

THE WHITE HOUSE  
WASHINGTON

March 11, 1938.

MEMORANDUM FOR

✓ THE SECRETARY OF THE TREASURY  
GOVERNOR ECCLES

FOR PREPARATION OF REPLY  
FOR MY SIGNATURE.

F. D. R.

The following papers accompanied a similar memorandum to the Secretary of the Treasury: Letter from Sen. Claude Pepper, 3/10/38 to the President, enclosing copy of bill, S.3630, For the establishment of a system of regional industrial banks, so as to furnish additional credit and capital facilities for business purposes, which the Senator introduced in the Senate, 3/9/38, and a copy of the Senator's address over the Columbia Broadcasting System, 3/8/38 in which he discussed Regional Industrial Banks. Asks that President give matter such consideration as he may deem it to deserve.

4/7/38 - Cleared with Lannoy. This  
packet is cleared of the item.  
LCP

March 10, 1938.

Board of Governors

Analysis of S.3620

Mr. Williams, Assistant Counsel.

A Bill "for the establishment of a system of regional industrial banks, so as to furnish additional credit and capital facilities for business purposes."

This bill was introduced by Senator Pepper to replace Senate Bill 3630 introduced by him which had provided for the insurance by the Reconstruction Finance Corporation of industrial loans made by banks. The present bill provides as follows:

1. The establishment of regional industrial banks.
2. A Board of Governors, 1 member from each region for terms of 2, 3, 4, 5, and 6 years, respectively, for the first Board, not less than 5 members of the Board, no more than 12, each appointed by the President with the advice and consent of the Senate.
3. Board to establish a minimum of 5 regions, a maximum of 12 and each regional bank board to establish such number of subregional banks as it may determine.
4. Each bank to start with \$100,000,000 capital subscribed by the Treasury, subject to maximum increase to \$1,000,000,000.
5. All stock subject to acquisition by the public at a price fixed by the Board.
6. The furnishing of capital to be confined to respective regions.
7. The bank to be exempt from any taxation except Federal.
8. The President can remove (no restrictions) any member of the Board of Governors or any member of the boards of the regional banks.
9. Powers of regional boards of directors:
  - (a) Four of the directors appointed by the President, three elected by "those doing business" with the bank or by those investing in the capital of the bank. (This provision seems conflicting and ambiguous.)

(Copy for Mr. Clayton)

- (b) Establish such number of subregional banks as they determine.
- (c) "Make loans upon such terms and conditions with or without collateral" and at such rates of interest as each regional bank shall determine.
- (d) May buy common or preferred stock or bonds "of any business enterprise or public agency" or governmental body.
- (e) "To furnish needed capital and credit facilities" throughout the United States.
- (f) Rediscount paper from any other bank upon any terms and at any rates prescribed by each regional bank.
- (g) Dispose of any assets that it may acquire upon any terms it determines.
- (h) May issue debentures, insured by the Treasury and establish an insurance fund to insure the payment thereof in collaboration with the Secretary of the Treasury or to pay such debentures directly from the Treasury.
- (i) Shall NOT have power to accept deposits except incidental to handling "a particular transaction."

The bill has been referred to the Committee on Banking and Currency.

Respectfully,

Copies to:

Chairman Eccles  
Governor Ransom  
Governor McKee  
Governor Davis  
Governor Saymesak

*Kit Williams*  
Kit Williams,  
Assistant Counsel.