged in the banking business outside the United States. The second purpose of the implementing regulations was to set forth qualifying criteria for the conduct in the United States of nonbanking activities. Regulation K provides that a qualifying foreign banking organization may invest in any foreign nonbank company that meets the following requirements: (1) the company must derive more than half its business from outside the United States; (2) the U. S. activities must be the same as the company's foreign activities; and (3) the company may not engage in securities activities in the United States, and may not engage in financial activities in the United States without the Board's prior approval.

^{4/} See Policy Statement on the Supervision of Foreign Bank Holding Companies, 1 Federal Reserve Regulatory Service ¶ 4-835 (1979). See also Federal Financial Institutions Examination Council policy statement of June 20, 1979, 65 Federal Reserve Bulletin 634 (1979).

It is apparent that no government could qualify as a foreign banking organization eligible for these exemptions from the prohibitions on nonbanking activities of the BHC Act because a foreign government could not be considered to be principally engaged in banking. As a nonqualifying organization, the foreign government would be automatically subject to all the rules governing nonbank activities of domestic bank holding companies, thus bringing within the scope of the Act not only the conduct of commercial activities here and abroad but also customary governmental functions. Accordingly, if the Act were strictly and rigidly applied, foreign government-owned banks would be limited from engaging in a banking business in the United States. However, under section 4(c)(9) the Board can exempt nonbanking activities conducted by foreign companies from the prohibitions of section 4 of the BHC Act where the Board determines that to do so would not be substantially at variance with the purposes of the Act.^{5/}

^{5/} Section 211.23 of Regulation K allows the Board to grant nonqualifying organizations any exemptions available under the regulation and may determine that other activities or investments meet the conditions for an exemption under section 4(c)(9) of the BHC Act.

3. Reporting requirements

If the foreign government entities were considered as "companies" under the BHC Act, they would be required to file reports with the Federal Reserve. These include the Annual Report of Foreign Banking Organizations, Form F.R. Y-7; the Foreign Banking Organization Confidential Report of Operations, Form F.R. 2068; and, in the case of foreign government-owned banks with U.S. subsidiary banks (as opposed to only branches and agencies), the Report of Intercompany Transactions for Foreign Banking Organizations and their U. S. Bank Subsidiaries, Form F.R. Y-8f. These forms require inter alia financial statements of the reporting organization, information on the nonbanking activities conducted by the foreign organization in the United States to assist in determining the organization's compliance with the nonbanking provisions of the BHC Act and Regulation K, and information on transactions between a United States bank and its subsidiaries and the U. S. bank's foreign parent and its majority-owned subsidiaries to assist the Board in monitoring intercompany transactions that may have adverse effects on the safety and soundness of a U. S. bank subsidiary of a foreign banking organization.

Foreign governments might believe it is inappropriate to provide much of the information on the theory that it would represent an intrusion into that government's domestic affairs. The Board has, however, broad discretion under the BHC Act to confine, to the extent consistent with the requirements of its regulatory functions, the scope of information that may be required of bank holding companies.

4. Section 23A of the Federal Reserve Act ("FRA")

Section 23A of the FRA (12 U.S.C. § 371c) imposes limitations (in terms of amount and security) upon a member bank's loans to and investments in affiliates. These limitations are equally applicable to nonmember banks through the Federal Deposit Insurance Act (12 U.S.C. § 1828(j)). The principal purpose of section 23A is to safeguard the resources of a bank against misuse for the benefit of organizations under common control with the bank. If a foreign government were considered a "company" under the BHC Act, then all covered transactions between its U. S. bank and the foreign government or any subsidiary (i.e., any company in which the foreign government has a 25 percent voting interest or otherwise controls) would be subject to the limitations of section 23A.^{6/} If necessary, and again consistent with its regulatory responsibilities, the Board has discretion to grant exemptions from the provisions of section 23A if the Board determines that to do so would be consistent with the purposes of section 23A of the FRA and in the public interest.

^{6/} In the Board's Order in BCI, the Board stated that even though IRI and the Italian government were not treated as "companies" under the BHC Act, they and their majority-owned subsidiaries were subject to section 23A of the FRA by virtue of their affiliation with LITCO through common majority shareholders. The Board adopted this approach as important to mitigate the potential adverse effects from the affiliation of a U.S. bank with nonbanking companies. However, section 23A does not apply to transactions by branches or agencies of foreign banks with their affiliates.

C. Implications of precluding foreign government-owned banks from the U.S. market

A potential impact from tightened supervisory procedures could be action against U. S. banks operating abroad. It is impossible to predict how countries would react to any U. S. initiatives in this area, particularly if they were judged by the home countries to be part of a policy of rationalizing national treatment rather than discriminating against individual countries or attempting to impose U. S. standards of economic organization on other countries. The experience in implementing the restrictive provisions of the International Banking Act has been that other countries have not retaliated, possibly because they were convinced that these measures were an appropriate rationalization of the U. S. system. Moreover, most studies of the local treatment of foreign banks in foreign countries indicate that deviations from national treatment are applied equitably against all foreign banks rather than banks from a particular country. Although the possibility of offsetting foreign measures is possible and cannot be excluded, it seems reasonable to conclude it is unlikely that major foreign countries would adopt a set of restraints for U. S. banks that is different from the policies applied to all foreign banks.

A second possible implication of tighter restraints on government-owned banks might be that any country contemplating

nationalizing its local banks would weigh some restraints on its ability to conduct banking activities in the United States as a cost of nationalization. Nationalization decisions are almost invariably taken for domestic political and economic reasons, and it is unlikely that U. S. regulatory practices would have more than a minimal impact on any country's decision to nationalize its banks.

D. Lessening adverse effects from application of BHC Act to foreign governmental entities

1. Interstate banking restrictions

If the BHC Act were to apply to foreign government entities, then, under section 3(d) of the Act, the Board would be limited in approving acquisitions of banks in any state other than the single state in which the principal banking operations of the government-owned foreign banks are conducted through a subsidiary bank. As to establishing deposit-taking branches in multiple states, section 5 of the IBA and its legislative history would appear to require that a single "home state" be maintained by all foreign banks owned by the same government.

One way in which to ameliorate the foregoing consequences of applying the BHC Act is by grandfathering, that is, to apply the Act only prospectively. Thus, for example, existing interstate banking could be grandfathered.

No further mitigating steps may be needed as to future interstate operations, since the BHC Act and IBA limitations

are ameliorated by the availability of other vehicles by which a foreign bank may expand its U. S. presence. These include agencies, Edge Corporations, limited branches (which may only take deposits that an Edge Corporation can accept), and nonbanking companies that may be established pursuant to section 4(c)(8) of the BHC Act. None of these entities is subject to federal restrictions on interstate expansion.

2. Nonbanking activities

If the BHC Act were applied to foreign governmental entities with a banking presence in the United States, those entities could engage only in activities abroad and in the United States that are permissible for domestic bank holding companies. Thus, an additional question is whether and how to reduce the consequences of the strict application to foreign governments of the nonbanking prohibitions of the BHC Act and Regulation K. One way to ameliorate the impact is by grandfathering the current nonbanking activities of foreign government-owned entities with a banking presence in the United States. As to prospective application of the Act, as well, the Board has broad authority to limit its applicability under the provisions of section 4(c)(9) of the BHC Act provided the Board finds the exemptions are not substantially at variance with the purposes of the Act and are in the public interest.

Finally, in connection with any such exemptions, it should be noted that, by regulation, a foreign

nongovernment-owned organization may not have a banking presence in the United States unless the organization is principally engaged in banking. As indicated above, this limitation was adopted largely with the aim of assuring that the foreign parent organization will have adequate managerial and financial resources. However, if all government-owned banks that themselves have adequate financial and managerial resources were unable to have a banking presence in the United States this would raise important policy issues. Further policy questions are involved in the scope of nonbanking activities that should be permissible for a foreign governmental entity with a U. S. banking presence, and the extent to which reporting requirements should be modified for these entities.

E. Adequacy of criteria under section 3(c).

It has been questioned whether the present language of section 3(c) of the BHC Act permits the Board, when acting on applications by foreign government-owned banks, to give due consideration to any "noncommercial motives" of foreign governments and their possible adverse effects resulting from acquisition of a U. S. bank.

Section 3(c) provides that in every case the Board must consider the competitive effects of the acquisition, the financial and managerial resources of the company and the bank to be acquired, and the effects of the transaction on the

convenience and needs of the community to be served. To the extent the Board finds that a foreign government-owned applicant intends to use the bank to achieve objectives that are inconsistent with the conduct of the operations of a U. S. subsidiary bank, the Board could deny the application because of the adverse impact on the convenience and needs of the bank's communities. Similarly, the potential use of a U. S. bank to achieve noncommercial objectives or the operation of the bank in a manner that could harm its safety or soundness could reflect so adversely on the management of an applicant as to warrant denial of the application. In each case, however, the adverse determination resulting in denial must be supported in the record by substantial evidence. Such concerns can also be effectively addressed through bank supervision and examination.

ATTACHMENT A

The attached is a listing of all foreign government-owned banks with their U. S. banking presence and the asset size of each entity.

Column 1 indicates country of origin.

Column 2 indicates banks under common corporate control ("CFAM").

Column 3 indicates the name of the individual banking entity in the United States.

Columns 4 and 5 give the city and state of the U. S. banking entity.

Column 6 indicates the type of banking entity:

- Entity Types:
- 1. U. S. subsidiary bank
 - 9. Branch
 - 11. Agency
 - 13. "Agency" that accepts large deposits (considered a branch for home state purposes)
 - 12. New York Investment Company
 - 21. Edge Corporation

Column 7 indicates asset size in the United States of the entity.

FOREIGN GOVERNMENT-OWNED BANKS - U.S. PRESENCE

1.	2.	3.	4.	5.	6.	7.	
Country	CFAM				Entity Type	Total Assets as of 830630	DATE OF RUN: OCTOBER 14, 1983 DATA FOR PERIOD: 0
1080.	20.	BANQUE NATIONALE DE PARIS	NEW YORK	NY	9.	2254187.	
1080.	20.	FRENCH-AMERICAN BKG CORP	NEW YORK	NY	12.	894352.	
1080.	20.	BANQUE NATIONALE DE PARIS	CHICAGO	IL	9.	269583.	
1080.	20.	BNP INTERNATIONAL CORP	HOUSTON	TX	21.	4494.	
1080.	20.	BANK OF THE WEST	SAN FRANCISCO	CA	1.	1167709.	<i>Entity Types</i>
1080.	20.	BANQUE NATL DE PARIS AGENCY	LOS ANGELES	CA	11.	147304.	1 = Comm'l Bank
1080.	20.	BANQUE NATL DE PARIS AGENCY	SAN FRANCISCO	CA	11.	543698.	9 = Branch of Foreign Bank
1080.	25.	CREDIT LYONNAIS	NEW YORK	NY	9.	1731470.	11 = Agency of Foreign Bank
1080.	25.	CREDIT LYONNAIS SA	MIAMI	FL	11.	64101.	13 = Stat Agency of Foreign Bk acting as a branch under IBA
1080.	25.	CREDIT LYONNAIS	CHICAGO	IL	9.	121935.	
1080.	25.	CREDIT LYONNAIS AGENCY	LOS ANGELES	CA	11.	218402.	
1080.	25.	CREDIT LYONNAIS AGENCY	SAN FRANCISCO	CA	11.	55715.	
1080.	63.	BNQ DE L INDOCHINE & DE SUEZ	NEW YORK	NY	9.	1287701.	
1080.	63.	CREDIT INDUSTRIEL ET COMM'L	NEW YORK	NY	9.	976092.	
1080.	63.	BANQUE INDOSUEZ	CHICAGO	IL	9.	101036.	
1080.	63.	INDOSUEZ BANK INTL	HOUSTON	TX	21.	2510.	12 = NY Investment Company
1080.	63.	BANQUE INDOSUEZ	LOS ANGELES	CA	9.	17460.	
1080.	98.	CREDIT COMMERCIAL DE FRANCE	NEW YORK	NY	9.	446709.	
1080.	126.	BANQUE PARIBAS	NEW YORK	NY	9.	963764.	21 = Edge Act Corp.
1080.	126.	BANQUE PARIBAS	MIAMI	FL	11.	13995.	
1080.	126.	BANQUE PARIBAS	CHICAGO	IL	9.	167364.	
1080.	126.	BNQ DE PARIS ET DES INTY CO	HOUSTON	TX	21.	9555.	
1080.	126.	BANQUE PARIBAS	LOS ANGELES	CA	11.	356447.	
1080.	136.	BANQUE DE L'UNION EUROPEENNE	NEW YORK	NY	9.	114990.	
1080.	140.	SOCIETE GENERALE	NEW YORK	NY	9.	1295096.	
1080.	140.	SOCIETE GENERALE	CHICAGO	IL	9.	103867.	
1080.	140.	SOCIETE GENERALE	LOS ANGELES	CA	9.	53411.	
1080.	146.	CAISSE NAT DE CRED AGRICOLE	CHICAGO	IL	9.	299355.	
1080.	177.	BANQUE WORMS	NEW YORK	NY	9.	103372.	
1080.	222.	CREDIT DU NORD	NEW YORK	NY	9.	347417.	
1100.	75.	WESTDEUTSCHE LANDESBANK	NEW YORK	NY	9.	821546.	
1100.	165.	HESSISCHE LANDESBANK GR'TLE	NEW YORK	NY	9.	87229.	
1100.	188.	BAY LANDESBK GIRZNTL	NEW YORK	NY	9.	288270.	
1120.	4.	NATIONAL BANK OF GREECE SA	BOSTON	MA	9.	28770.	
1120.	4.	ATLANTIC BANK OF NEW YORK	NEW YORK	NY	1.	482455.	
1120.	4.	NATIONAL BANK OF GREECE SA	CHICAGO	IL	9.	38420.	
1150.	5.	LONG ISLAND TRUST COMPANY NA	GARDEN CITY	NY	1.	1144311.	
1150.	5.	BANCA COMMERCIALE ITALIANA	NEW YORK	NY	9.	1785054.	
1150.	5.	BANCA COMMERCIALE ITALIANA	CHICAGO	IL	9.	566716.	
1150.	5.	BANCA COMM'L ITALIANA AGENCY	LOS ANGELES	CA	11.	190676.	
1150.	6.	BANCA NAZIONALE DEL LAVORO	NEW YORK	NY	9.	1424905.	
1150.	6.	BANCA NAZIONALE DEL LAVORO	MIAMI	FL	11.	89900.	
1150.	6.	NAZIONALE DEL LAVORO	ATLANTA	GA	11.	165810.	
1150.	6.	BANCA NAZIONALE DEL LAVORO	CHICAGO	IL	9.	324003.	
1150.	6.	BANCA NAZIONALE DEL LAVORO	LOS ANGELES	CA	11.	246090.	
1150.	7.	BANCO DI NAPOLI NEW YORK	NEW YORK	NY	9.	896099.	
1150.	8.	BANCO DI ROMA	NEW YORK	NY	9.	1275123.	
1150.	8.	BANCO DI ROMA (CHICAGO)	CHICAGO	IL	1.	168376.	
1150.	8.	BANCO DI ROMA	CHICAGO	IL	9.	514592.	
1150.	8.	BANCO DI ROMA AGENCY	SAN FRANCISCO	CA	11.	423293.	
1150.	59.	CREDITO ITALIANO	NEW YORK	NY	9.	798153.	
1150.	59.	CREDITO ITALIANO AGENCY	LOS ANGELES	CA	11.	216514.	
1150.	115.	BANCO DI SICILIA	NEW YORK	NY	9.	391154.	
1150.	163.	IST BANC SAN PAOLO TORINO	NEW YORK	NY	11.	673146.	
1150.	163.	IST BANC SAN PAOLO TORINO	LOS ANGELES	CA	9.	122558.	
1150.	163.	FIRST LOS ANGELES BANK	LOS ANGELES	CA	1.	392649.	
1231.	134.	BANCO PORTUGUES DO ATLANTICO	NEW YORK	NY	13.	129931.	

