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

August 6, 1971

CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Broida

Enclosed is a staff memorandum, dated today and entitled "System operations in agency issues." It is contemplated that the subject of this memorandum will be discussed at the meeting of the Committee to be held on August 24, 1971.

Among the appendixes attached to the memorandum is appendix A, "Pros and Cons of System Operations in Agency Issues." As noted in the enclosure, this appendix is unchanged from the version that was distributed with the staff memorandum on the same subject dated March 23, 1971. As an additional consideration, a decision on this matter at the August meeting would facilitate timely coordination with the transmittal to Congress of the Board's housing study, which is likely to occur in the near future--perhaps around mid-September.

As indicated in the enclosed memorandum, the Committee postponed a decision on this subject last April on the basis of a Treasury judgment that affirmative action might reduce the chances for enactment of certain legislation the Treasury plans to propose. The fact that the Committee will be reconsidering the subject of outright operations in agency issues at its August meeting has been reported to the Treasury. We have been advised that the Treasury Department would not object if the Federal Reserve determines that it is in the national economic interest for the System to engage in such operations.

Arthur L. Broida

Arthur L. Broida,
Deputy Secretary,
Federal Open Market Committee.

Enclosure

CONFIDENTIAL (FR) August 6, 1971

TO: Federal Open Market Committee

FROM: The Staff

Subject: Outright System Operations in Federal Agency Issues

The Federal Open Market Committee has on a number of occasions considered the question of authorizing outright System operations in Federal agency issues, most recently at its meeting on April 6, 1971. The proposal at that time was to initiate such operations on an experimental basis, as described in a staff memorandum dated March 23, 1971, under guidelines designed to keep the operations consistent with other open market operations and to minimize technical operating problems. Action was postponed then on the basis of a judgment by the Treasury that initiation of outright System operations in agency issues might reduce the chances for enactment of legislation that would permit consolidation of various agency issues into a Federal Financing Bank.

It is expected that the question of outright System operations in agency issues will be considered again at the August 24 meeting of the Federal Open Market Committee, presumably on the same basis as before--that is, as an experiment under guidelines similar to those proposed earlier. The Treasury's draft of the legislation that would provide for a Federal Financing Bank currently remains in the stage of discussion with the interested agencies. The draft legislation contemplates that the Farm Credit agencies, the Federal Home Loan Banks, and the Federal National Mortgage Association would continue their separate borrowing operations. Under the proposed guidelines, System operations would be confined largely, although not exclusively, to issues of the latter agencies, since for the most part such obligations are the only ones that presently would meet the proposed standards with regard to minimum issue size, tradability, and tax status. The obligations of a Federal Financing Bank would most likely also be eligible for System purchases or sales under the proposed guidelines.

There has been little change in Federal agency market conditions since the Committee's discussion in April except that the number of issues is slightly larger and there has been some decline in investor interest in longer-term agency issues. Among other reasons, participants in the agency market are concerned about the larger volume of prospective agency borrowings in the foreseeable future.

The following appendixes are attached to this memorandum:

Appendix A - "Pros and Cons of System Operations in Agency Issues" - is unchanged from the version attached to the staff memorandum of March 23, 1971.

Appendix B - "Guidelines for Conducting Operations in Agency Issues" - contains only one substantive revision. Guideline #8 now calls for conducting operations for the System Open Market Account rather than for the account of the Federal Reserve Bank of New York. This change has been made possible by progress in working out computer accounting for agency issues which should be operable in about a month. Prior to implementation of the computer program any operations may have to be limited to a relatively few larger issues that can be handled in a manual bookkeeping operation.

Appendix C - "Tables of Outstanding Agency Issues" - has been brought up to date and additional summary tables have been provided.

Appendix D - "Possible amendment to paragraph 1(a) of the Committee's continuing authority directive" - has been revised to be consistent with Guideline #8.

Appendix E - "Federal Financing Bank" - contains an outline of the Treasury's draft legislation, mentioned above, which would permit consolidation of various agency issues in a Federal Financing Bank.

