Chairman PATMAN. Does the FDIC have a similar ruling?

Mr. MARTIN. No; but all banks are subject to regulation W.

Chairman PATMAN. You could not enforce your ruling against anyone except the members of the Federal Reserve System, could you?

Mr. MARTIN. The regulation applies to all banks and brokers.

Chairman PATMAN. Who polices the regulation? We have heard all kinds of statements about gross evasions and no one paying any attention to it. We hear about people going into a bank and borrowing $10,000 and signing the statement and going out and changing their mind in 3 minutes and putting it in the stock market.

Who do you have supervising this regulation, and who do you have policing it?

Mr. MARTIN. The bank examiners, of course, check these agreements. At one of our examiners' conferences several years ago I asked one of the examiners whether they went back, finding out whether an agreement had been compiled with or not. It is a very difficult thing because this is a subjective thing in an individual's mind.

Chairman PATMAN. That is why it seems impossible to enforce.

Mr. MARTIN. It is a very difficult thing to enforce. The answer of this examiner to my question when I raised this was that it would not do him any good to ask a customer who signed such an agreement whether he told a fib or not.

Chairman PATMAN. How long has the law been in effect that permits you to make margin requirements—since 1935?

Mr. MARTIN. Since the Securities Exchange Act of 1934.

Chairman PATMAN. What punishment can be meted out to a person who violates it?

Mr. MARTIN. I believe it is a criminal penalty.

Chairman PATMAN. Have you ever heard of any one being prosecuted?

Mr. MARTIN. I have not heard of any one.

Chairman PATMAN. They are falling down on the enforcement of the act? There must be some violations, but you haven't caught one.

Mr. MARTIN. I would not say that. I think it is something that we constantly have to check on. We are working on it now. I think the matter of violations is being exaggerated at the present time. Several years ago we tried to tighten up on regulation U and we had quite a number of discussions with bankers on the subject, and we finally decided that any real tightening that we could undertake would be penalizing the honest and not help us catch the dishonest.

We are going to try to get our examiners to check more carefully on this and we are going to explore this in the light of what has happened here to see if there is anything we can do to improve on enforcement.

Chairman PATMAN. Under date of April 17 you addressed a letter to me in which you stated that during your appearance before the Joint Economic Committee on January 30, Senator Douglas raised with you the following question:

> Instead of fixed exchange rates, why would it not be a good thing for the Western World to adopt a fluctuating exchange rate? Then you wouldn't have to worry about your balance of payments or gold reserves. You would have exchange rates fluctuate according to relative balance of imports and exports, claims and debits, and you would get an automatic adjustment.

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