1.	2.	3.	4.	5.	6.	7.
1231.	138.	BANCO TOTTA & ACORES	NEW YORK	NY	11.	161844.
1231.	138.	BANCO TOTTA & ACORES	SAN FRANCISCO	CA	11.	11565.
1250.	122.	EXTEBANK	STONY BROOK	NY	1.	318899.
1250.	122.	BANK OF EXTERIOR DE ESPANA	MIAMI	FL	11.	209327.
1250.	122.	BANCO EXTERIOR DE ESPANA SA	LOS ANGELES	CA	11.	75857.
1250.	227.	BANESTO BANKING CORPORATION	NEW YORK	NY	12.	122601.
1250.	227.	BANCO ESPANOL DE CREDITO SA	MIAMI	FL	11.	44464.
3010.	60.	BANCO DE LA NACION ARGENTINA	NEW YORK	NY	9.	977976.
3010.	60.	BANCO DE LA NACION ARG AGNCY	MIAMI	FL	11.	45011.
3010.	60.	BANCO DE LA NACION ARGENTINA	CHICAGO	IL	9.	173553.
3010.	60.	BANCO DE LA NACION ARG AGNCY	SAN FRANCISCO	CA	11.	206868.
3030.	9.	BANCO DO BRAZIL SA	NEW YORK	NY	9.	388037.
3030.	9.	BANCO DO BRAZIL SA AGENCY	MIAMI	FL	11.	60051.
3030.	9.	BANCO DO BRAZIL SA AGENCY	LOS ANGELES	CA	11.	621432.
3030.	9.	BANCO DO BRAZIL SA AGENCY	SAN FRANCISCO	CA	11.	864536.
3030.	9.	BANCO DO BRAZIL SA AGENCY	NEW YORK	NY	11.	175002.
3030.	61.	BANCO DO ESTADO DE SAO PAULO	MIAMI	FL	11.	104944.
3030.	61.	BANCO DO ESTADO DE SAO PAULO	LOS ANGELES	CA	11.	129907.
3030.	61.	BANCO DO ESTADO DE SAO PAULO	SAN FRANCISCO	CA	11.	111757.
3030.	194.	BCO DO EST DO RIO DE JNRO	NEW YORK	NY	9.	66853.
3030.	216.	BCO ESTADO RIO GRANDE SUL	NEW YORK	NY	9.	6716.
3170.	10.	BANCO NACL DE MEXICO AGENCY	NEW YORK	NY	11.	934898.
3170.	10.	CALIFORNIA COMMERCE BANK	LOS ANGELES	CA	1.	208983.
3170.	10.	BANCO NACL DE MEXICO AGENCY	LOS ANGELES	CA	11.	97188.
3170.	64.	BANCOMER SA AGENCY	NEW YORK	NY	11.	981185.
3170.	64.	GROSSMONT BANK	LA MESA	CA	1.	145154.
3170.	64.	BANCOMER SA AGENCY	LOS ANGELES	CA	11.	204295.
3170.	130.	BANCA SERFIN SA AGENCY	NEW YORK	NY	11.	140909.
3170.	130.	BANCA SERFIN SA AGENCY	LOS ANGELES	CA	11.	179522.
3170.	148.	MULTIBANCO COMERMEX SA AGCY	NEW YORK	NY	11.	207580.
3170.	148.	MULTIBANCO COMERMEX SA AGCY	LOS ANGELES	CA	11.	146884.
3170.	172.	BANCO INTERNCAL SA	NEW YORK	NY	11.	165406.
3170.	185.	BANCO MEXICANO SA	NEW YORK	NY	11.	102179.
3188.	215.	BNCO NACIONAL DE PANAMA	NEW YORK	NY	13.	23539.
3260.	187.	BANCO REP ORNT URUGUAY	NEW YORK	NY	9.	37291.
3271.	78.	BANCO IND DE VENEZUELA CA	NEW YORK	NY	11.	407398.
3271.	78.	BANCO IND DE VENEZUELA CA	MIAMI	FL	11.	60438.
4070.	162.	GULF INTL BANK BSC	NEW YORK	NY	9.	142896.
4140.	193.	BANK OF CHINA	NEW YORK	NY	9.	562349.
4210.	48.	STATE BANK OF INDIA	NEW YORK	NY	9.	73454.
4210.	48.	STATE BANK OF INDIA	CHICAGO	IL	9.	25787.
4210.	48.	STATE BANK OF INDIA (CALIF)	LOS ANGELES	CA	1.	6546.
4210.	48.	STATE BANK OF INDIA AGENCY	LOS ANGELES	CA	11.	49708.
4210.	116.	BANK OF INDIA	NEW YORK	NY	9.	45759.
4210.	116.	BANK OF INDIA AGENCY	SAN FRANCISCO	CA	11.	45818.
4210.	142.	BANK OF BARODA	NEW YORK	NY	9.	14288.
4230.	14.	BANK MELLI IRAN AGENCY	NEW YORK	NY	11.	17604.
4230.	14.	BANK MELLI IRAN AGENCY	SAN FRANCISCO	CA	11.	9676.
4230.	120.	BANK SEPAH IRAN AGENCY	NEW YORK	NY	11.	249.
4300.	38.	KOREA EXCHANGE BANK	NEW YORK	NY	9.	551319.
4300.	38.	KOREA EXCHANGE BANK	CHICAGO	IL	9.	74771.
4300.	38.	CALIFORNIA KOREA BANK	LOS ANGELES	CA	1.	139085.
4300.	38.	KOREA EXCHANGE BANK AGENCY	LOS ANGELES	CA	11.	121712.
4300.	38.	KOREA EXCHANGE BANK	SEATTLE	WA	9.	64033.
4300.	119.	CHO-HUENG BANK LTD	NEW YORK	NY	9.	128157.
4300.	119.	CHO-HUENG BANK LTD AGENCY	SAN FRANCISCO	CA	11.	202646.
4360.	139.	BK BUMIPUTRA MALAYSIA BERHAD	NEW YORK	NY	9.	146421.
4360.	139.	BK BUMIPUTRA MALAYSIA BERHAD	LOS ANGELES	CA	11.	81050.
4470.	31.	HABIB BANK	NEW YORK	NY	9.	28750.
4470.	42.	NATIONAL BANK OF PAKISTAN	NEW YORK	NY	9.	260323.
4470.	42.	NATIONAL BANK OF PAKISTAN	WASHINGTON	DC	9.	67145.

			IL	9.	6914.
4470.	42.	NATIONAL BANK OF PAKISTAN	CHICAGO	9.	19375.
4470.	101.	UNITED BANK LIMITED	NEW YORK	9.	22790.
4480.	44.	PHILIPPINE NATIONAL BANK	NEW YORK	9.	49106.
4480.	44.	PHILIPPINE NATIONAL BANK	LOS ANGELES	9.	641.
4480.	44.	PHILIPPINE NATL BANK AGENCY	HONOLULU	11.	62290.
4641.	145.	SIAM COMMERCIAL BANK LTD	NEW YORK	13.	17903.
4641.	145.	SIAM COMMERCIAL BANK LIMITED	LOS ANGELES	9.	155726.
4641.	210.	KRUNG THAI BANK LIMITED	NEW YORK	9.	173873.
4660.	167.	ABU DHABI INTL BK INC	WASHINGTON	9.	161171.
6008.	127.	CMNWLTH TRD BK OF AUSTRLA	NEW YORK	9.	104878.
6008.	127.	CMNWLTH TR BK OF AUST AGENCY	LOS ANGELES	11.	57107.
6168.	133.	BANK OF NEW ZEALAND	NEW YORK	9.	29441.
6168.	133.	BANK OF NEW ZEALAND AGENCY	LOS ANGELES	11.	

ATTACHMENT B

FOREIGN GOVERNMENT-OWNED BANKS' HOME STATES

<u>FOREIGN BANK</u>	<u>HOME STATE</u>
<u>FRANCE</u>	
1. Banque De L'Union Europeenne	New York
2. Banque Nationale De Paris	New York
3. Credit Lyonnais	California
4. Banque De L'Indochine & De Suez	New York
5. Credit Industriel et Commercial	New York
6. Banque Indosuez	New York
7. Credit Commercial De France	New York
8. Banque Paribas	New York
9. Societe Generale	New York
10. Caisse National De Credit Agricole	Illinois
11. Banque Worms	New York
12. Credit Du Nord	New York
<u>GERMANY</u>	
1. Westdeutsche Landesbank	New York
2. Hessische Landesbank Girozentrale	New York
3. Bay Landesbank Girozentrale	New York
<u>GREECE</u>	
1. National Bank of Greece S.A.	Massachusetts
<u>ITALY</u>	
1. Banca Commerciale Italiana	New York
2. Banca Nazionale Del Lavoro	New York
3. Banco di Napoli	New York
4. Banco di Roma	New York
5. Credito Italiano	New York
6. Banco Di Sicilia	New York
7. Istituto Bancario San Paolo di Torino	California
<u>PORTUGAL</u>	
1. Banco Portugues Do Atlantico	New York
2. Banco Totta & Acores	None [*] /

^{*}/ A foreign bank that does not operate a domestic branch or subsidiary bank in the United States is not required to choose a home state.

SPAIN

- | | |
|----------------------------------|----------|
| 1. Banco Exterior De Espana S.A. | New York |
| 2. Banco Espanol De Credito S.A. | None |

ARGENTINA

- | | |
|---------------------------------|----------|
| 1. Banco De La Nacion Argentina | New York |
|---------------------------------|----------|

BRAZIL

- | | |
|--------------------------------------|------------|
| 1. Banco Do Brazil S.A. | California |
| 2. Banco Do Estado De Sao Paulo | None |
| 3. Banco Do Estado Do Rio De Janeiro | New York |
| 4. Banco Estado Rio Grande Sul | New York |

MEXICO

- | | |
|-----------------------------|------------|
| 1. Banco Nacional De Mexico | California |
| 2. Bancomer S.A. | California |
| 3. Banca Serfin S.A. Agency | None |
| 4. Multibanco Comermex S.A. | None |
| 5. Banco Internacional S.A. | None |
| 6. Banco Mexicano S.A. | None |

PANAMA

- | | |
|-----------------------------|----------|
| 1. Banco Nacional De Panama | New York |
|-----------------------------|----------|

URUGUAY

- | | |
|----------------------------|----------|
| 1. Banco Rep. Ornt Uruguay | New York |
|----------------------------|----------|

VENEZUELA

- | | |
|--------------------------------|------|
| 1. Banco Ind De Venezuela C.A. | None |
|--------------------------------|------|

BAHRAIN

- | | |
|--------------------------------|----------|
| 1. Gulf International Bank BSC | New York |
|--------------------------------|----------|

PEOPLE'S REPUBLIC OF CHINA

- | | |
|------------------|----------|
| 1. Bank of China | New York |
|------------------|----------|

INDIA

- | | |
|------------------------|----------|
| 1. State Bank of India | New York |
| 2. Bank of India | New York |
| 3. Bank of Baroda | New York |

IRAN

- | | |
|--------------------|------|
| 1. Bank Melli Iran | None |
| 2. Bank Sepah Iran | None |

KOREA

- | | |
|------------------------|----------|
| 1. Korea Exchange Bank | New York |
| 2. Cho-Hueng Bank Ltd | New York |

MALAYSIA

- | | |
|-----------------------------------|----------|
| 1. Bank Bumiputra Malaysia Berhad | New York |
|-----------------------------------|----------|

PAKISTAN

- | | |
|------------------------------|----------|
| 1. Habib Bank | New York |
| 2. National Bank of Pakistan | New York |
| 3. United Bank Limited | New York |

PHILIPPINES

- | | |
|-----------------------------|------------|
| 1. Philippine National Bank | California |
|-----------------------------|------------|

THAILAND

- | | |
|-----------------------------|------------|
| 1. Siam Commercial Bank Ltd | California |
| 2. Krung Thai Bank Limited | New York |

UNITED ARAB EMIRATES

- | | |
|--------------------------------------|----------------------|
| 1. Abu Dhabi International Bank Inc. | Washington,
D. C. |
|--------------------------------------|----------------------|

AUSTRALIA

- | | |
|---|----------|
| 1. Commonwealth Trade Bank of Australia | New York |
|---|----------|

NEW ZEALAND

- | | |
|------------------------|----------|
| 1. Bank of New Zealand | New York |
|------------------------|----------|

October 27, 1983

The Honorable Robert J. Lagomarsino
House of Representatives
Washington, D. C. 20515

Dear Mr. Lagomarsino:

Thank you for your letter of October 4 requesting comment on correspondence you received from your constituent, Mr. Armand G. Martone, who is questioning the method used to compute interest on U.S. Plan Retirement Bonds.

As fiscal agent for the United States, the Federal Reserve Bank of San Francisco, Los Angeles Branch, is required to compute interest as prescribed by the Department of the Treasury. Accordingly, we have forwarded your request to Mr. William M. Gregg, Commissioner of the Public Debt.

I am sure you will be hearing from Mr. Gregg shortly. Please let me know if I can be of further assistance.

Sincerely,

(Signed) Donald J. Winn

Donald J. Winn
Assistant to the Board

cc: Mr. William M. Gregg
Commissioner of the Public Debt

MLB:CO:vcd (V-202, 83-211)
bcc: Mr. Bermudez
Mrs. Mallardi ✓

Action assigned Mr. Farnsworth

ROBERT J. LAGOMARSINO
19TH DISTRICT, CALIFORNIA

2332 RAYBURN BUILDING
WASHINGTON, D.C. 20515
202-225-3601

CONFERENCE SECRETARY

Congress of the United States
House of Representatives
Washington, D.C. 20515

October 4, 1984

H202

COMMITTEE ON
FOREIGN AFFAIRS
SUBCOMMITTEE
WESTERN HEMISPHERE AFFAIRS
RANKING MINORITY MEMBER
COMMITTEE ON
INTERIOR AND INSULAR
AFFAIRS
SUBCOMMITTEES:
INSULAR AFFAIRS
RANKING MINORITY MEMBER
PUBLIC LANDS AND NATIONAL PARKS

Paul A. Volcker
Chairman
Federal Reserve Board
Constitution and 21st
Washington, D.C. 20551

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 OCT 11 AM 9:22
RECEIVED
OFFICE OF THE CHAIRMAN

Dear Mr. Volcker:

Please find enclosed a letter from my constiutent,
Armand G. Martone, who is having difficulties with the
Federal Rerserve bank of San Francisco.

I would appreciate any assistance your office could
provide for Mr. Martone.

Thank you.

Sincerely,

[Handwritten Signature]
ROBERT J. LAGOMARSINO
Member of Congress

RJL;klm
encl.