APPENDIX A

August 6, 1971

PROS AND CONS OF SYSTEM OPERATIONS IN AGENCY ISSUES

I. The Case in Favor of Federal Reserve Operations in Agency Issues

1. Federal agency issues are, for all practical purposes, obligations of the U.S. Government, in effect as risk-free as direct U.S. Government debt, and therefore should be treated by the Federal Reserve System on the same basis as direct debt.

2. The Congress specifically provided authority for the Federal Reserve to undertake open market operations in agency obligations and while the Congress did not make such operations mandatory or require that any particular volume be purchased, the legislative history suggests that some degree of usage of this authority would be in keeping with Congressional intent. (Thus far, the authority has been used only for System acquisitions of agency issues under short-term repurchase agreements.)

3. Federal Reserve willingness to undertake outright transactions in agency issues would tend to increase the marketability of these issues, and would tend to reduce the yield spread between these issues and direct Treasury debt.

4. Federal Reserve purchases of agency issues can thus help to channel credit into uses deemed socially desirable and facilitate the flow of funds to sectors of the economy particularly disadvantaged at times of general credit restraint.

5. Agency issues are sometimes in such relatively large supply as to be a source of over-all credit market pressure, which might be moderated most effectively through direct Federal Reserve operations in the agency market.

6. When there is general credit market congestion for reasons other than an over-supply of agency issues, purchases of the latter issues may still be helpful in relieving the over-all congestion and pressures on interest rates. For example, in some circumstances purchases of longer-term agency issues along with Treasury coupon issues could help to alleviate pressures in capital markets.

7. Purchases of agency issues would broaden the alternatives open to the System when supplies of Treasury bills are relatively low and it is considered desirable to moderate downward pressure on bill rates.

8. The market in agency issues, while generally less broad than that in Treasury coupon issues, has grown substantially in recent years and can accommodate a significant volume of System open market operations without being unduly dominated by those operations.

II. The Case Against Federal Reserve Operations in Agency Issues

1. Any precedent for outright System operations in agency securities initiated when there is a relatively good availability of funds in credit markets could be expected in subsequent periods of tight money to intensify political pressures on the Federal Reserve to provide special relief for housing and other selected areas of activity. If forced to respond too actively to these pressures, the System's ability to realize the broader goals of general monetary policy could be significantly impaired. The instruments of general monetary policy are not well adapted to selective credit allocation. Any modification of the market's allocation deemed to be desirable in the public interest would best be accomplished through specialized credit agencies established by Congress to improve the flow of credit to housing, small business, farmers, etc.

2. By participating in the agency market and increasing the marketability of agency issues, the Federal Reserve might encourage the development of additional specialized credit agencies. It is easy to envisage a proliferation of programs seemingly worthwhile individually but aggregating to an unmanageable whole. The Administration has been trying, with little success so far, to improve its coordination of and control over Federal credit programs, and any fresh encouragement of new programs could be a backward step.

3. The agency market has developed well without System participation and it is not obvious that System entry would promote its improvement. System entry could even be detrimental if Desk operations tended to dominate the market, perhaps setting up expectations of System assistance that could only be fulfilled by sacrificing the broader and more important general objectives of monetary policy.

4. In providing discretionary authority for the Federal Reserve to operate in agency issues, the Congress left it to the System's judgment whether outright participation would be desirable. Hence, it is reasonable for the System to continue to refrain from outright operations in agencies if such operations seem likely to prove unsettling to the functioning of the agency market and/or to complicate the effective implementation of open market policy.

5. The effectiveness of System purchases of agency issues in relieving over-all credit market congestion may be questioned. Most of the outstanding agency issues are short-term, and their purchase would mainly affect shorter rates. System purchases of the relatively small longer-term issues could easily dominate markets in such issues and pull down their rates without having much impact on flows to longer-term capital markets in general.

6. There are significant technical problems entailed in outright System operations in agency issues. For example, since one or another agency is almost always either just coming to market or has just completed a financing, it might be

difficult to avoid the appearance of providing special System support to the new offerings of particular agencies. Also, the large number and relatively small size of agency issues could create technical operating problems. While the average size of individual issues has increased in recent years, it is still much smaller than for Treasury issues. And even though trading volume figures for agency issues look rather substantial, much of this activity occurs while the issues are undergoing initial distribution by members of the selling group--a period in which the Desk would refrain from operations under the proposed guidelines.

