

JUN 13 1947

Honorable Charles W. Tobey, Chairman,
Senate Banking and Currency Committee,
Washington, D. C.

My dear Mr. Chairman:

In connection with S. 1070, a bill to provide for the cancellation of the capital stock of the Federal Deposit Insurance Corporation, which your Committee is now considering, a Committee Print of this bill dated May 22, 1947, has come to our attention.

In this Committee Print, at the end of section 1, is a sentence reading as follows:

"The amount paid the Secretary for the retirement of the stock subscribed by each Federal Reserve Bank shall be deemed a payment out of the surplus of such Federal Reserve Bank."

The inclusion of such a provision in the bill would cause confusion and might give rise to some uncertainty as to its interpretation. The facts are that, pursuant to the Banking Act of 1933, each Federal Reserve Bank was required to subscribe to stock of the Federal Deposit Insurance Corporation in an amount equal to one-half of its surplus on January 1, 1933. This subscription was paid in full by each Federal Reserve Bank in 1934. The payment out of the surplus of each Federal Reserve Bank for this stock took place, therefore, at that time. The stock has since been completely charged off on the books of the Federal Reserve Banks. It is obviously not intended that the surplus of the Federal Reserve Banks should be charged a second time with the amount of this stock.

The provision quoted above is, therefore, entirely unnecessary and since it would create confusion and uncertainty, we hope that it will be omitted from any final draft of the bill. The Board's Counsel will be glad to confer with any members of your staff regarding any aspects of this matter.

Sincerely yours,

THIS COPY FOR CHAIRMAN ECCLES

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 21, 1947.

To Chairman Eccles

Subject: The Bill, S. 1070 to cancel
the capital stock of the
FDIC.

From Mr. Cherry

The above-mentioned bill has passed the Senate and is now pending in the House Committee on Banking and Currency where hearings have been held, and I understand completed. The Committee has not acted with respect to reporting out this measure.

The bill in the form as it passed the Senate provides for the retirement of the capital stock of the FDIC in units of \$10 million without reducing the capital and surplus of the Corporation below \$1 billion. The stock held by the Federal Reserve Banks is to be cancelled before the Treasury stock is cancelled. The borrowing power of the Corporation is increased to \$3 billion.

No reference is made in the bill to assessments. Hence, assessments of 1/12th of one per cent will continue as in the past. The bill as it passed the Senate also carries no reference to the FDIC being placed under the control of the Bureau of the Budget. The bill as it was reported from the Senate Committee contained such a provision but this provision was eliminated on the floor of the Senate.

I am advised that the House Committee expects to hold an executive session on this bill sometime tomorrow.

MSC

JUL 30 1947

Mr. F. J. Bailey, Assistant Director,
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Bailey:

Receipt is acknowledged of your letter of July 28, 1947, enclosing a facsimile of the enrolled enactment of S. 1070, an act, "To provide for the cancellation of the capital stock of the Federal Deposit Insurance Corporation and the refund of moneys received for such stock, and for other purposes."

This bill provides for the retirement of the capital stock of the Federal Deposit Insurance Corporation by payments to the Secretary of the Treasury, where this can be done without reducing the capital and surplus of the Corporation below \$1,000,000,000; the stock subscribed by the Federal Reserve Banks to be retired before the stock subscribed by the United States. The borrowing power of the Corporation is increased to \$3,000,000,000, and the salaries of the appointive members of the Board of Directors of the Corporation are increased from \$10,000 to \$15,000 per annum.

The Board favors legislation on this subject and made a report to this effect to the Chairman of the Senate Banking and Currency Committee while the bill was pending in that Committee. Although the Board would favor some additional changes in the law with regard to this subject, it believes that the bill in the form passed by Congress is constructive and the provisions relating to the retirement of stock of the Federal Deposit Insurance Corporation are in large measure in conformity with the recommendation of the President in his budget message for 1948.

It is our recommendation, therefore, that the President sign S. 1070.

Very truly yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman

GBV:lm
7/29/47