SUITE 101
5740 RALSTON
VENTURA, 93003
642-2200/656-4344

STUDIO 121 EL PASEO
814 STATE STREET
SANTA BARBARA, 93101
963-1708

120 WEST CYPRESS
POST OFFICE BLDG.
SANTA MARIA, 93454
922-2131

August 23, 1983

Mr. Michael Wootton
Administrative Assistant
Office of Representative Robert J. Lagomarsino
2332 Rayburn Building
Washington, D. C. 20515

Dear Mr. Wootton:

Reference is made to attached copy of your letter dated August 18, 1983, letting me know that the Government Securities Office of the Federal Reserve Bank of San Francisco refuses to disclose how they computed interest in connection with the redemption of my U. S. Retirement Bonds and suggesting that I compute the interest myself.

Well, I have computed interest, as per the attached schedule, using their own Table C, and I come up with 156.26 shortage.

Therefore I'm going to insist that they produce their interest computation figures, which they had to compute in the first place and which computations they could easily have inserted in the schedule I mailed them with the bonds. Putting their computed interest figures on said schedule at time of computation would have taken only a few more minutes, so their excuse of lack of personnel is not acceptable.

Will you please carry the ball for me on this matter since I don't even receive the courtesy of a reply to my letters to them. Thank you very much.

Sincerely yours,

Armand G. Martone

Armand G. Martone


ROBERT J. LAGOMARSINO
19TH DISTRICT, CALIFORNIA

2332 RAYBURN BUILDING
WASHINGTON, D.C. 20515
202-225-3601

ASSISTANT REGIONAL WHIP, PLAINS AND
WESTERN STATES

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON
FOREIGN AFFAIRS
SUBCOMMITTEES:
INTERNATIONAL ECONOMIC POLICY
AND TRADE
RANKING MINORITY MEMBER
INTER-AMERICAN AFFAIRS
COMMITTEE ON
INTERIOR AND INSULAR
AFFAIRS
SUBCOMMITTEES:
INSULAR AFFAIRS
RANKING MINORITY MEMBER
PUBLIC LANDS AND NATIONAL PARKS

August 18, 1983

Mr. Armand G. Martone
[REDACTED]
[REDACTED]

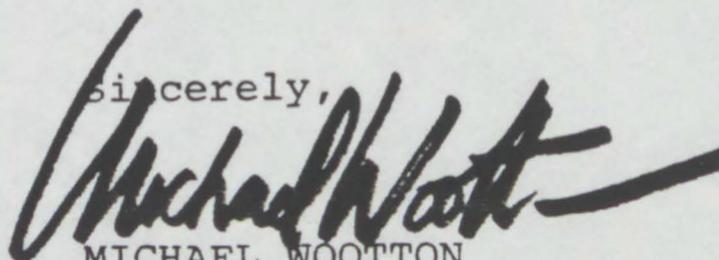
Dear Mr. Martone:

While Congressman Lagomarsino is in California for the summer recess, it is my pleasure to acknowledge your letter concerning your U.S. Retirement Bonds.

On your behalf I have contacted the Government Securities Office of the Federal Reserve Bank of San Francisco in San Francisco. They informed me all government bonds, except E and EE Bonds, are redeemed at face value. If you subtract the total face value of all your bonds from the total amount of the check, then you will have the total amount of interest paid on the bonds. They said they are sorry that they do not have available personnel to break down payments on bonds into principal and interest paid for each bond.

If you have any questions concerning other Federal matters, please do not hesitate to contact the Congressman.

Sincerely,



MICHAEL WOOTTON
Administrative Assistant

MW: smh

REGULATIONS GOVERNING UNITED STATES RETIREMENT PLAN BONDS

1974
Third Amendment to
Department Circular
Public Debt Series No. 1-63
Dated January 10, 1963
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT
Washington, January 30, 1974

Section 341.1 (a) of Department of the Treasury Circular, Public Debt Series No. 1-63, dated January 10, 1963, as amended (31 CFR Part 341), is hereby further amended to read as follows:

Sec. 341.1. *Description of bonds.* - (a) *Investment yield (interest).* United States Retirement Plan Bonds, hereinafter sometimes referred to as Retirement Plan Bonds, will be issued at par. The investment yields (interest) are as follows:

- (1) Bonds with issue dates of January 1, 1963, through May 1, 1966 - 3¾ percent per annum, compounded semiannually. (See table of redemption values appended to the circular.)
- (2) Bonds with issue dates of June 1, 1966, through December 1, 1969 - 4.15 percent per annum, compounded semiannually. (See Table A, appended to the First Amendment of the circular.)
- (3) Bonds with the issue dates of January 1, 1970, through January 1, 1974 - 5 percent per annum, compounded semiannually. (See Table B, appended to the Second Amendment of the circular.)
- (4) Bonds with the issue date of February 1, 1974, or thereafter - 6 percent per annum, compounded semiannually. (See Table C, appended to this amendment.)

The interest will be paid only upon redemption of the bonds. The accrual of interest will continue until the bonds have been redeemed or have reached maturity, whichever is earlier, in accordance with these regulations.

The foregoing amendment was effected under authority of the Second Liberty Bond Act, as amended (40 Stat. 288, as amended; (31 U.S.C. 752, et seq.)), and 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as the fiscal policy of the United States is involved.

JOHN K. CARLOCK
Fiscal Assistant Secretary of the Treasury.

TABLE C

TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 6 PERCENT PER ANNUM FOR BONDS BEARING
ISSUE DATES BEGINNING FEBRUARY 1, 1974

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning February 1, 1974. The redemption values have been determined to provide an investment yield of approximately 6 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of Sec. 341.1(b) of this circular.

Issue price.....	\$50.00	\$100.00	\$500.00	\$1,000.00
Period after issue date	Redemption values during each half-year period (values increase on first day of period shown)			
First ½ year.....	\$50.00	\$100.00	\$500.00	\$1,000.00
½ to 1 year.....	51.50	103.00	515.00	1,030.00
1 to 1½ years.....	53.05	106.10	530.50	1,061.00
1½ to 2 years.....	54.64	109.28	546.40	1,092.80
2 to 2½ years.....	56.28	112.54	562.80	1,125.60
2½ to 3 years.....	57.96	115.92	579.60	1,159.20
3 to 3½ years.....	59.70	119.40	597.00	1,194.00
3½ to 4 years.....	61.49	122.98	614.90	1,229.80
4 to 4½ years.....	63.34	126.68	633.40	1,266.80
4½ to 5 years.....	65.24	130.48	652.40	1,304.80
5 to 5½ years.....	67.20	134.40	672.00	1,344.00
5½ to 6 years.....	69.21	138.42	692.10	1,384.20
6 to 6½ years.....	71.29	142.58	712.90	1,425.80
6½ to 7 years.....	73.43	146.86	734.30	1,468.60
7 to 7½ years.....	75.63	151.26	756.30	1,512.60
7½ to 8 years.....	77.90	155.80	779.00	1,558.00
8 to 8½ years.....	80.24	160.48	802.40	1,604.80
8½ to 9 years.....	82.64	165.28	826.40	1,652.80
9 to 9½ years.....	85.12	170.24	851.20	1,702.40
9½ to 10 years.....	87.68	175.36	876.80	1,753.60
10 to 10½ years.....	90.31	180.62	903.10	1,806.20
10½ to 11 years.....	93.01	186.02	930.10	1,860.20
11 to 11½ years.....	95.81	191.52	958.10	1,916.20
11½ to 12 years.....	98.68	197.16	986.80	1,973.60
12 to 12½ years.....	101.64	202.98	1,016.40	2,032.80
12½ to 13 years.....	104.69	208.98	1,046.90	2,093.80
13 to 13½ years.....	107.83	215.16	1,078.30	2,156.60
13½ to 14 years.....	111.06	222.12	1,110.60	2,221.20
14 to 14½ years.....	114.40	228.80	1,144.00	2,288.00
14½ to 15 years.....	117.83	235.66	1,178.30	2,356.60
15 to 15½ years.....	121.36	242.72	1,213.60	2,427.20
15½ to 16 years.....	125.00	250.00	1,250.00	2,500.00
16 to 16½ years.....	128.75	257.50	1,287.50	2,575.00
16½ to 17 years.....	132.62	265.24	1,326.20	2,652.40
17 to 17½ years.....	136.60	273.20	1,366.00	2,732.00
17½ to 18 years.....	140.69	281.38	1,406.90	2,813.80
18 to 18½ years.....	144.91	289.82	1,449.10	2,896.20
18½ to 19 years.....	149.26	298.52	1,492.60	2,985.20
19 to 19½ years.....	153.74	307.48	1,537.40	3,074.80
19½ to 20 years.....	158.35	316.70	1,583.50	3,167.00
20 to 20½ years.....	163.10	326.20	1,631.00	3,262.00

† Based on redemption values of \$1,000 bond.

August 9, 1983

Hon. Robert J. Lagomarsino 406 2 '83
19th Congressional District
2332 Rayburn Building
Washington, D. C. 20515

Dear Representative Lagomarsino:

Approaching the dead-line age of 70½ years, I cashed in some U. S. Retirement Bonds through the Los Angeles Branch of the Federal Reserve Bank of San Francisco.

With the bonds I submitted, 4/15/83, a schedule like the attached, asking them to fill in the interest earned for each bond.

They sent one check for all of the bonds plus interest - but no break-down as to principal and interest for each bond.

I wrote a follow-up letter and mailed them another fill-in schedule several weeks ago - but still no response.

So I'm writing to ask what you can do to get the information for me. I know they had to compute interest on each bond in order to arrive at the total for which they mailed me a check. All I'm asking for are those computed figures.

Thank you very much.

Respectfully yours,

Armand G. Martone

Armand G. Martone


Removal Notice



The item(s) identified below have been removed in accordance with FRASER's policy on handling sensitive information in digitization projects due to personally identifiable information.

Citation Information

Document Type: Financial record

Number of Pages Removed: 1

Citations: Retirement bond numbers, dates, and amounts, Armand G. Martone, 1983.

PAUL S. TRIBLE, JR.
VIRGINIA



UNITED STATES SENATE
WASHINGTON, D. C. 20510

October 26, 1983

Dear Paul,

I sincerely appreciate your taking time from your busy schedule to address my banking advisory committee on Friday. Your remarks were extremely well received and there was much favorable comment following the session.

Your participation helped make the day a huge success and I know the committee members benefited from your insights into the Fed and the economy.

Again, many thanks. Please let me know whenever I can be of assistance to you.

Best wishes,

Paul

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1983 OCT 31 AM 10:39

RECEIVED
OFFICE OF THE CHAIRMAN

October 26, 1983

The Honorable John C. Stennis
United States Senate
Washington, D. C. 20510

Dear Senator Stennis:

Thank you for your letter of October 6 recommending Ms. Cornelia Vaughn Jordan for employment with the Federal Reserve Board and providing us with information regarding her qualifications.

Ms. Linda C. Inman of our Division of Personnel has contacted Ms. Jordan and arranged for her to interview with a staff member in the Board's Division of International Finance. Ms. Inman will contact her directly regarding the status of the interview.

We appreciate having your recommendation on behalf of Ms. Jordan.

Sincerely,

S/ Paul A. Volker

LI:CO:vcd (V-201, 83210)

bcc: Ms. Inman
Mrs. Mallardi (2) ✓

MARK O. HATFIELD, OREG., CHAIRMAN

TED STEVENS, ALASKA
LOWELL P. WEICKER, JR., CONN.
JAMES A. MC CLURE, IDAHO
PAUL LAXALT, NEV.
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MACK MATTINGLY, GA.
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ARLEN SPECTER, PA.
PETE V. DOMENICI, N. MEX.

JOHN C. STENNIS, MISS.
ROBERT C. BYRD, W. VA.
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WALTER D. HUDDLESTON, KY.
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JIM SASSER, TENN.
DENNIS DE CONCINI, ARIZ.
DALE BUMPERS, ARK.

J. KEITH KENNEDY, STAFF DIRECTOR
FRANCIS J. SULLIVAN MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

October 6, 1983

#201

RECEIVED
OFFICE OF THE CHAIRMAN
1983 OCT 11 AM 9:29
FEDERAL RESERVE SYSTEM
OF THE
BOARD OF GOVERNORS

Honorable Paul A. Volcker, Chairman
Board of Governors of the
Federal Reserve System
Constitution Avenue at 21st Street
Washington, D.C. 20551

Dear Mr. Chairman:

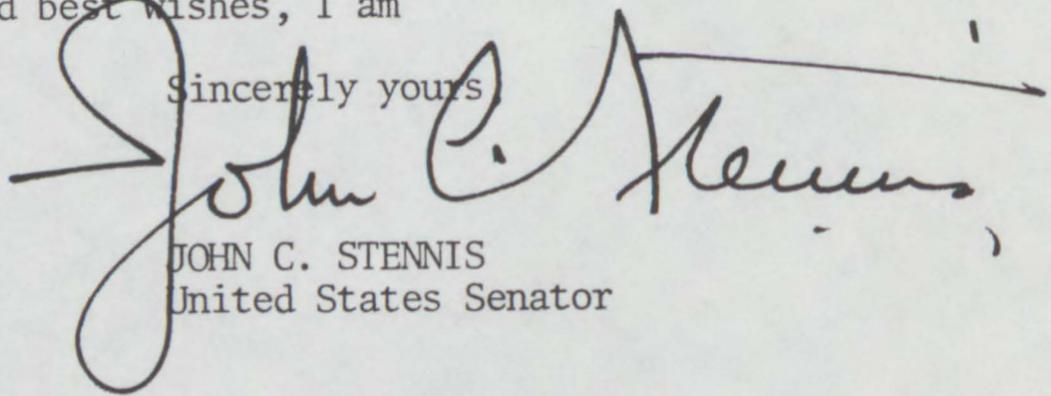
I would appreciate it very much if you would consider the employment of Miss Vaughn Jordan, an outstanding young woman from Mississippi. Miss Jordan recently graduated from Mississippi State University Magna Cum Laude, with major course work in economics and political science.

As the attached resume reflects, she has demonstrated superior personal qualities by her achievements in many fields. Noteworthy is her class ranking of 13 out of 159 in the May, 1983 class, and her knowledge of Spanish and computer programming. She worked as a Congressional Intern in former Congressman David Bowen's office, and received high praise for her research work and analysis of the Fiscal Year 1983 Budget.

Miss Jordan has special interests in the field of economic policy, and I believe would very much benefit by the guidance and counseling of the professionals in the Federal Reserve organization.

With warmest regards and best wishes, I am

Sincerely yours



JOHN C. STENNIS
United States Senator

JCS:jlw
Enclosure: a/s

cc: Mr. Anthony F. Cole
Special Assistant to the
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Removal Notice



The item(s) identified below have been removed in accordance with FRASER's policy on handling sensitive information in digitization projects due to personally identifiable information.

Citation Information

Document Type: Resume

Number of Pages Removed: 2

Citations: Resume, Cornelia Vaughn Jordan, 1983.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

October 26, 1983

The Honorable Pete V. Domenici
United States Senate
Washington, D. C. 20510

Dear Senator Domenici:

Thank you for your letter of October 5 requesting comment on the enclosed letter and article submitted to you by Mr. W. W. McClellan concerning the issuance of currency and the financing of the public debt.