7. Another technical problem is the absence of a roll-over arrangement at maturity, similar to the one now available to the System with respect to most direct Treasury issues.[1/] If System holdings of particular agency issues were sizable, there would be a question when such issues matured whether the System could acquire enough of any new issue that might be offered at the time to avoid a significant reserve drain.

1/ Committee Counsel has expressed the opinion that, on the basis of analogous precedent and assuming that the form of the agency offering permits such exchange, it would be legal for the System to exchange holdings of maturing agency issues directly for new issues without going through the market, in line with the current practice in Treasury refinancings. (See Mr. Hackley's memorandum to the Committee dated March 24, 1971.) The proposed language for the continuing authority directive shown in Appendix D would permit the Desk to make the exchanges, if arrangements for such exchanges can be worked out with the various agencies involved.

APPENDIX B | GUIDELINES FOR CONDUCTING OPERATIONS IN AGENCY ISSUES | AUGUST 6, 1971

A number of suggested guidelines for experimental outright operations in Federal agency issues were attached to the staff memorandum of March 23, 1971 to the Federal Open Market Committee. These guidelines are reproduced below. The only substantive change is in Guideline #8, which now calls for operations to be conducted for the System Open Market Account rather than for the account of the Federal Reserve Bank of New York. A few small clarifying changes have been made in the language of some of the other guidelines.

The guidelines assume--in line with Governor Robertson's memorandum of May 5, 1969--that the Federal Reserve would be undertaking outright operations in agency issues as an adjunct to, and for the same purposes as, its outright purchases and sales of direct U. S. Treasury issues, rather than to support any particular sector of the market. Because of uncertainties about the ability of the Federal Reserve to roll over its holdings of agency issues at maturity, the guidelines provisionally suggest that issues held by the System be allowed to run off at maturity. This in turn leads to the suggestion that the holdings by the System of any individual issue be strictly limited in order to avoid an unwanted impact on bank reserves and also to avoid forcing onto the private market a large volume of agency securities that the System cannot roll over at maturity. There are a number of practical problems that would have to be worked out with the agencies involved if roll-overs are considered desirable.

As earlier memoranda have indicated, outright System open market operations in agency issues will be more complicated than operations in U. S. Treasury issues, because of the fragmented nature of the market, the frequent financing operations of the respective agencies, and the special concern of each agency for marketing its own new issues to best advantage. To minimize these problems the guidelines suggest confining System operations to individual issues above a specified minimum size, with a view to restricting the number of issues with which the Desk would have to deal. At the same time, this limitation might encourage agencies to increase the size (and reduce the number) of individual offerings, a procedure endorsed in the April 1969 Report of the Joint Treasury-Federal Reserve Study of the U. S. Government Securities Market. The draft legislation to establish a Federal Financing Bank would, if enacted, consolidate the borrowings of a number of agencies.

It should also be noted that the guidelines assume that tax-exempt Government agency issues--either direct or guaranteed--would not be appropriate vehicles for System open market operations. This assumption is based partly on the inadequacy of secondary markets for such issues, and partly on the conclusion of a 1963 inter-Governmental committee (on which the Federal Reserve participated) questioning the desirability and propriety of Federal Government guarantees of tax-exempt issues. Additional study would be needed if the Open Market Committee wanted to explore the possibility of open market operations in such tax-exempt issues.

Finally, it should be stressed that while technical problems can be surmounted, operations in Government agency securities cannot--at least under present circumstances--be as neat and simple as operations in direct Treasury securities. While the guidelines attempt to minimize the technical problems, there are many possibilities for misunderstanding both by the market and by the individual agencies. This suggests that, if the Committee decides that it is desirable to undertake outright operations in Government agency securities, the approach be cautious with special attention to avoiding any disruptive effects on either the secondary market or the marketing of new issues. It further suggests that before operations are undertaken the principles underlying the conduct of open market operations in agency issues should be made clear to the individual agencies, to the dealer market, and to the general public. Because of the need to feel our way if the FOMC should decide to undertake operations in agency issues, the guidelines adopted should be regarded precisely as guidelines rather than as rigid rules. They should be subjected to constant review and revision as the experiment proceeds.

