

12 U.S.C. § 248(g) grants the Board of Governors of the Federal Reserve System the authority to require Federal Reserve banks to write off doubtful or worthless assets from their accounting records. This provision ensures the accuracy and integrity of Federal Reserve banks' financial statements by mandating the removal of nonperforming or valueless assets. Below is a detailed analysis, case examples, and key definitions.

Detailed Explanation of 12 U.S.C. § 248(g)

Subsection (g) states:

"To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks."

This power allows the Board to:

- Identify nonperforming assets: Assets deemed irrecoverable or of negligible value (e.g., defaulted loans, depreciated investments).
- Enforce accounting adjustments: Direct Federal Reserve banks to remove these assets from their balance sheets, maintaining financial transparency.
- Mitigate systemic risk: Prevent overstatement of asset values that could mislead stakeholders or destabilize the banking system.

The provision operates alongside other supervisory tools under § 248, such as suspending bank operations (§ 248(h)) or removing officers (§ 248(f)). It reflects the Board's role in safeguarding the Federal Reserve System's financial health.

Case Law Examples

While litigation specifically citing § 248(g) is rare (as it involves internal supervisory actions), the following cases illustrate its contextual application:

1. Custodia Bank Inc. v. Federal Reserve Board of Governors (D. Wyo. 2022):

- Holding: Challenged the Board's authority over master account approvals under § 248, affirming its broad discretion to supervise Federal Reserve banks.
 - Relevance: Reinforced the Board's expansive powers under § 248, though not directly addressing (g).
2. Fourth Corner Credit Union v. Federal Reserve Bank of Kansas City (10th Cir. 2016):
- Holding: Addressed statutory ambiguity in § 248(a) regarding account access, highlighting the Board's supervisory latitude.
3. Simmat v. U.S. Bureau of Prisons (10th Cir. 2005):
- Holding: Clarified mandamus actions (§ 1361) to compel federal agencies, analogous to enforcing § 248 duties.
4. Dubbs v. Head Start, Inc. (10th Cir. 2003):
- Holding: Established pleading standards for claims involving agency discretion, relevant to challenges against § 248(g) actions.
5. Carpet, Linoleum & Resilient Tile Layers Union v. Brown (10th Cir. 1981):
- Holding: Defined mandamus for non-discretionary duties, applicable if the Board fails to enforce § 248(g).

Note: Direct challenges to § 248(g) are uncommon, as the Board typically implements it administratively without public litigation. The cases above instead demonstrate the judicial deference to the Board's statutory authority.

Key Definitions

- Writing off: The accounting practice of reducing an asset's book value to zero when it becomes uncollectible or worthless.
- Doubtful or worthless assets:
 - Doubtful: Assets with uncertain recoverability (e.g., loans in prolonged default).
 - Worthless: Assets with no recoverable value (e.g., defaulted bonds with zero collateral).
- Books and balance sheets:

- Books: Ledgers recording financial transactions.
- Balance sheets: Statements detailing assets, liabilities, and equity at a given time.
- Federal reserve banks: The 12 regional banks implementing central banking policies (e.g., the Federal Reserve Bank of New York).

This provision underscores the Board's critical role in maintaining the Federal Reserve System's financial integrity through proactive asset management.