It is important to point out that there is no connection between the financing of the public debt and the issuing of Federal Reserve notes. The U.S. Treasury receives its funds from two sources--taxes and borrowing--and does not finance its deficits by borrowing from the Federal Reserve. Federal law does not permit the Treasury to borrow directly from the Federal Reserve. When it is necessary to raise funds, the Department of the Treasury sells Treasury bills, notes, or bonds to the general public. The Treasury is not permitted to sell these obligations directly to the Federal Reserve. The Federal Reserve, however, in conducting its monetary policy operations, may purchase such obligations in the secondary market from others who may have purchased them directly from the Treasury. Similarly, the Federal Reserve also may sell these securities on the open market at any time, again depending on current monetary policy. These transactions are intended to influence member bank reserves, as is described in more detail in the enclosed booklet, "The Federal Reserve System--Purposes and Functions".

It should be noted also that the Federal Reserve is not the sole owner of the Federal debt and held only 11.6 percent of the total public debt of the United States as of September 1983. The balance of the debt is held by private investors or individuals, commercial banks, insurance companies, and other investors who have purchased Treasury bills, notes, bonds or other securities. While the Federal Reserve does receive interest on the government debt obligations it holds, it should also be noted that the Federal Reserve is not operated for a profit. The Federal Reserve returns all earnings (including interest received on government debt obligations) in excess of expenses to the U.S. Treasury; in calendar year 1982 payments to the Treasury by the Federal Reserve amounted to more than \$15 billion. In recent years, the Federal Reserve has turned over to the Treasury about 90 percent of total earnings.

The Honorable Pete V. Domenici
Page Two

The Federal Reserve did not pay any income tax in 1982 because Congress has exempted the Reserve Banks from Federal, State and local taxation, except for taxes on real estate (12 U.S.C. 531). However, this tax exemption does not increase the profits of the Federal Reserve because, as discussed above, each year the Federal Reserve returns virtually all earnings in excess of expenses to the U.S. Treasury.

With respect to the issuance of Federal Reserve notes, which constitute the bulk of the nation's currency, I hope Mr. McClellan will find the following information useful.

Section 16 of the Federal Reserve Act (12 U.S.C. § 411) provides that Federal Reserve notes may be issued at the discretion of the Board of Governors. In fact, Federal Reserve notes are issued in response to the public's growing needs for currency. As the economy expands, currency is needed by the public in order to carry out transactions. Virtually all of the new currency issued is put in circulation to facilitate the public's need for cash. The amount of notes that may be issued is not unlimited. For example, the amount of notes in circulation is constrained by Section 16 of the Federal Reserve Act, which requires that Federal Reserve notes be backed by collateral security with a value at least equal to the notes issued. The Federal Reserve Act also specifies the types of collateral that are acceptable.

In actual practice, the Federal Reserve System distributes Federal Reserve notes in the following manner:

a. Federal Reserve notes are printed at the Bureau of Engraving and Printing in Washington, D. C., as directed by the Comptroller of the Currency, an office of the United States Treasury Department. The Federal Reserve pays the costs of printing the notes, which is currently about two cents per note.

b. Upon request of the Board of Governors, the Comptroller of the Currency orders the shipment of notes to the Federal Reserve agent at a Reserve Bank. The agent, who is a representative of the Board of Governors, holds the notes until they are requested by the Reserve Bank.

c. When the Reserve Bank obtains the notes, it holds them in its vaults until they are requested by depository institutions.

d. Each time a depository institution orders notes, the Reserve Bank charges the amount to the ordering bank's account with the Reserve Bank and the Reserve Bank increases its

The Honorable Pete V. Domenici
Page Three

net liability for Federal Reserve notes outstanding. When the notes are sent to the requesting institution, Reserve Banks are required to pledge collateral with the Federal Reserve agent in an amount equal to the sum of notes sent.

e. Members of the public receive Federal Reserve notes when they cash checks or make withdrawals from depository institutions. When the public has on hand more notes than currently needed, they deposit the excess with depository institutions, and the process just described reverses itself.

From this description, it is clear that the issuance of Federal Reserve notes does not involve lending the notes back to the government.

Mr. McClellan's letter suggests that the U.S. Treasury should issue the nation's currency, and exercise control over the nation's money supply. However, the Federal Reserve Act of 1913 sought to prevent such a practice precisely because of its potential for inflationary consequences. The quasi-independent nature of the Federal Reserve helps to give the nation's monetary authority insulation from short-term political or partisan pressures. Such pressures otherwise could result in the temptation to use the government's money-creating authority to finance government expenditures. To avoid this pitfall, Congress established an independent monetary authority and deliberately insulated the Federal Reserve from such pressures.

In closing, I think it is important to point out that although the Board is an independent agency, the Congress does have ultimate authority over the Federal Reserve and oversees the activities of the System through relevant committees. The Board is required by law to make an annual report to the Congress, and members of the Board, especially the Chairman, are called upon frequently to testify before Congressional committees. Moreover, the general goals of the Federal Reserve have been set forth in the Full Employment and Balanced Growth Act of 1978, in which Congress laid out for the Federal Reserve, as well as for the President, the directives of promoting full employment, balanced growth of real income, adequate productivity growth, and reasonable price stability.

As further background on the System and Federal Reserve notes, I am enclosing five pamphlets on the structure of the Federal Reserve System and a pamphlet entitled "U.S. Currency", which may be of interest to Mr. McClellan.

The Honorable Pete V. Domenici
Page Four

I hope this information is useful. Please let me know
if I can be of further assistance.

Sincerely,

(Signed) Donald J. Winn
Donald J. Winn
Assistant to the Board

Enclosures

CO:DJW:vcd (V-199, 83190)

bcc: Mrs. Mallardi ✓

United States Senate

WASHINGTON, D.C. 20510

October 5, 1983

199

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 OCT -7 PM 1:05
RECEIVED
OFFICE OF THE CHAIRMAN

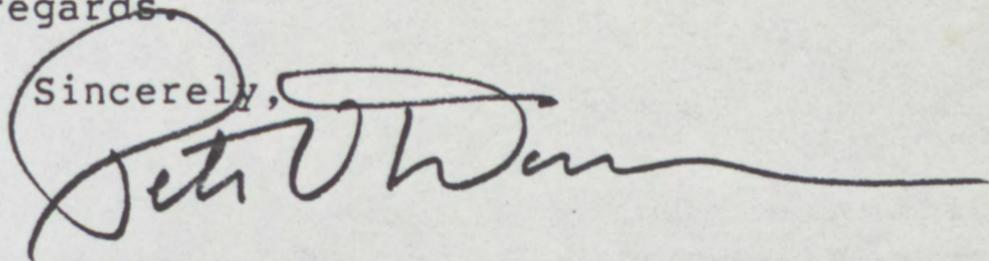
Mr. Paul Volcker
Chairman
Federal Reserve
20th & Constitution Avenue, NW
Washington, D.C. 20551

Dear Mr. Volcker:

Because of my desire to be responsive to all inquiries and communications directed to this office, and knowing that your objectives are similar in this regard, the attached communication is referred to you for consideration. I would very much appreciate your evaluating the information presented and taking whatever action is required to resolve the situation. At your earliest convenience, I would be grateful for your findings and views, in duplicate form. Please send your response to the attention of Pat White.

My warmest personal regards.

Sincerely,



Pete V. Domenici
United States Senator

PVD/fpw
Enclosure

September 13, 1983

Senator Pete V. Domenici
Senate Office Bldg.
Washington DC 20510

SEP 19 1 10 PM '83
OFFICE
PETE V. DOMENICI
WASHINGTON

Dear Senator Domenici:

I would appreciate your reaction to the following letter being sent to the Albuquerque Tribune by me for publication.

THE NON-FEDERAL RESERVE

The recent 'Truth in Money' bulletin entitled, 'The Debtless Printing Press' deserves consideration by all.

This bulletin explains very clearly how the Federal Reserve orders paper money from the Treasury's Bureau of Engraving and Printing, B.E.P., paying for the paper, ink and labor only, in any amount wanted. The Federal Reserve in turn loans checkbook money to the government at the prevailing rate of interest.

Why do we continue to let these 'money-changers' collect this interest and keep on increasing our national debt?]

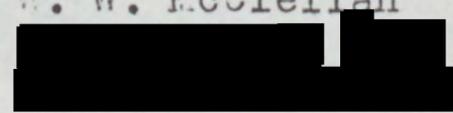
Our government should print its own money and stay out of debt; of course this would alienate a small segment of our society controlling the money and collecting interest at the expense of the rest of the nation.

Also, shouldn't the Federal Reserve be paying tax on this interest income?]

The worst part of all this money fiasco is that the general public is unaware of what goes on and purposely so.

A copy of this letter is being sent to all New Mexico congressmen.

W W McClellan
W. W. McClellan



Encl: 1

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The item(s) identified below have been removed in accordance with FRASER's policy on handling sensitive information in digitization projects due to copyright protections.

Citation Information

Document Type: Newsletter

Number of Pages Removed: 2

Citations: Freedom Through Truth Foundation. "The Principle of the Debtless Printing Press." *Truth In Money*, Bulletin No. 10, 1983.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

October 26, 1983

PAUL A. VOLCKER
CHAIRMAN

The Honorable Charles E. Grassley
United States Senate
Washington, D. C. 20510

Dear Senator Grassley:

Thank you for your letter of October 1 expressing your concern regarding the serious impact that the past summer's drought has had on the economic stability and viability of some agricultural and small business concerns throughout the country. Your letter suggests the need for coordinated efforts by government agencies and banking organizations to help alleviate the financial pressures that have been placed on farms and other agricultural-related borrowers. In particular, you request that the Federal Reserve assist in these efforts by taking steps to ensure that examinations of financial institutions having loans to farmers and others affected by the drought be conducted by examiners who are knowledgeable regarding the agricultural sector and that examiners be directed to work closely with banks that are attempting to help borrowers through this difficult period.

The Federal Reserve shares your concerns regarding the recent drought and is keenly aware that this problem, coupled with the general economic environment over the past several months, has resulted in financial pressures on farmers, small businesses and individuals. Most agricultural loans reviewed by System examiners are located in Federal Reserve Districts in the southern, midwestern and western sections of the United States. The Reserve Banks located in these areas have a profound and intimate understanding of the unique economic and financial conditions facing farmers and agricultural-related businesses.

With respect to the examination of farm sector banks, Federal Reserve System examiners receive training in evaluating agricultural loans and have considerable expertise and experience in dealing with the special economic and financial problems confronting farmers and small businesses. Because of this training and long experience in dealing with farm sector banks, Federal Reserve examiners are highly knowledgeable with respect to the farm situation and the particular circumstances that affect the financial condition of farmers and the quality of agricultural-related loans.

Federal Reserve examiners understand that financial pressures experienced by farm-related borrowers are, at times, reflected in increased delinquency rates and loan classifications in the portfolios of the nation's financial institutions.

The Honorable Charles E. Grassley
Page Two

Moreover, some borrowers who are experiencing financial difficulties may face the prospect of foreclosure on their homes and family farms, or the failure of their small businesses. However, through training and experience our examiners also appreciate that often these problems are transitory, and that many borrowers are able to resume payments when general economic conditions improve. Under such circumstances, the Federal Reserve recognizes that financial institutions may find that the most prudent policy is to stretch out payments and exercise forbearance rather than to take more precipitous action such as foreclosure and/or forcing a borrower into bankruptcy.

The Federal Reserve, as a supervisor of state member banks and bank holding companies, has taken steps to minimize the possibility that its supervisory actions could discourage this type of forbearance. Indeed, it is the long-standing policy of the Federal Reserve that such forbearance is in the public interest and is to be encouraged when it is consistent with safety and soundness considerations. In carrying out this policy, Federal Reserve examiners are sensitive to the problems discussed above and have been instructed to refrain from criticizing bank management for exercising an appropriate degree of forbearance, as well as to refrain from recommending foreclosure or other precipitous action. These policies were reiterated to our examiners earlier this year in a supervisory letter which I have enclosed for your information.

The Board fully appreciates and shares your concerns with the problems being experienced by farmers and farm-related borrowers. I hope that this letter indicates the depth of our commitment to ensuring that our supervisory policies and practices represent a proper balancing of safety and soundness considerations with the special difficulties confronting farmers and farm-related borrowers.

Sincerely,

S/Paul A. Volcker

Enclosure (John E. Ryan ltr. of 3/30/83 to officers in chg.
of examinations at FRBks (SR 83-15 (FIS))
RS:DJW:CO:vcd (V-197, 83150)
bcc: Messrs. Spillenkothen and Ryan
Mrs. Mallardi (2) ✓



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SR 83-15 (FIS)

DIVISION OF BANKING
SUPERVISION AND REGULATION

March 30, 1983

TO THE OFFICER IN CHARGE OF EXAMINATIONS
AT EACH FEDERAL RESERVE BANK

SUBJECT: Home Mortgage, Farm and Small Business Loans

The economic environment over the past several months has resulted in financial pressure on a rising number of bank customers, particularly certain farmers, small businesses and individuals.

These financial pressures are, at times, reflected by delinquent business and residential loans in the portfolios of the nation's financial institutions. Some borrowers who are experiencing financial difficulties face the prospect of foreclosure on their homes and family farms, or the failure of their small businesses. Often these problems are transitory and the borrowers are able to resume payments when general economic conditions improve. Under such circumstances, the financial institutions may find that the most prudent policy is to stretch out payments and exercise forbearance rather than to take more precipitous action such as foreclosure and/or forcing a borrower into bankruptcy.

As a supervisor of State-member banks and bank holding companies, the Federal Reserve does not wish its examinations or its supervisory actions to be pursued in a manner that discourages this type of forbearance. On the contrary, such forbearance is in the public interest and should be encouraged when it is consistent with safety and soundness considerations. It is requested, therefore, that you remind the Federal Reserve examiners in your District of the need to be particularly sensitive to these problems at this time and to refrain from criticizing bank management for exercising forbearance in the circumstances described. Moreover, in accordance with long-standing instructions, examiners should not recommend foreclosure or other precipitous action. Supervisory staff should also take these policies into account when dealing with the supervised institutions' boards of directors and when designing remedial action plans.

A handwritten signature in cursive script, appearing to read "John E. Ryan".

JOHN E. RYAN
Director

721 FEDERAL BUILDING
210 WALNUT STREET
DES MOINES, IOWA 50309
(515) 284-4890

206 FEDERAL BUILDING
101 1ST STREET S.E.
CEDAR RAPIDS, IOWA 52401
(319) 399-2556

United States Senate

CHARLES E. GRASSLEY

135 HART SENATE OFFICE BUILDING

WASHINGTON, D.C. 20510

(202) 224-3744

228 POST OFFICE AND COURT HOUSE BUILDING
320 6TH STREET
SIOUX CITY, IOWA 51101
(712) 233-3331

210 WATERLOO BUILDING
531 COMMERCIAL STREET
WATERLOO, IOWA 50701
(319) 232-6657

1197

RECEIVED
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1983 OCT -3 PM 12:37

FEDERAL RESERVE SYSTEM

BOARD OF GOVERNORS
OF THE

October 1, 1983

The Honorable Paul A. Volker
Chairman
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Mr. Chairman:

This past summer's drought has strained rural America's economic fiber to the limits. The implications are serious for States such as Iowa that depend heavily upon agriculture and agriculture-related businesses. Farmers, small businesses, and entire communities are balancing precariously on the edge of disaster. It is abundantly clear by those from mainstreet to the White House and Congress that we must pull together from all sectors to weather this trouble.