The eight suggested guidelines follow:

1. System open market operations in Federal agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.

Comment

Outright operations would normally be conducted in conjunction with similar operations in direct Treasury issues, with amounts purchased or sold depending upon availability or demand and upon the amount of reserve injection or withdrawal desired. In circumstances where the FOMC is especially concerned about the interest rate on Treasury bills, or about long-term rates, purchases of agency issues might serve as at least a partial substitute for purchases of Treasury bills and as a supplement to the purchase of Treasury coupon issues. Whether operations would be conducted at the same time and in the same way as operations in U. S. Government securities would depend on prevailing market conditions or other circumstances.

2. System open market operations in Federal agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.

Comment

The amount of agency issues bought or sold would depend on availability or demand. Since supply or demand is apt to be spotty, the proportion of agencies included in any day's operation would vary, and careful attention would have to be paid to the price effects of System transactions. The principle of purchase and sale at best price would prevail and care would be taken to avoid undue price effects, to the end that System operations would not become the dominant factor influencing any sector of the agency market.

3. As an initial objective, the System would aim at building up a portfolio of agency issues of from $200 to $500 million over a period of two to three months, with the amount and timing dependent on the ability to make net acquisitions without undue market effects.

Comment

The range mentioned provides enough scope for System purchases at the start to be a helpful adjunct to other open market operations, but it must be recognized that such magnitudes may not be achieved because of market conditions. Also, allowance should be made for maturity of some of the holdings, and for sales to establish the principle of System sales of agencies when reserves are being absorbed.

4. System holdings of maturing agency issues will be allowed to run off at maturity, at least initially.

Comment

Current procedures involved in the marketing of new agency issues do not provide for the exchange of maturing issues on the basis that the System now exchanges its holdings of Treasury issues.

Committee Counsel in a memorandum dated March 24, 1971 expressed the view that the law would permit special arrangements whereby new issues may be channeled into the System portfolio on an exchange or similar basis. If such exchanges are deemed desirable and are acceptable to the borrowing agencies, discussion of practical procedures should be undertaken with those agencies.

5. Purchases will be limited to fully taxable issues for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of $300 million or over in cases where the obligations have a maturity of five years or less at the time of purchase, and to issues outstanding in amounts of $200 million or over in cases where the securities have a maturity of more than five years at the time of purchase.

Comment

This guideline would limit the number of agency issues to be purchased to 82 issues totaling about $32 billion. (See Appendix C). Generally speaking, these issues would be more readily tradeable than the smaller issues. The lower limit of $200 million for issues over five years might permit somewhat more purchases in that area, which would offer few opportunities at best. Farmers Home Administration

Insured notes, which are longer-term obligations, would not be purchased as they are not actively traded because of their unorthodox features.

6. System holdings of any one issue at any one time will not exceed 10 percent of the amount of the issue outstanding. There will be no specific limit on aggregate holdings of the issues of any one agency.

7. No new issue will be purchased in the secondary market until at least two weeks after the issue date.

Comment on Guidelines 6 and 7

The purpose of these two guidelines is to try to minimize the impact of System purchases and holdings of individual agency issues on the market price of those issues, to minimize the replacement problem at maturity, to avoid affecting--insofar as possible--the pricing of new issues, to avoid either the appearance or the fact of direct System support of any new issue, and to ward off possible pressures from borrowing agencies, Fiscal agents, selling groups or syndicates. We have no way of telling in advance whether operations based on market supply and demand would result in a balanced System portfolio of issues of the several borrowing agencies, although System repurchase agreements involving agency issues have resulted in a reasonably good distribution of agreements among the issues of the various agencies. We shall have to be alert to the possibility that the timing of purchase and sale operations may inadvertently discriminate among agencies. The frequency of new agency issues will also represent a continuing problem of minimizing or avoiding operations in closely competitive outstanding agency issues in order to avoid charges that the System either "cleaned up" the market to help the new issue, or that it "wrecked" the market by selling.

8. All outright purchases, sales and holdings of agency issues will be for the System Open Market Account.

Comment

Computer accounting procedures for participating agency issues among the Reserve Banks are expected to be operational in about a month. Since parallel manual accounting would be needed temporarily as a check on the computer accounting, initial operations would be on a manual bookkeeping basis, which might require limiting for a time the issues traded to a relatively few larger issues. The number of issues would be expanded as soon as the computer facility is able to take over the entire operation. It might be noted that System holdings of agency issues would not be eligible for pledging to secure Federal Reserve Notes.

