

January 29, 1935

OUTLINE OF PROPOSED FEDERAL RESERVE LEGISLATION

1. Federal Reserve Banks. Combine offices of Chairman of the Board of Directors and Governor at the twelve Federal Reserve banks, appointments to be made annually by the directors of the banks, after nomination to and approval by the Federal Reserve Board. Provide for Vice-Governor to be selected in the same manner.

2. No members of the Board of a Federal Reserve bank, except Governor and Vice-Governor, shall hold office for more than six consecutive years.

3. Federal Reserve Board. Change qualifications for future appointive members of the Federal Reserve Board by providing that they shall be persons well qualified by education or experience or both to participate in the formulation of national economic and monetary policies. Present geographical limitation shall not apply to selection of future Governors. The Governor's membership on the Board shall expire when he is no longer designated as Governor by the President.

4. Increase the salaries of future appointive members to \$20,000 per annum, with compulsory retirement at 70 on \$12,000 pension. Present members to be eligible for retirement at 70. Provide for proportionate pensions for service of less than twelve years.

5. The Board shall be empowered to delegate specific powers and duties not involving the determination of national or System policies to individual members of the Board and/or its representatives.

6. Credit Control. Change Section 12A of the Federal Reserve Act so as to provide for an open-market committee to consist of the Governor and two members of the Board elected annually by the Board, and two governors of Federal Reserve banks elected annually by the governors of the Federal Reserve banks. This committee shall make recommendations about discount rate policies and formulate the System's open market policies which, when approved by the Federal Reserve Board, shall be binding on the Federal Reserve banks.

7. Eligibility and Collateral Requirements. Any sound asset of a member bank shall be eligible for discount at a Reserve bank, subject to regulations of the Federal Reserve Board, and the Board shall also have authority to prescribe limitations on maturity of advances to member banks.

8. Amend Section 14 so that obligations the principal and interest of which are guaranteed by the United States shall be eligible for purchase by Federal Reserve banks without regard to maturity.

9. Collateral requirements for Federal Reserve notes shall be repealed, and the office of Federal Reserve Agent shall be abolished.

10. Reserve Requirements of Member Banks. In order to prevent injurious credit expansion or contraction, the Federal Reserve Board may change reserve requirements as to any or all Federal Reserve districts and/or any or all classes of cities, and as to time and/or demand deposits.

11. Suspension of Capital Requirements for Membership. At any time prior to July 1, 1937, the Federal Reserve Board may admit any insured nonmember bank to membership in the Federal Reserve System; and may waive the legal capital requirements for admission: Provided, That such bank shall comply with all of the regular requirements of members within such time as the Federal Reserve Board shall prescribe.

12. Real Estate Loans. Amend Section 24 of Federal Reserve Act so as to permit loans to be made on amortization basis for periods of 20 years and up to 75 per cent of value of property. Remove geographical limitation as to location of real estate. Aggregate amount of real estate loans plus other real estate (except bank premises) not to exceed 60 per cent of time deposits or 100 per cent of capital and surplus, whichever is the greater. All real estate loans to be secured by first liens, but second and subsequent liens may be taken to secure debts previously contracted in good faith. Make limitations of Section 24 applicable to State member banks.