To help assure success, it is imperative that, as regulators of our financial institutions, you assist in our efforts. There are two steps that you can take to help alleviate our dilemma:

- 1) Shift drought-impacted accounts to examiners who have a thorough understanding of farming and the agriculture-related businesses, and
- 2) Direct your bank examiners to work closely with bankers who are attempting to help borrowers through this drought.

I recognize and applaud your institution's efforts to maintain the sound condition of the banking industry and to preserve public confidence in our banking system. Your mission, however, goes far beyond this role, and requires keen sensitivity to the needs of individual borrowers and the close relationship between the financial well-being of these borrowers and that of the community as a whole.

In short, bankers understand the need and are willing to help their customers through this drought. Their ability to assist, however, is closely tied to the flexibility allowed by your examiners.

Committee Assignments:

BUDGET

**LABOR AND HUMAN
RESOURCES**

CHAIRMAN, Aging

FINANCE

**CHAIRMAN, Oversight of the Internal
Revenue Service;
Estate and Gift Taxation;
International Trade**

JUDICIARY

**CHAIRMAN, Administrative Practice
and Procedure;
Immigration and Refugee Policy;
Constitution**

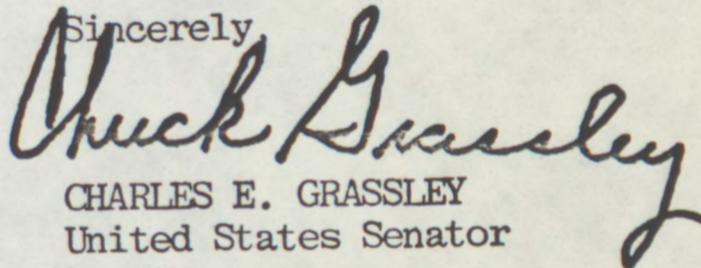
**SPECIAL COMMITTEE ON
AGING**

The Honorable Paul a. Volker
October 1, 1983
Page 2

If they are denied this essential latitude due to rigid policy and agriculturally ignorant examiners, I fear that much will be lost from the efforts by individuals, states, Congress, and the Administration to mitigate the impact of the drought. If the hands of our bankers are tied, farmers and small businesses that otherwise could survive may be lost. This will have an immediate, direct, and devastating effect on rural America.

Thank you for your serious consideration.

Sincerely,


CHARLES E. GRASSLEY
United States Senator

CEG/kcj

October 25, 1983

The Honorable Bruce F. Vento
House of Representatives
Washington, D. C. 20515

Dear Mr. Vento:

Thank you for your letter of September 21 requesting my views on the appropriateness of the International Monetary Fund borrowing in private markets to augment its resources.

While the IMF has the authority to borrow in private markets under Article VII, Section 1 of the IMF's Articles of Agreement, such a step on any large scale could significantly change the character of the Fund in a direction that many members would find inappropriate. It is desirable to maintain the Fund as a short-term source of official financing to assist member countries facing temporary balance of payments difficulties, where such financing is supplied by members.

One consequence of the Fund's borrowing on the private market could be that U.S. and other creditor governments' influence over the Fund's operations could be reduced. Thus, if money would be readily available to the IMF from private sources, the Fund might well be subject to increased pressure from some members to lend with easier conditions, weakening the Fund's surveillance role over the functioning of the international monetary system. In other circumstances, doubts about the availability of private funding in periods of crisis or strain could affect the lending capacity of the IMF adversely. In essence, where member countries' quota subscriptions remain the major continuing source for enlarging the financial base of the IMF, the full membership of the Fund can best exercise its judgment in directing the policies and operations of the Fund.

Another possible consequence of Fund borrowing on private markets at this time is that it could induce a shift, on a less than proportionate basis, of bank lending to the IMF, rather than directly to countries with external debt problems, leading to a net reduction in the flow of financing to these countries. Such a development would further complicate the resolution of the international debt problem. Alternatively, the IMF would be driven to expand its own loans to those countries, in effect, substituting more official credit than governments were themselves willing to support.

I would not rule out occasional recourse to private market financing for the IMF on a limited basis as an interim

The Honorable Bruce F. Vento
Page Two

measure when, for example, official financing via quota increases has been agreed but is not yet readily available and when the resources of the IMF are strained. But I would regard private market borrowing by the Fund to be an inadequate substitute as a source for enlarging the financial resources of the Fund that is necessary at this critical time. I would urge the Congress to act promptly on the legislation before it. In that context, further debate on the role of borrowing in private markets might be useful, but that debate should not be at the expense of the action clearly needed now.

Please let me know if I can be of further assistance.

Sincerely,

S/Paul A. Volcker

CJS:EMT:NPJ:PAV:vcd (V-190, 8387)

bcc: Mr. Siegman
Mr. Truman
Ms. Jacklin
Mrs. Mallardi (2)

BRUCE F. VENTO
4TH DISTRICT, MINNESOTA

2433 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-6631

DISTRICT OFFICE:
ROOM 150
MEARS PARK PLACE
405 SIBLEY STREET
SAINT PAUL, MINNESOTA 55101
(612) 725-7724

Action assigned Messrs. Truman and Bradfield
for coordination of reply

Congress of the United States
House of Representatives
Washington, D.C. 20515

HOUSE COMMITTEE ON
BANKING, FINANCE AND
URBAN AFFAIRS

HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

HOUSE SELECT COMMITTEE
ON AGING

September 21, 1983

RECEIVED
OFFICE OF THE CHAIRMAN
1983 SEP 22 PM 2:23
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Honorable Paul Volcker, Chairman
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Mr. Chairman:

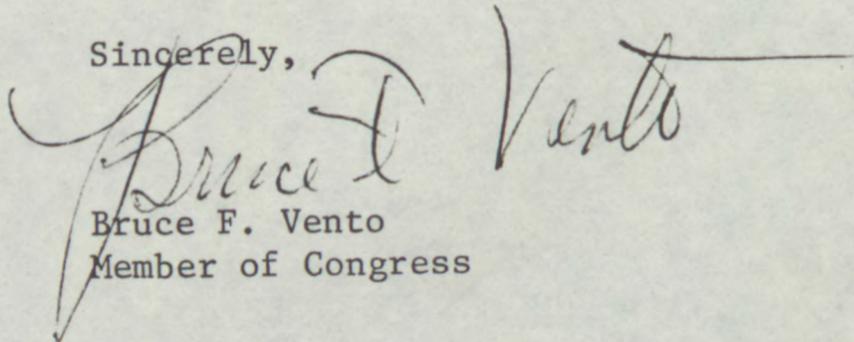
Over the past nine months, you have frequently reiterated your support for the I.M.F./G.A.B. quota increases.

However, serious questions and proposals have arisen regarding the ability of the I.M.F. to raise resources by going to the private market, borrowing the resources with its assets as a collateral, for example.

Mr. Chairman, I'm deeply concerned about this question and require your response concerning the Federal Reserve Board interpretation of the authority of the I.M.F. currently and in the future, and most importantly, the intent and actions of the Federal Reserve Board concerning any such initiative by the I.M.F. to exercise such action.

Your prompt response would be helpful.

Sincerely,


Bruce F. Vento
Member of Congress

BFV/gg

October 25, 1983

The Honorable Trent Lott
House of Representatives
Washington, D. C. 20515

Dear Trent:

Thank you for your recent letter and for your telephone call reminding me of your invitation to participate in an economic symposium to be held in Pascagoula, Mississippi in February or March.

Unfortunately, because of the extremely busy schedule that is shaping up for those months, I will be forced to send regrets.

February and March are months when I am typically required to appear before the Congress frequently with policy statements, and I find it awkward and difficult at best -- totally inconsistent with my schedule at worst -- to take on other public speeches at that time.

Sometimes it's good to get out in the grass roots, and for that reason I tried to reconcile the demands with the invitation. But this time -- at least at the time proposed, I can't. But I do appreciate the opportunity to consider it.

Best regards,

PAV:ccm

TRENT LOTT
5TH DISTRICT, MISSISSIPPI
REPUBLICAN WHIP
RULES COMMITTEE
ADMINISTRATIVE ASSISTANT
TOM H. ANDERSON, JR.

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 8, 1983

2400 RAYBURN BUILDING
WASHINGTON, D.C. 20515
202-225-5772

DISTRICT OFFICES:
GULFPORT, MISSISSIPPI 39501
601-864-7870
HATTIESBURG, MISSISSIPPI 39401
601-582-3246
LAUREL, MISSISSIPPI 39440
601-648-1231

Mr. Paul Volcker
Chairman
Board of Governors of the
Federal Reserve System
Constitution Avenue and
21st Street
Washington, D.C. 20551

Dear Mr. Chairman:

I would like to take this means of inviting you to my hometown of Pascagoula, Mississippi, to participate in an economic symposium which is being sponsored by the Merchants and Marine Bank. The Bank would like to host this event sometime in February or March, 1984, on a weekday that is convenient for your schedule.

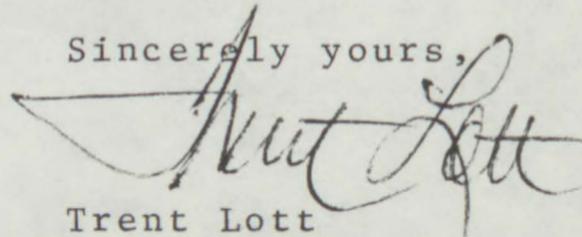
This event has become an annual meeting which involves approximately 500 of our business and industry leaders from the Mississippi Gulf Coast. The program usually begins around 3:00 p.m. and concludes at 6:00 p.m. However, if your schedule would allow you to arrive earlier in the day, the Bank would like to host a luncheon in your honor.

Also, your transportation costs will be paid for by the bank and they will be glad to accomodate your needs in every way possible.

I certainly hope you will be able to give my request your utmost consideration and I look forward to hearing from you in the near future.

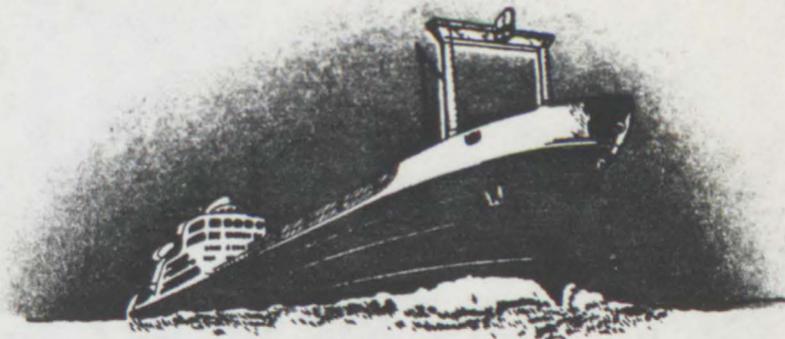
With warmest best wishes, I am

Sincerely yours,


Trent Lott

TL:sw

1323
RECEIVED
OFFICE OF THE CHAIRMAN
1983 SEP 12 PM 12:39
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



MERCHANTS & MARINE BANK

PASCAGOULA-GAUTIER-MOSS POINT-ESCATAWPA

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 OCT 11 AM 9:14
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OFFICE OF THE CHAIRMAN

THOMAS S. LEATHERBURY
CHAIRMAN OF THE BOARD

October 6, 1983

356

P.O. DRAWER 729
PASCAGOULA, MISS. 39567

Honorable Paul A. Volcker
Chairman
Federal Reserve Board
20th and Constitution Avenue, N.W.
Washington, D. C. 20551

Dear Mr. Volcker:

We would like to extend you an official invitation to speak at the Annual Economic Symposium of the Merchants & Marine Bank, Pascagoula, Mississippi. Our Congressman, Trent Lott, has spoken to you about this event, and we would be honored to have you as our guest speaker.

We prefer having this event in the months of February, March or April on a Thursday afternoon at 3:00 p.m. The symposium is held in our bank lobby, and we can accomodate four to five hundred people. This event is attented by bankers, businessmen, industrial leaders and some students from the Mississippi Gulf Coast, New Orleans, Louisiana and Mobile, Alabama areas. By having the symposium at 3:00 p.m. would allow you time to leave Washington, and we would like to host a private luncheon from 12:30 p.m. to 2:00 p.m. for you and other special guests. Our speakers in the past have been industrial, business and professional leaders such as Mr. Donald T. Regan. We will be glad to furnish your transportation and cover your expenses.

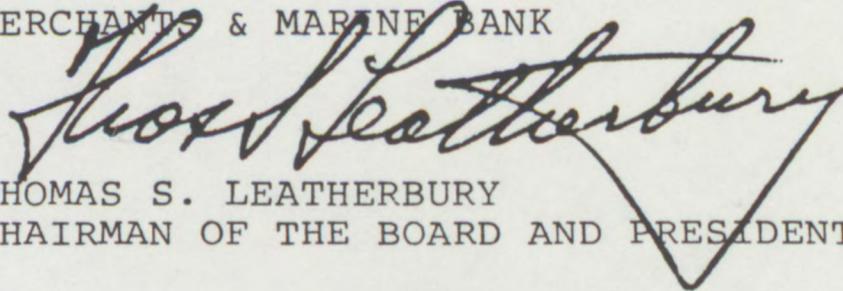
We always have television coverage from a number of stations, and if you would like we can arrange for a press conference in our bank board room about forty-five minutes prior to the symposium.

Honorable Paul A. Volcker
October 6, 1983
Page 2

We sure look forward to having you, and if you need additional information, please feel free in calling my secretary, Barbara Bass or Jolly McCarty, Vice President and Public Relations Officer, who can give you any details that you might need.

Very truly yours,

MERCHANTS & MARINE BANK



THOMAS S. LEATHERBURY
CHAIRMAN OF THE BOARD AND PRESIDENT

TSL/bb

October 25, 1983

The Honorable Trent Lott
House of Representatives
Washington, D. C. 20515

Dear Trent:

Thank you for your recent letter and for your telephone call reminding me of your invitation to participate in an economic symposium to be held in Pascagoula, Mississippi in February or March.

Unfortunately, because of the extremely busy schedule that is shaping up for those months, I will be forced to send regrets.

February and March are months when I am typically required to appear before the Congress frequently with policy statements, and I find it awkward and difficult at best -- totally inconsistent with my schedule at worst -- to take on other public speeches at that time.

Sometimes it's good to get out in the grass roots, and for that reason I tried to reconcile the demands with the invitation. But this time -- at least at the time proposed, I can't. But I do appreciate the opportunity to consider it.

Best regards,

PAV:ccm

TRENT LOTT
5TH DISTRICT, MISSISSIPPI
REPUBLICAN WHIP
RULES COMMITTEE
ADMINISTRATIVE ASSISTANT
TOM H. ANDERSON, JR.

2400 RAYBURN BUILDING
WASHINGTON, D.C. 20515
202-225-5772

Congress of the United States
House of Representatives

Washington, D.C. 20515

September 8, 1983

DISTRICT OFFICES:
GULFPORT, MISSISSIPPI 39501
601-864-7870
HATTIESBURG, MISSISSIPPI 39401
601-582-3246
LAUREL, MISSISSIPPI 39440
601-648-1231

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No on 10/1/83

No

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Feb 10/1/83

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1983 SEP 12 PM 12:39

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Mr. Paul Volcker
Chairman
Board of Governors of the
Federal Reserve System
Constitution Avenue and
21st Street
Washington, D.C. 20551

Dear Mr. Chairman:

I would like to take this means of inviting you to my hometown of Pascagoula, Mississippi, to participate in an economic symposium which is being sponsored by the Merchants and Marine Bank. The Bank would like to host this event sometime in February or March, 1984, on a weekday that is convenient for your schedule.