APPENDIX C

August 6, 1971

Table 1

Distribution of Outstanding Marketable Agency Issues
By Agency, Size of Issue and Current Maturity
(amounts in millions)

	Maturing:					
	Under 2 Years		In 2 to 5 Years		Over 5 Years	
	#	Amount	#	Amount	#	Amount
Federal Intermediate Credit Banks						
0 - $199 million						
200 - 299 million	2	$ 403	2	$ 436		
300 and over	9*	4,914*				
Federal Home Loan Banks						
0 - $199 million	1	175	2	333	2	$ 290
200 - 299 million	3	700	4	999	2*	400*
300 and over	7*	3,100*	5*	1,700*	1	350*
Banks for Cooperatives						
0 - $199 million			1	100		
200 - 299 million	3	876				
300 and over	2*	818*				
FNMA - bonds, notes & debs.						
0 - $199 million	5	503			2	348
200 - 299 million	7	1,550	6	1,450	6*	1,350*
300 and over	11*	4,550*	10*	3,850*	1*	300*
GNMA - PC's and debs.						
0 - $199 million	8	220	11	300	17	655
200 - 299 million	2	525			2*	475*
300 and over	2*	780*			6*	3,015*
Federal Land Banks-bonds						
0 - $199 million	3	379	3	428	2	298
200 - 299 million	2	430	2	420	1*	224*
300 and over	8*	3,166*	4*	1,254*	1*	442*
Ex.-Im. Bank PC's and debs.						
0 - $199 million			1	150		
200 - 299 million					1*	250*
300 and over	2*	900*	1*	325*		
TVA notes and bonds						
0 - $199 million			2	150	8	525
200 - 299 million						
300 and over						

* Indicates issues that would be eligible for outright System operations under the guidelines proposed in Appendix B.

Note: The above tabulation does not include discount notes of FNMA and TVA, Farmer's Home Administration insured notes and, tax-exempt housing notes and bonds backed by the full faith and credit of the U.S.

APPENDIX C

August 6, 1971

Table 2

Summary of Outstanding Marketable Agency Issues
By Size of Issue and Current Maturity
(amounts in millions)

Total Issues

Size Categories	Under 2 Years #	Under 2 Years Amount	2-5 Years #	2-5 Years Amount	Over 5 Years #	Over 5 Years Amount
0 - $199 million	17	$1,277	20	$1,461	31	$2,116
200 - 299 million	19	4,484	14	3,305	12	2,699
300 million & over	41	18,228	20	7,129	9	4,107
Totals	77	23,989	54	11,895	52	8,922

Issues Eligible for System Transactions
Under Proposed Guidelines

Size Categories	Under 2 Years #	Under 2 Years Amount	2-5 Years #	2-5 Years Amount	Over 5 Years #	Over 5 Years Amount
200 - 299 million	(not eligible)		(not eligible)		12	2,699
300 million & over	41	18,228	20	7,129	9	4,107
	41	18,228	20	7,129	21	6,806

APPENDIX D

Possible amendment to paragraph 1(a) of the Committee's continuing authority directive

(a) To buy or sell U.S. Government securities AND SECURITIES THAT ARE DIRECT OBLIGATIONS OF, OR FULLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY, ANY AGENCY OF THE UNITED STATES in the open market, from or to ~~Government~~ securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices and, for such Account, to exchange maturing U.S. Government AND FEDERAL AGENCY securities with the Treasury OR THE INDIVIDUAL AGENCIES or TO allow them to mature without replacement; provided that the aggregate amount of ~~such~~ U.S. GOVERNMENT AND FEDERAL AGENCY securities held in such Account at the close of business on the day of a meeting of the Committee at which action is taken with respect to a current economic policy directive shall not be increased or decreased by more than $2.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting.

Appendix E June 1971

SECTION-BY-SECTION SUMMARY OF THE FEDERAL FINANCING BANK ACT OF 1971[1/]

Sec. 1.

