

JUN 10 1947

The President,
The White House.

Dear Mr. President:

This is in response to your memorandum of June 3, 1947, requesting information with respect to (1) legislation affecting the Board of Governors of the Federal Reserve System upon which action should be completed by June 30, 1947, because of the expiration of existing authority on that date, or for other similar reasons, and (2) legislation affecting the Board of Governors on which it is urgently necessary that action be completed at this session of the Congress.

There is no pending or proposed legislation directly affecting the Board of Governors upon which it is necessary that action be completed by June 30, 1947, because of the expiration of existing authority on that date.

With respect to the second category of legislation referred to in your memorandum, I should like to call attention to the following pending legislative proposals:

1. An amendment to section 10 of the Federal Reserve Act to permit expenditures for branch bank buildings of the Federal Reserve Banks in excess of the present statutory limit of \$250,000. The space situation at certain of the Federal Reserve Bank branches has reached an urgent stage. A bill, S. 1225, to repeal the statutory limitation, was introduced in the Senate on May 5, 1947, in accordance with the Board's recommendation. As an alternative, if Congress should be unwilling to repeal the limitation, the Board has suggested that it be authorized to approve expenditures for branch buildings of the Federal Reserve Banks, in those cases where the needs are most pressing, up to an aggregate amount not exceeding \$10,000,000, for the cost of the building proper. There is an urgent need for legislation on this subject at this session of Congress.

2. Revision of existing statutory provisions for the purpose of making more effective the authority of the Board of Governors to supervise and regulate bank holding companies.

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Legislation for this purpose has been strongly recommended by the Board and is favored by the Federal Advisory Council, the Association of Reserve City Bankers, and the Independent Bankers Associations, as well as by the great majority of the major bank holding companies. A bill, S. 829, on this subject was introduced in the Senate on March 10, 1947, and a companion bill, H. R. 3351, was introduced in the House of Representatives on May 6, 1947. Hearings on S. 829 were held before the Senate Banking and Currency Committee on May 26 and June 2, 1947; but no action has yet been taken with respect to H. R. 3351.

3. A proposal to authorize the Federal Reserve Banks to guarantee loans made by chartered banking institutions to business enterprises on a more effective basis than the existing industrial loan authority of the Federal Reserve Banks now contained in section 13b of the Federal Reserve Act. This proposal would carry out a recommendation made in your Budget Message for 1948, by eliminating the appropriation previously made for the industrial loan operations of the Reserve Banks under existing law, thus releasing to the Treasury for other uses funds totaling approximately \$139,000,000. A bill on this subject, S. 408, was reported favorably by the Senate Banking and Currency Committee on April 28, 1947. A similar bill, H. R. 3268, introduced in the House of Representatives on April 30, 1947, has been the subject of hearings before the House Banking and Currency Committee. It is important that this legislation be enacted both for the purpose of giving the Reserve Banks more effective authority to guarantee business loans and in order to carry out the recommendation made in your Budget Message.

4. A proposal to authorize the continuance of the authority of the Board of Governors, now based on Executive Order, to prescribe maximum maturities and minimum down payments in connection with the extension of consumer instalment credit. The Board feels that this proposal should have the careful consideration of Congress at this session. A bill to carry the proposal into effect has been submitted by the Board of Governors to the Banking and Currency Committees of Congress. In this connection, in your letter to me of June 5, 1947, with respect to this matter, you stated

that if the Congress does not see fit to provide the necessary legislative authority, it is your intention to vacate the Executive Order because you do not believe that such regulations should rest indefinitely in peacetime on emergency or war powers after the Congress has had ample opportunity to consider the subject.

The Board of Governors believes that it is important that these proposals be considered and acted upon at the present session of Congress.

Respectfully,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

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