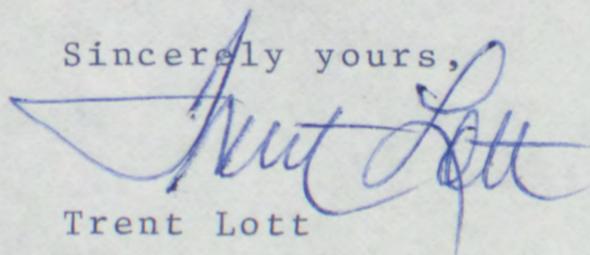
This event has become an annual meeting which involves approximately 500 of our business and industry leaders from the Mississippi Gulf Coast. The program usually begins around 3:00 p.m. and concludes at 6:00 p.m. However, if your schedule would allow you to arrive earlier in the day, the Bank would like to host a luncheon in your honor.

Also, your transportation costs will be paid for by the bank and they will be glad to accomodate your needs in every way possible.

I certainly hope you will be able to give my request your utmost consideration and I look forward to hearing from you in the near future.

With warmest best wishes, I am

Sincerely yours,



Trent Lott

TL:sw



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Mrs. Mallardi
V-192

PAUL A. VOLCKER
CHAIRMAN

October 24, 1983

The Honorable Jake Garn
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Garn:

Your letter of September 19 requests my responses to certain questions concerning S.1532, S.1609 and S.1682, which deal with moratoriums on acquisitions and financial institution deregulation. My responses to your questions are provided below.

1. Some have argued that our major structural banking laws -- Glass-Steagall and the Bank Holding Company Act -- no longer make any sense in today's marketplace. There has been too much erosion because of loop-holes and that we have reached the point where it will be impossible to resurrect these laws. The conclusion is that we either ought to repeal these laws or let the forces of the marketplace develop unchecked for another year or two and then ratify what has occurred. What do you think of this scenario?

As I advised your committee during my testimony on September 13, there can be no doubt that a reexamination of the existing legislative framework has become urgent. However, I believe that the underlying premises of the Bank Holding Company Act and the Glass-Steagall Act continue to make sense. These statutes embody the strong tradition in the United States of a separation between banking and commerce. In my view such separation is necessary to maintain the safety and soundness of the banking system as well as to avoid potential harmful conflicts of interest, excessive concentration of resources, and undue risk. At the same time, the line separating banking from commerce needs to be reexamined in view of the changes in the financial industry that have resulted from market incentives, customer needs, and new technology.

The legislation that the Administration has proposed, and that the Federal Reserve supports, would accomplish this objective by simplifying the supervisory procedures applicable to bank holding companies and allowing them to engage in an expanded range of financial activities while also maintaining the broad distinctions between banking and commerce. In my view, a carefully developed legislative package such as that

which the Administration has proposed is far preferable to allowing the forces of the marketplace to continue to alter our financial system in a manner which I believe is both haphazard and potentially dangerous. We have already seen that when left unchecked, market forces acting alone result in competitive inequalities because some institutions are able to take advantage of loopholes or ambiguities in the existing legal fabric and others are not. In addition, the present situation is inconsistent with the goals of soundness, public confidence, and continuity in the provision of money and payment services that are essential for a stable banking system. In my view, the Administration Bill represents a reasonable compromise between market forces and these public policy objectives.

2. On pages 12 and 13 of your testimony, you suggest that present law should be changed so that the Federal Reserve is not required to review competitive factors when approving new activities for bank holding companies. You suggest that this activity can be handled by the Justice Department. Do you believe that the Antitrust Division at Justice should review new activities for bank holding companies before they are approved -- or be limited to bringing a subsequent antitrust suit after competitive problems arise?

One of the principal objectives of the Administration Bill is to streamline the process by which bank holding companies may commence new nonbanking activities. I would be hesitant, therefore, to create any additional requirement for prior notice to the Department of Justice before bank holding companies could engage in such activities. The Hart-Scott-Rodino Act presently requires prior notice to the Department of Justice and the Federal Trade Commission at least 30 days before consummation of any major nonbanking acquisition by a bank holding company, and I do not believe that any additional procedures are necessary to ensure the adequate enforcement of our antitrust laws.

3. You have stated that you think the moratorium should be temporary, to allow Congress to make "permanent", well-considered changes. If, at the end of the moratorium period, Congress had not acted, would you refuse to support an extension of the moratorium?

The Federal Reserve proposed moratorium was originally for a six month period ending at the conclusion of this year. A six month moratorium from now would still appear reasonable in light of the present situation. If at the end of that time, a great deal of progress had been made, and the Congress was on

the verge of passing a bill, I might favor a very short extension of the moratorium to allow Congress to complete its work. Alternatively, and perhaps more likely in such circumstances, the provisions of the substantive bill itself, with the effective date and any grandfather dates set in the proposal, would avoid any clear need to maintain a moratorium in place. I do not foresee a blanket extension of the moratorium. I fully recognize that the moratorium legislation alone is not a remedy to the current disarray in the financial industry since it does not address the need to expand the nonbanking powers of bank holding companies and to streamline the procedures for commencing new activities. If general legislation is not possible, we might eventually be led into the de facto evolution you describe, but it is difficult for me to see that that approach would better advance the public interest.

4. Why does the moratorium bill propose to block future acquisitions of banks and thrifts by nonbanking companies? Do you feel that these developments have been, are, or will be dangerous to the banking system? Would you recommend that these acquisitions continue to be blocked beyond the moratorium, as a matter of public policy?

The ownership of banks and thrifts by nonbanking companies is inconsistent with the principle that banking and commerce should be separated. As indicated above, application of this principle is necessary to maintain a sound banking system and to avoid conflicts of interest and other adverse effects that may result from the combination of banking and commerce. In my view, permitting affiliations between banks and companies engaged in general commercial activities presents a significant potential for adverse effects on the banking system, particularly when the nonbanking company is engaged in lines of business which involve substantial risk or may be closely integrated with "banking" functions. Consequently, I believe that the acquisition of banks and thrifts by nonbanking companies should in general be prohibited after the conclusion of any moratorium period, and for this reason I favor the provisions of the Administration Bill that would generally prevent such acquisitions except where bank holding companies were permitted to engage in the same line of activity.

5. The moratorium prohibits acquisitions of "insured banks" by certain nonbanking firms and also expands the definition of insured bank and "banks". Insured banks are those which are FDIC insured and those eligible for insurance. Also, the bill says that a bank is one which makes commercial loans and accepts deposits that may be transferred by check. As a result of these definitions, how many more institutions may not be acquired? What kinds of institutions? Do you intend that these provisions should continue as permanent law?

The bank definition that we have proposed in our moratorium bill has gained wide support. It is also contained in the Administration Bill and the moratorium bills suggested by Chairman St Germain and the FDIC. The applicability of this definition to FDIC insured institutions would cover all of the 14,500 commercial banks and 315 savings banks presently insured by the FDIC. With the exception of the 50 or so "nonbank banks" created in the last few years, all of the commercial banks mentioned above are already covered under the current bank definition.

Although a broadening of the scope of the bank definition beyond institutions that are federally insured should be carefully examined to assure that we are not covering more than necessary, it is our initial judgement that the broader definition is necessary to prevent the development of further loopholes of the kind that this legislation is intended to close. Adding the standard of eligibility for FDIC insurance to the bank definition would primarily encompass industrial banks, savings banks, and some industrial loan companies that are now eligible for FDIC insurance but have not secured such insurance. The functional test based on commercial lending and the acceptance of transaction accounts would encompass the remaining industrial loan companies, as well as savings and loan associations not insured by the FSLIC, but only if these institutions performed both of the listed functions. Since the institutions in question are exclusively state chartered, exact figures are difficult to obtain, but it appears that there are approximately 1,000 industrial banks and industrial loan companies, 160 savings banks, and 450 S&Ls that could be covered by the "eligibility" and "functional" portions of the proposed definition. We understand, however, that many of the industrial loan companies are very small institutions that do not offer transaction accounts and therefore would not be covered. Moreover, many savings banks and S&Ls are mutual in form and thus would be unaffected by the definitional change. With regard to the desirability of continuing this definition permanently, the bank definition that is contained in our moratorium bill is also contained in the Administration Bill which we support, and we would therefore intend that these or similar provisions continue as permanent law.

6. The Fed recently proposed a revised Regulation Y. That proposal would greatly expand the definition of "commercial loan", and thus, the definition of "bank", under the Bank Holding Company Act. As a result, more institutions would come under Fed jurisdiction and be blocked from combining with nonbanking firms. Since Congress is now considering the "definition of bank" issue, do you intend to drop that part of the Reg. Y revision? If not, why not?

The expanded "commercial loan" definition is part of a major revision of Regulation Y to clarify its terms, to speed and simplify the applications process, and to incorporate outstanding Board rulings applying the Bank Holding Company Act's provisions. Some time before the Regulation Y revision was announced, the Board had defined the term "commercial loan" to include any transaction representing a credit extension to a commercial organization. This definition was adopted in order to halt the pronounced and accelerated trend by nonbanking organizations to acquire banks. In proposing its revision of Regulation Y the Board believed it appropriate to incorporate all important interpretations of the Act's provisions, including the Board's definition of commercial loan, and to ask for public comment on these positions.

As we see it, the inclusion of the commercial loan definition in the Regulation Y revision would preserve the options of Congress in dealing with this issue since it is designed to maintain the status-quo, and prevent continuation of the disorderly process by which nonbanking organizations are breaching the barrier between banking and commerce. However, the Board has not yet reviewed the public comments submitted on the Regulation Y proposal and has not made any decision on whether to include the definition of bank in the final regulation.

7. Section 2 of the Moratorium Bill states "no company shall acquire control of insured banks in more than one state" without prior approval under the Bank Holding Company Act. If this provision were enacted, under what circumstances would the Fed allow acquisitions, and when would it deny acquisitions? Would you want this recommendation to be a permanent change beyond the moratorium period?

Under this provision of the Moratorium Bill acquisitions that are consistent with the interstate banking prohibitions contained in the Bank Holding Company Act would continue to be permitted. Thus, for example, the Board would continue to approve applications where a given state invites entry by out-of-state organizations or where the acquisition involves a trust company that does not generally accept deposits other than in a fiduciary capacity. Other proposals that are inconsistent with the interstate banking prohibitions

would be rejected. This provision of the Moratorium Bill is intended to insure that the Board has the ability to prevent the formation of multi-state banking organizations that would violate the interstate banking prohibition contained in the Act. For this reason, it seems desirable to have such a clarification of the Board's authority so long as the basic prohibitions of the Act are maintained. We would, however, urge the Congress to reconsider the nature of the present prohibitions on inter-state banking as part of its legislative review, and any authority provided the Board should be reviewed in that light.

I hope this information is useful to your Committee. Please let me know if I can be of further assistance.

Sincerely,

PAUL

MB:JVM:CVH:gw

bcc: Chairman's Log V-192
G. C. Log 259
Mr. Bradfield
Mr. Mattingly
Mr. Howard
Legal Records (2)

JAKE GARN, UTAH, CHAIRMAN

JOHN TOWER, TEXAS
JOHN HEINZ, PENNSYLVANIA
WILLIAM L. ARMSTRONG, COLORADO
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FRANK R. LAUTENBERG, NEW JERSEY

M. DANNY WALL, STAFF DIRECTOR
KENNETH A. McLEAN, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, D.C. 20510

#192

September 19, 1983

Honorable Paul A. Volcker
Chairman
Board of Governors
Federal Reserve System
20th & Constitution Ave. N.W.
Washington, D.C. 20551

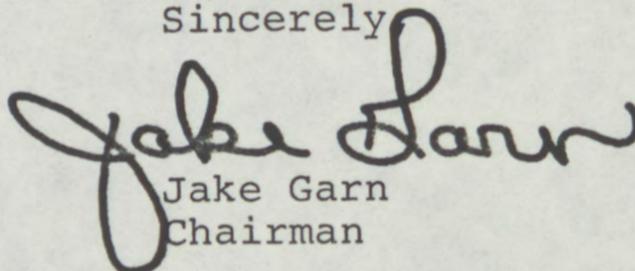
Dear Chairman Volcker:

I again want to thank you for testifying on September 13, 1983 before the Senate Banking, Housing and Urban Affairs Committee on S.1532, S.1609 and S.1682, dealing with moratoriums on acquisitions and financial institution deregulation.

For the record of this hearing, I would appreciate responses to the enclosed questions concerning this legislation.

I would appreciate receiving your responses by October 11, 1983, so that we could insert them into the hearing record before it closes.

Sincerely


Jake Garn
Chairman

Enclosures

JG:dbk

Do our Banking Laws still make sense?

Some have argued that our major structural banking laws -- Glass-Steagall and the Bank Holding Company Act-- no longer make any sense in today's market-place. There has been too much erosion because of loop-holes and that we have reached the point where it will be impossible to resurect these laws. The conclusion is that we either ought to repeal these laws or let the forces of the market-place develop unchecked for another year or two and then ratify what has ocurred. What do you think about this scenario?

Mr. Volcker, on pages 12 and 13 of your testimony, you suggest that present law should be changed so that the Federal Reserve is not required to review competition factors when approving new activities for bank holding companies. You suggest that this activity can be handled by the Justice Department.

Do you believe the Antitrust Division at Justice should review new activities for bank holding companies before they are approved - or be limited to bringing a subsequent antitrust suit after competition problems arise?

Questions for Volcker *Senator Tribe*

1. You have stated that you think the moratorium should be temporary, to allow Congress to make "permanent", well-considered changes.

If, at the end of the moratorium period, Congress had not acted, would you refuse to support an extension of the moratorium?

2. Why does the moratorium bill propose to block future acquisitions of banks and thrifts by nonbanking companies? Do you feel that these developments have been, are, or will be, dangerous to the banking system-

Would you recommend that these acquisitions continue to be blocked beyond the moratorium period, as a matter of public policy?

3. The moratorium bill prohibits acquisitions of "insured banks" by certain nonbanking firms, and also expands the definition of insured banks and "banks".

Insured banks are those which are FDIC insured and those eligible for insurance.

Also, the bill says that a bank is one which makes commercial loans and accepts deposits which may be transferred by check.

a. As a result of these definitions, how many more institutions may not be acquired? What kinds of institutions?

b. Do you intend that these provisions should continue as permanent law?

4. The Fed recently proposed a revised Regulation Y. That proposal would greatly expand the definition of "commercial loan", and thus, the definition of "bank", under the Bank Holding Company Act. As a result, more institutions would come under Fed jurisdiction, and be blocked from combining with nonbanking firms.

Since Congress is now considering the "definition of bank" issue, do you intend to drop that part of the Reg Y revision? If not, why not?

5. Section 2 of the moratorium bill states "no company shall acquire control of insured banks in more than one state" without prior approval under the Bank Holding Company Act.

If this provision were enacted, under what circumstances would the Fed allow acquisitions, and when would it deny acquisitions?

Would you want this recommendation to be a permanent change, beyond the moratorium period?