The Act would be cited as the "Federal Financing Bank Act of 1971".

Sec. 2. Findings and Declaration of Purpose.

a. Findings:

That demands on credit markets from Federally assisted borrowings are increasing faster than the total supply of credit, that such borrowings are contributing substantially to overall market pressures and higher interest rates, and that such borrowings are not adequately coordinated with overall Federal fiscal and debt management policies.

b. Purpose:

To reduce the costs of Federal and Federally assisted borrowings from the public and to assure that such borrowings are financed in a manner least disruptive of private financial markets and institutions.

Sec. 3. Definitions.

This section defines "Federal" and "Federally sponsored" agencies, "securities," and "guarantees" for the purposes of the Act.

Sec. 4. Creation of Bank.

A Federal Financing Bank would be established as an instrumentality of the U.S. Government. The Bank would be authorized to maintain such offices as appropriate to carry out its purposes.

Sec. 5. Board of Directors.

The Board of Directors would determine the general policies of the Bank and would consist of 5 members, including the Secretary of the Treasury as Chairman and 4 other members appointed by the President from officers and employees of the Bank or of any department or agency of the United States.

1/ Note: This outline was prepared at the U.S. Treasury Department. Copies of the full draft text of this bill (dated June 22, 1971) are available from Mr. Broida's office.

Sec. 6. Functions.

The Bank would be authorized to purchase any security or evidence of participation in the sale of a financial asset issued, sold, or guaranteed by a Federal or Federally sponsored agency except the Federal National Mortgage Association, the institutions of the Farm Credit system, or institutions under the supervision of the Federal Home Loan Bank Board. Purchases by the Bank would be at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration current average yields on outstanding obligations of the U.S. or of the Bank of comparable maturity. The Bank would be authorized to charge fees to provide for expenses and reserves.

Sec. 7. Treasury approval.

No Federal or Federally sponsored agency would be permitted to issue, sell, or guarantee any security or evidence of participation in the sale of a financial asset except with the approval of the Secretary of the Treasury as to the method [, amount], and source of financing, timing, rate of interest, and other terms and conditions. Agencies would be required to submit financial plans to the Secretary.

Sec. 8. Initial Capital of the Bank.

The Secretary of the Treasury would be authorized to advance up to $100 million to the Bank which would bear interest at a rate determined by the Secretary of the Treasury taking into consideration the current average yield on outstanding Treasury obligations of comparable maturity. Appropriations would be authorized for this purpose.

Sec. 9. Obligations of the Bank.

The Bank would be authorized, with the approval of the Secretary of the Treasury, to issue its obligations in the market. The Secretary of the Treasury would also be authorized to purchase such obligations and to use the proceeds of public debt transactions to finance such purchases.

Sec. 10. General Powers.

The Bank would have the usual corporate-type powers.

Sec. 11. Exemptions.

The Bank and its income would be exempt from all taxes except real and personal property taxes and taxes on the principal or interest on obligations issued by the Bank, which would be taxed to the same extent as obligations of private corporations.

Sec. 12. Preparation of Obligations.

The Secretary of the Treasury would be authorized to prepare, hold, and deliver obligations for the Bank on a reimbursable basis.

Sec. 13. Annual Report.

The Bank would be required to transmit to the President and Congress an annual report of its operations and activities.

Sec. 14. Obligations Eligible for Purchase by National Banks.

National banks would be permitted to invest in or deal in obligations of the Bank.

Sec. 15. Government Corporation Control Act.

The Bank would be subject to the budget and audit provisions of the Government Corporation Control Act in the same manner as they are applied to a wholly owned Government corporation.

Sec. 16. Program Review.

No Federal or Federally sponsored agency could make or guarantee loans except in accordance with a budget program submitted to the President. The President could limit such programs when he finds limitations necessary for economic stability, in view of overall demands for credit.

Sec. 17. No Impairment.

Nothing in the Act would be construed as impairing authority of the President or the Secretary of the Treasury under other statutes.

Sec. 18. Separability.

The remaining provisions and validity of the Act would not be affected if any provision is held invalid.

Sec. 19. Effective Date.

Sections 7 and 16 would be effective 30 days after an initial appropriation for capital of the Bank has been made under section 8.