ROBERT W. KASTEN, JR.
WISCONSIN

United States Senate

WASHINGTON, D.C. 20510

October 20, 1983

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1983 OCT 24 AM 9:57

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

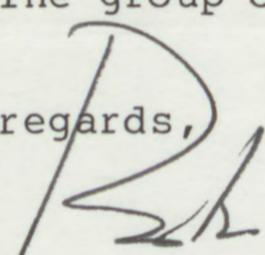
The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Constitution Avenue and 21st Street
Washington, D.C. 20551

Dear Paul:

I know that you have been invited to go out to Wisconsin next February for an annual meeting sponsored by the Independent Business Association of Wisconsin. This is an excellent event and I am writing to encourage you to consider accepting.

I realize that your schedule is a busy one, but this is a fine group of people.

Best regards,


Robert W. Kasten, Jr.

RWK/gw

October 20, 1983

The Honorable Dennis DeConcini
United States Senate
Washington, D. C. 20510

Dear Senator DeConcini:

Thank you for your recent letter on behalf of Miss Yvonne Durazzo, who has expressed an interest in employment with the Board of Governors of the Federal Reserve System.

Miss Durazzo's material is currently being reviewed by our Division of Personnel, who will contact her directly regarding the status of this review.

We appreciate having your recommendation on behalf of Miss Durazzo.

Sincerely,

S/Paul A. Volcker

KW:CO:vcd (V-200, 83209)

bcc: Ms. Warehime
Mrs. Mallardi (2) ✓

STROM THURMOND, S.C., CHAIRMAN

CHARLES McC. MATHIAS, Jr., MD.
PAUL LAXALT, NEV.
ORRIN G. HATCH, UTAH
ROBERT DOLE, KANS.
ALAN K. SIMPSON, WYO.
JOHN EAST, N.C.
CHARLES E. GRASSLEY, IOWA
JEREMIAH DENTON, ALA.
ARLEN SPECTER, PA.

JOSEPH R. BIDEN, Jr., DEL.
EDWARD M. KENNEDY, MASS.
ROBERT C. BYRD, W. VA.
HOWARD M. METZENBAUM, OHIO
DENNIS DeCONCINI, ARIZ.
PATRICK J. LEAHY, VT.
MAX BAUCUS, MONT.
HOWELL HEFLIN, ALA.

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, D.C. 20510

October 3, 1983

VINTON DeVANE LIDE, CHIEF COUNSEL AND STAFF DIRECTOR
DEBORAH K. OWEN, GENERAL COUNSEL
SHIRLEY J. FANNING, CHIEF CLERK
MARK H. GITENSTEIN, MINORITY CHIEF COUNSEL

200

RECEIVED
OFFICE OF THE CHAIRMAN
1983 OCT 11 AM 9:29
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Mr. Paul A. Volcker
Chairman
Board of Governors
of the Federal Reserve System
Constitution Avenue and 21st Street, N. W.
Washington, D. C. 20551

Dear Mr. Volcker:

I would like to recommend Miss Yvonne Durazzo for a position with the Federal Reserve System. Miss Durazzo has an excellent background, as you can see by the attached resume.

I would appreciate whatever can be done in her behalf.

Sincerely,

Dennis DeConcini

DENNIS DeCONCINI
United States Senator

DDC/GKJ

Enclosure

cc: Miss Yvonne Durazzo

Removal Notice



The item(s) identified below have been removed in accordance with FRASER's policy on handling sensitive information in digitization projects due to personally identifiable information.

Citation Information

Document Type: Resume

Number of Pages Removed: 1

Citations: Resume, Yvonne Durazzo, 1983.

October 20, 1983

The Honorable Charles E. Schumer
House of Representatives
Washington, D. C. 20515

Dear Mr. Schumer:

Thank you for your letter of September 26 expressing your concern about possible misleading advertising of the new deregulated time deposits by financial institutions.

As you are aware, the legislation which created the Depository Institutions Deregulation Committee ("DIDC") did not affect the authority of the depository institution regulatory agencies to regulate advertising by institutions. Therefore, this authority remains with these agencies and will continue in effect after the DIDC ceases to exist.

Pursuant to this authority, the Federal Reserve has established a framework of deposit advertising rules aimed at full disclosure of the material elements of deposit instruments. As a general matter, Regulation Q prohibits any advertisements or solicitations relating to interest paid on deposits that are inaccurate, misleading, or misrepresentative of deposit contracts (12 CFR § 217.6(g)). Other provisions of the regulation require that specific types of information appear in advertisements:

- (a) advertisements that display an effective annual yield based on compounding must state the annual rate of simple interest and the basis of compounding (12 CFR § 217.6(b));
- (b) no interest rate can be advertised that states a yield based on a period of more than one year in order to ensure that effective yields are not artificially inflated (12 CFR 217.6(c));
- (c) if an advertised rate is payable only on a deposit that meets a specific time or amount requirement, such requirements must be stated clearly and conspicuously (12 CFR § 217.6(d));
- (d) advertisements for time deposits must state that interest penalties apply in the event of early withdrawal (12 CFR 217.6(e));
- (e) member banks are required to inform customers at the time that an account is opened as to the

The Honorable Charles E. Schumer
Page Two

method that will be used in computing and paying interest on the account, including any provision for nonpayment of interest (12 CFR 217.148).

The Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board have virtually identical rules for institutions subject to their respective jurisdictions.

To bring additional attention to the Board's rules concerning fair and accurate advertising, earlier this year we sent member banks a letter calling attention to the advertising provisions of Regulation Q, especially as they relate to Money Market Deposit Accounts ("MMDAs") and Super NOWs. A copy of this letter is enclosed for your information. This letter states that, where a member bank offers a split rate on an account, it cannot advertise the higher rate unless it (1) states clearly in close proximity to the rate that the rate applies only to balances above a stated amount, and (2) includes the lower rate that applies to the amount of the account below the cutoff rate in the advertisement in equal prominence with the higher rate. With respect to service charges, it advises that any advertisement or other solicitation for an interest-bearing account that fails to disclose the existence of such charges would be regarded as inaccurate, misleading, or misrepresentative of the deposit contract in violation of Section 217.6(g) of Regulation Q. Accordingly, if service charges or other similar fees are imposed on an interest-bearing account and an interest rate is advertised, the existence of such fees must be stated conspicuously in the advertisement.

In response to a Congressional inquiry last spring, the Reserve Banks reviewed 197 advertisements for MMDAs and Super NOW accounts offered by all types of depository institutions. The review covered the period from December 1982 to February 1983 and focused on the terms of disclosure of interest rates paid on accounts as well as on the period of time for which the advertised rate would be available. The review did not reveal any pattern of abuse in advertising or any concentration of consumer complaints. Compliance with the regulation is also monitored through the examinations process, and the Federal Reserve's examiners have not noted any significant pattern or number of abuses of the advertising provisions. An informal review of advertisements relating to the latest deregulation efforts also did not indicate any pattern of problems warranting remedial measures.

I believe that these actions, together with the Federal Reserve's regulatory provisions regarding advertising and

The Honorable Charles E. Schumer
Page Three

disclosure, address the concerns you have raised. Further, the Board is in the process of reviewing its advertising regulations for revisions to reflect the changes that the DIDC has recently adopted. I can assure you that your suggestions will be taken into consideration in making these revisions.

I hope that this information is helpful to you. Please let me know if you have any further questions.

Sincerely,

S/ Paul

Enclosure (S-2466 ltr. of March 9, 1983)

JHJ:AFC:vcd (V-193)

bcc: Mr. Jorgenson
Mr. Schwartz
G.C. Log 260
Legal Files (2)
Mrs. Mallardi (2)

CHARLES E. SCHUMER
10TH DISTRICT NEW YORK

COMMITTEES:
BANKING, FINANCE
AND URBAN AFFAIRS

JUDICIARY

POST OFFICE AND CIVIL SERVICE

NEW YORK CITY
DEMOCRATIC WHIP

Action assigned to Mike Bradfield

Mrs. Mallardi

126 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-6618

1628 KINGS HIGHWAY
BROOKLYN, NEW YORK 11229
(212) 965-5400

1663 10TH AVENUE
BROOKLYN, NEW YORK 11215
(212) 965-5055

Congress of the United States

House of Representatives

Washington, D.C. 20515

September 26, 1983

#193

Honorable Paul Volcker
Chairman, Federal Reserve Board
20th and Constitution N.W.
Washington, D.C. 20551

Dear Mr. Volcker:

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 SEP 27 PM 2:38
RECEIVED
OFFICE OF THE CHAIRMAN

The complete decontrol of bank time deposits longer than 31 days promises tremendous opportunities for consumers and financial institutions, but it is also fraught with peril for both.

In the past, initial offerings of new deposit instruments have been immediately preceded by the advertising equivalent of a full court press on the consumer, with institutions offering astronomical interest rates in an effort to bring consumers through their doors.

Unfortunately, many of the ads neglected to mention certain hidden costs, conditions, or penalties which made the investment less attractive than advertised. In the weeks before All Savers Certificates were introduced, for example, "teaser" rates were offered for short terms leading up to the day the certificates could be sold, on the hidden condition that the consumer purchase an ASC. As you know, federal banking authorities finally had to step in to halt these "bait and switch" marketing techniques.

With Money Market Deposit Accounts, many consumers enticed by high initial rates were soon disappointed to see that rate plunge in following weeks. At the same time, they were surprised to learn that fees would be imposed on their accounts for transactions they assumed to be free and, at least from the advertisements, had little reason to believe otherwise.

In addition, both the ASC and the MMDA were introduced at a time when many financial institutions were experiencing severe difficulties. The success of these campaigns may have accelerated the decline of some institutions. New money was brought in at a rate above what their assets were yielding, and there was a shift out of low cost accounts into higher yielding ones. Although MMDAs may have contributed to the long-term strength of most institutions, these institutions would have been better off had they marketed MMDAs more sensibly.

In order to avoid repetition of past abuses, I strongly urge you to publish a regulation or notice governing the marketing of time deposits which:

- 1) Stops the bait and switch: prohibits the payment of a high rate for

Honorable Paul Volcker
September 26, 1983
Page Two

a short term on the condition that the depositor agree to rollover his deposit into a long-term certificate.

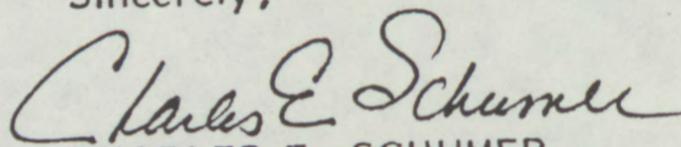
- 2) Requires institutions' advertisements to include a sample of the rates they are offering for a variety of maturities. This will give the consumer a way to evaluate their options on more than the "teaser" rate.
- 3) Requires conspicuous publication of early withdrawal penalties. The DIDC rules only provide for minimum withdrawal penalties, but institutions are free to impose more severe ones. A difference in penalties could be the key to the choice of an institution, yet CD ads rarely specify exact penalties.
- 4) Requires conspicuous publication of all fees or miscellaneous charges that the institution plans to levy, and prohibits assessment of any fees or charges on any CD which were not publicly known when the CD was purchased.

Finally, I also urge you to monitor the institutions you supervise to consider the impact of the rates they offer on their balance sheets and, if necessary, instruct any which are acting imprudently to take corrective action.

We should all approach the imminent deregulation of time deposits apprehensively. Competition will benefit consumers only if they have a full and fair opportunity to evaluate all offers. It will benefit institutions only if it does not lead to self-destructive competition. I believe that the measures I have outlined will help ensure that deregulation does indeed benefit both.

A regime of caveat emptor can only lead to a repetition of past abuses.

Sincerely,


CHARLES E. SCHUMER
Member of Congress

CC: Hon. C. Todd Conover
Hon. Edwin Gray
Hon. William Isaac

October 18, 1983

The Honorable Stephen L. Neal
Chairman
Subcommittee on International Trade,
Investment and Monetary Policy
Committee on Banking, Finance and
Urban Affairs
House of Representatives
Washington, D. C. 20515

Dear Chairman Neal:

Thank you for your letter of October 7
recommending Mr. Royal Frederick Kastens, Jr., to
fill the vacancy in the Board's Congressional Liaison
Office. I can assure you that Mr. Kastens' qualifica-
tions will receive careful consideration when the
Board makes a decision regarding this vacancy.

The Board appreciates receiving your
recommendation.

Sincerely,

St Paul

CO:vcd (V-206 - 83220)

bcc: Mrs. Mallardi (2) ✓



Congress of the United States
House of Representatives

STEVE NEAL
5TH DISTRICT, NORTH CAROLINA

October 7, 1983

206

RECEIVED
OFFICE OF THE CHAIRMAN
1983 OCT 14 PM 12: 15
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Hon. Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Constitution Avenue and 21st Street
Washington, D.C. 20551

Dear Chairman Volcker:

I understand that Mr. Royal Frederick Kastens, Jr. is under consideration by the Federal Reserve System for a position in the office of Congressional Liaison.

I and members of my staff are acquainted with Mr. Kastens and we believe he would be a valuable employee in the system and quite capable of carrying out the functions of the office.

Any consideration you give to Mr. Kastens, consistent with employing policies and procedures, will be appreciated.

Thank you for your consideration.

Best wishes,

STEPHEN L. NEAL
Chairman, Subcommittee on
International Trade, Investment and
Monetary Policy

SLN/da

CHRISTOPHER J. DODD
CONNECTICUT

United States Senate

WASHINGTON, D.C. 20510

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1983 OCT 17 AM 9:53

October 14, 1983

RECEIVED
OFFICE OF THE CHAIRMAN

The Hon. Paul Volcker
Federal Reserve Board
20th & C Streets, NW
Washington, D.C. 20551

#207

Dear Chairman Volcker:

Later this month, key representatives of Connecticut's businesses, labor unions, colleges and universities, and local governments will be in Washington for a two-day seminar I am organizing. The seminar is intended to provide Connecticut's leaders with a better understanding of federal decision-making and Congress.

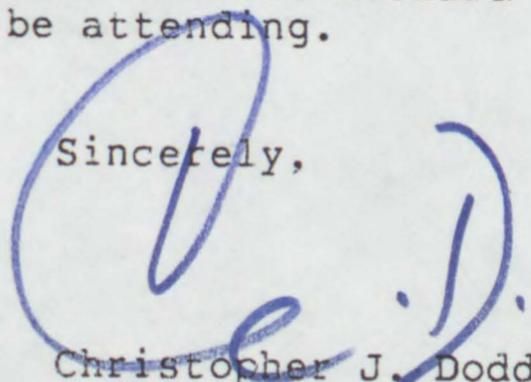
The seminar begins the evening of October 26 with the first full day, October 27, focusing on economic and domestic policy issues. On October 28, the seminar program will focus on national security and foreign policy issues. Both days, panel discussions on these general subjects will be followed by smaller group workshops on specific policy questions.

I would be honored if you would join me at a reception planned for Thursday, October 27 at 5 p.m., concluding the seminar's first full day. The seminar's participants would benefit greatly from the opportunity to speak with you in an informal setting, considering your Washington experience and insight. Please feel free to join me for any other portion of the seminar that interests you as well.

The entire seminar will be conducted on Capitol Hill; the reception will be in Room 325 of the Russell Senate Office Building. I have included a copy of the seminar's agenda, for your information.

I am very excited about this seminar and as final plans are made, am confident it will provide interesting and provocative discussions. I hope you can join me at the reception and look forward to seeing you there. Please contact Richard Plepler of my staff, 224-0356, if you will be attending.

Sincerely,



Christopher J. Dodd

Enclosure

Confirmed
for Oct. 27
at 5 PM.

DODD WASHINGTON SEMINAR

October 26 - 28, 1983

AGENDA

WEDNESDAY, OCTOBER 26

5:00 - 7:00 p.m.

7:00 - 8:30 p.m.

State Room, Mayflower Hotel

REGISTRATION

RECEPTION

THURSDAY, OCTOBER 27

Russell Senate Office Building - Room 325

REGISTRATION

8:00 - 9:30 a.m.

BREAKFAST

8:30 a.m.

ORIENTATION

9:00 a.m.

Senator Christopher J. Dodd

9:30 - 10:30 a.m.

PANEL:

The American Economy: Where do
we go from here?

Moderator: Senator Christopher J. Dodd

Panelists: Honorable Bill Bradley
United States Senator
D-New Jersey

David Maxwell
Chairman, Federal National Mortgage
Association

Rudolph G. Penner
Director, Congressional Budget Office
United States Congress

WORKSHOPS

10:30 - 12:00 Noon

A. Financial Institutions

Moderator:

Peter Kinzler
Minority Counsel, Committee on
Banking, Housing and Urban Affairs
United States Senate

Panelists:

Dr. Saul B. Klamon
President, National Association of
Mutual Savings Banks

Steve Paradise
Vice President - Congressional
Liaison, New York Stock Exchange

M. Danny Wall
Staff Director, Committee on Banking,
Housing and Urban Affairs
United States Senate

Thomas E. Wilson
Partner, Charles, Karalekas, McCahill
and Wilson, Washington, D.C.

B. Housing and Urban Affairs

Moderator:

Ed Silverman
Legislative Assistant
Senator Christopher J. Dodd

Panelists:

Robert Banister
Senior Vice President - Government
Affairs Division, National Association
of Homebuilders

Steven May
Assistant Secretary for Legislation
Department of Housing & Urban
Development

Ann L. Sullivan
Director, Washington Office, State
of Connecticut

C. Tax Policy

Moderator: Richard Belas
Deputy Chief Counsel, Committee
on Finance, United States Senate

Panelists: John E. Chapoton
Assistant Secretary for Tax Policy
United States Treasury Department
Honorable Thomas J. Downey
U.S. House of Representatives
New York
J.D. Williams
Williams & Jensen, Washington, D.C.

LUNCH

12:00 - 2:00 p.m.

Russell Senate Office Building - Room 325

Keynote Speaker:

Honorable Robert Dole
United States Senator, Kansas
Chairman, Committee on Finance

2:00 - 3:00 p.m.

PANEL:

Human Resources for the Future

Moderator: Senator Christopher J. Dodd

Panelists: Honorable Dan Quayle
United States Senator, Indiana

To be announced

To be announced

WORKSHOPS

3:00 - 5:00 p.m.

A. Education

Moderator: Michael W. Naylor
Legislative Director
Senator Christopher J. Dodd

Panelists: Polly Gault
Majority Staff Director, Subcommittee
on Education, Arts & Humanities
United States Senate

John C. Hoy
President, New England Board of
Higher Education

R. Bruce Hunter
Legislative Specialist, American
Association of School Administrators

B. Labor Policy

Moderator: Michael F. Forscey
Counsel, Committee on Labor
United States Senate

Panelists: David Dunn
Chief Counsel, National Labor
Relations Board

James S. Ray
Attorney, Connerton & Bernstein
Washington, D.C.

William B. Welsh
Director of Legislation
AFSCME, Washington, D.C.

C. Health

Moderator: Westley Clark
Minority Counsel, Committee on Labor
United States Senate

Panelists: Linda Jenckes
Vice President of Federal Affairs
Health Insurance Association of
America

Dr. Paul Kerschner
Associate Director, L.R. & D.S.
American Association of Retired
Persons

Liz Robbins
Liz Robbins Associates

RECEPTION

5:00 - 6:00 p.m.

Russell Senate Office Building - Room 325

FRIDAY, OCTOBER 28

BREAKFAST

8:30 - 9:30 a.m.

Dirksen Senate Office Building - Room 106

Keynote Speakers:

Honorable Robert C. Byrd
United States Senator, West Virginia
Minority Leader

Honorable Ted Stevens
United States Senator, Alaska
Assistant Majority Leader

9:30 - 11:00 a.m.

PANEL

The U.S. in a Global Economy:
Obligations and Opportunities

Moderator:

Senator Christopher J. Dodd

Panelists:

Honorable John C. Danforth
United States Senator, R-Missouri
Chairman, International Trade
Subcommittee

Hon. Stuart E. Eizenstat
Powell, Goldstein, Frazer & Murphy
Washington, D.C.

Robert Hormats
Vice President, Goldman, Sachs
and Company, New York

WORKSHOPS

11:00 - 12:30 p.m.

A. International Economic Policy

Moderator:

Janice O'Connell
Minority Staff, Committee on Foreign
Relations, United States Senate

Panelists:

Hon. Dr. Paul Craig Roberts
Georgetown Center for Strategic and
International Studies, Washington, D.C.

Myer Rashish
President, Rashish & Associates
Washington, D.C.

Robert Russell
External Relations Officer
International Monetary Fund

B. Trade Policy

Moderator: Dr. Paul Freedenberg
Committee on Banking, Housing and
Urban Affairs
United States Senate

Panelists: Donald Ephlin
Vice President and Director of General
Motors, UAW International Union
Dr. Ava Feiner
Director of International Trade Policy
U.S. Chamber of Commerce
Hon. Robert E. Lighthizer
Deputy U.S. Trade Representative

C. Arms Control -- National
Security Policy

Moderator: William G. Ashworth
Minority Staff, Committee on Foreign
Affairs, United States Senate

Panelists: Karen Elliott House
The Wall Street Journal
Walter Slocombe
Attorney, Caplin & Drysdale
Washington, D.C.
Hon. Helmut Sonnenfeldt
Guest Scholar, Brookings Institution

LUNCH

12:30 - 2:00 p.m.

Dirksen Senate Office Building - Room 106

Keynote Speaker:

Hon. Sol M. Linowitz
Coudert Brothers, Washington, D.C.

2:00 - 2:30 p.m.

Seminar Wrap-up

Senator Christopher J. Dodd



October 7, 1983

Hon. Paul Volcker
Chairman
Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 20551

Dear Paul:

I need your help.

On Monday October 24, my campaign committee is sponsoring a reception at the Capitol Hill Club from 6:00 - 8:00 p.m. The proceeds from this evening will begin to finance my 1984 re-election campaign efforts in Connecticut. Please be my special guest at this important event.

The evening of October 24th is particularly significant to me. In fact, your presence would greatly contribute to the success of this fundraiser and in the end, my re-election campaign. And I know in the past, everyone has simply had a great time at the party.

If you can attend, please let me or Paul Hicks, my Administrative Assistant know by Friday October 21.

I hope I can count on seeing you there.

Sincerely,

SB
Stewart B. McKinney, M.C.

all the best!
I promise I will
not talk about the money
supply!

yes _____
no _____ X

PAH called

Has to be total deal on material -
Shelton

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 OCT 11 AM 9:22
RECEIVED
OFFICE OF THE CHAIRMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

October 7, 1983

The Honorable Doug Barnard, Jr.
Chairman
Subcommittee on Commerce, Consumer,
and Monetary Affairs
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

Dear Chairman Barnard:

In Chairman Volcker's absence, I am responding to your letter of September 22 in which you request copies of examination report materials regarding the United Southern Bank of Nashville for use by the Subcommittee. We understand that the Subcommittee held hearings on the matter on March 15 and 16, 1983, but that its investigation is continuing. Your staff has indicated that the requested documents are needed to complete the Subcommittee's report.

Enclosed is a staff memorandum explaining the background to the joint examination. Also enclosed is the material you requested except for the joint report. The FDIC prepared this joint report and is the proper agency to provide it to you. We understand that they have agreed to do so.

A few words of caution are necessary regarding the enclosed documents. These documents are highly confidential as they contain information concerning the private affairs of many individuals and companies, including existing banks. Documents of this kind, which record the results of bank examinations, are disclosed by the Board to other government agencies only for use where necessary in the performance of official duties, subject to explicit commitments that the documents will be kept confidential by such agencies. 12 C.F.R. 261.6(b). Moreover, in this case there is an additional factor which emphasizes the importance of maintaining the confidentiality of these documents. The documents contain information that is directly related to the subject matter of an ongoing Federal grand jury investigation and have been provided to the Justice Department as part of a grand jury proceeding. The United States Attorney who is monitoring the grand jury investigation has asked the Board not to publicly disclose any of the information that it has made available for use by the grand jury in order to avoid compromising possible criminal proceedings.

In light of these considerations, we are making the enclosed documents available to you on the basis that they will be maintained in confidence and will not be disclosed by the

The Honorable Doug Barnard, Jr.
Page Two

Subcommittee. We would appreciate your assurance that the Subcommittee accepts these documents on a confidential basis.

Our Director of Banking Supervision and Regulation, Mr. Ryan, is familiar with this matter and is available to answer any questions you may have.

Sincerely,

(Signed) Donald J. Winn

Donald J. Winn
Assistant to the Board

Enclosures

JER:MB:pjt (#V-191)
bcc: Jack Ryan
Mike Bradfield
Mrs. Mallardi

**STAFF MEMORANDUM ON SUBCOMMITTEE'S REQUEST FOR
EXAMINATION DOCUMENTS RELATING TO THE TENNESSEE BANKING CHAIN**

In 1976, certain questions arose regarding the management, control and underlying financial strength of the rapidly expanding banking network of Jacob F. Butcher and C.H. Butcher, Jr. At that time, it was believed the Butchers had ownership interests in at least thirteen banks. The questions surrounding the use of the chain banking concept by the Butchers resulted in an agreement by the Federal banking agencies to perform simultaneous examinations of these banks at the end of 1976.

The banks involved in the chain consisted of nine State nonmember banks, two national banks and two State member banks. The two State member banks in the chain were United American Bank of Nashville, which subsequently changed its name to United Southern Bank of Nashville, and United American Bank of Memphis, which terminated membership on July 1, 1978. Since nine of the thirteen banks were State nonmembers, the FDIC coordinated the project and prepared a final report which contained ownership information and certain financial data generated by the respective examinations.

The subcommittee has requested a copy of the FDIC report and copies of the examiner's comments pages from the examination reports of United Southern Bank of Nashville for the years 1977 through 1983. The Board is providing the requested examiner's comments pages from the United Southern Bank examinations with references to third parties deleted. We are also providing to the subcommittee copies of formal supervisory actions issued by the Board against the United Southern Bank, with references to third parties deleted. We understand the FDIC is providing the subcommittee a copy of the joint report.

Congress of the United States

House of Representatives

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-377
WASHINGTON, D.C. 20515

#191

September 22, 1983

Hon. Paul A. Volcker
Chairman
Federal Reserve Board
Washington, D.C. 20551

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 SEP 23 PM 1:30
RECEIVED
OFFICE OF THE CHAIRMAN

Dear Mr. Chairman:

The House Commerce, Consumer, and Monetary Affairs Subcommittee is investigating the adequacy of the Federal banking agencies' supervision of financial institutions in Tennessee and Kentucky owned or controlled by Jake Butcher, C. H. Butcher and their financial interests. Hearings were held on this issue on March 15 and 16, 1983, and a report is presently in preparation.

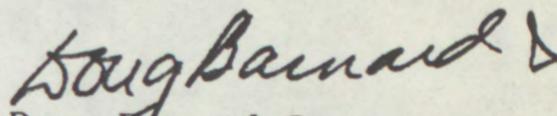
While the subcommittee's focus is on the operations and activities of the Federal Deposit Insurance Corporation at least one of the "Butcher banks" was a member of the Federal Reserve System — United Southern Bank of Nashville, Tennessee, which is now closed. Moreover, the Federal Reserve was involved in extensions credit to United American Bank in Knoxville and, perhaps, to other "Butcher banks" as well. Finally, the subcommittee is advised that during the summer of 1976 the Federal Reserve Board participated in meetings with the FDIC and the OCC for the purpose of planning a joint examination of Butcher controlled banks in Tennessee and Kentucky. This joint examination (which studied a number of issues including credit life arrangements and other forms of compensation paid to the Butchers; stock ownership arrangements among the various Butcher banks; the use of correspondent balances to provide compensatory balances for the benefit of the Butchers; loan purchases among the banks, etc.) took place in October or November of 1976. Mr. Jack Ryan of the Federal Reserve Board in Washington participated in the planning meetings.

Please provide the Commerce, Consumer, and Monetary Affairs Subcommittee with the following:

1. Copies of the 1976 joint examination report or any memorandums, letters, etc., discussing the results of that joint examination;
2. Copies of the examiners' "Comments and Conclusions" or "Summary" pages of any Federal Reserve examination reports for United Southern Bank of Nashville for the years 1977 through 1983.

Please furnish the materials requested above no later than September 30, 1983. If there are any questions, please contact the subcommittee staff director, Peter S. Barash. Your anticipated cooperation is appreciated.

Sincerely,



Doug Barnard Jr.
Chairman

DB:bb

October 5, 1983

The Honorable Robert H. Michel
Republican Leader
House of Representatives
Washington, D. C. 20515

Dear Bob:

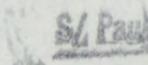
Thank you for your letter of September 30 recommending Mr. Benjamin Shapiro for a position on our Consumer Advisory Council.

I can assure you that Mr. Shapiro will receive full consideration when the Board selects eight new Council members later this year.

The Council provides valuable assistance in advising the Board on its implementation of consumer regulations and on other consumer-related matters, and the Board is pleased to receive recommendations for qualified individuals who can contribute to the Council's work.

Again, the Board appreciates having your recommendation.

Sincerely,

S. Paul

CO:pjt (#V-195, 83139)
bcc: Mrs. Bray (w/copy of incoming)
Mrs. Mallardi (2) ✓

ROBERT H. MICHEL
18TH DISTRICT, ILLINOIS

H-232, THE CAPITOL
WASHINGTON, D.C. 20515
225-0600

Office of the Republican Leader
United States House of Representatives
Washington, D.C. 20515

#195

September 30, 1983

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1983 OCT -3 AM 9:15
RECEIVED
OFFICE OF THE CHAIRMAN

Mr. Paul A. Volcker, Chairman
Board of Governors
Federal Service System
Washington, D.C. 20551

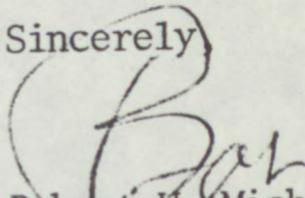
Dear Mr. Chairman:

I would like to take this opportunity to go on record in support of Mr. Benjamin Shapiro who has been nominated for appointment to the Consumer Advisory Council of the Federal Reserve Board.

I believe Mr. Shapiro's background and experience make him an outstanding candidate for service in this capacity, and I hope he will be given serious consideration by the selection committee during their evaluation of all nominees.

I sincerely hope Mr. Shapiro's nomination will receive favorable consideration and will greatly appreciate any attention he might receive.

Sincerely


Robert H. Michel
Republican Leader

RHM:LS