

CONFIDENTIALLIST OF SUGGESTED AMENDMENTS TO THE LAWS AFFECTING
THE FEDERAL RESERVE SYSTEMSECTION 4 OF THE FEDERAL RESERVE ACT

Separation of offices of Chairman and Federal Reserve Agent. - An amendment authorizing the Board in its discretion to designate one of the class C directors to serve only as Chairman of the board of directors of the Federal Reserve bank and to appoint a different person, who need not be a director, to serve as Federal Reserve Agent. In such event, relieve the Chairman of all statutory duties except those of director and the duty of presiding at meetings of the board of directors. The amendment would be so drawn that the requirement of tested banking experience would not apply to the separate position of Chairman. Also an amendment authorizing an Assistant Federal Reserve Agent to perform the duties of the Agent during a vacancy in the latter's office as distinguished from the absence or disability of the Agent and eliminating the requirement that an Assistant Agent be a person of "tested banking experience".

SECTION 7 OF THE FEDERAL RESERVE ACT

Dividends of Federal Reserve banks. - An amendment forbidding the Federal Reserve banks to pay more than a four per cent cumulative dividend, except that, with the consent of the Board, they may pay an additional non-cumulative dividend up to two per cent.

SECTION 9 OF THE FEDERAL RESERVE ACT

Capital requirements. - An amendment modifying the capital requirements for admission of State banks to membership in the Federal Reserve System so as to place such requirements on the basis of capital adequate in the judgment of the Board of Governors in relation to deposit and other corporate responsibilities rather than upon arbitrary requirements based on the population of the place in which located; together with a similar amendment to the law regarding capital requirements for the organization of national banks, substituting, of course, in the latter case the judgment of the Comptroller of the Currency for that of the Board of Governors. However, there should be retained the requirement that no national bank may be organized with a capital less than \$50,000 in any case and no State bank may be admitted with a capital less than \$50,000 except in those cases where a capital of \$25,000 is sufficient under the present law.

Also an amendment to provide that a State member bank or a national bank having branches shall have capital adequate in relation

to its deposit and other corporate responsibilities, in the judgment of the Board of Governors or the Comptroller of the Currency, as the case may be, provided that such capital shall be not less in any case than the amount required by State law of State banks operating the same number of branches in places in which the bank's branches are located. Such provisions would take the place of the present capital requirements specifically prescribed by the law for member banks having branches.

SECTION 9 OF THE FEDERAL RESERVE ACT

Waiver of membership requirements. - An amendment to make effective immediately, instead of in 1941, the Board's authority to waive requirements for admission to membership for the purpose of facilitating the admission of any State bank which is required to be a member in order to continue in an insured status.

SECTION 10 OF THE FEDERAL RESERVE ACT

Chairman and Vice Chairman of the Board of Governors. - An amendment providing that the Chairman (and Vice Chairman) of the Board of Governors shall be designated by the President to serve as such for a term of four years or, if the Chairman (or Vice Chairman) has less than four years to serve as a member of the Board, then for the remainder of his term as a member of the Board. The amendment should also provide that whenever the term of the Chairman (or Vice Chairman) as such expires and he elects not to continue to serve as a member of the Board, the provision of the second paragraph of Section 10 of the Federal Reserve Act that members of the Board shall be ineligible for two years thereafter to hold any office, position, or employment in any member bank, shall not apply.

SECTION 11 OF THE FEDERAL RESERVE ACT

Assignment of duties. - An amendment authorizing the Board of Governors to assign to designated members of the Board or its representatives, under rules and regulations prescribed by the Board, the performance of specific duties and functions, not including the determination of national or System policies, the power to make rules and regulations, or any power which under the Act is required to be exercised by a specified number of members of the Board.

SECTION 11 OF THE FEDERAL RESERVE ACT

Facilitating hearings by the Board. - In connection with all hearings conducted by the Board regarding the removal of directors and officers of member banks, the expulsion of State banks from the

Federal Reserve System, the revocation of voting permits, and similar matters, an amendment giving the Board authority similar to that possessed by the Federal Trade Commission, the Interstate Commerce Commission and other administrative agencies to have testimony taken by one or more members of the Board or by such trial examiners as it may designate, and authorizing the Board or its designated representatives to administer oaths. Also an amendment authorizing the Board to prescribe rules governing the procedure in such hearings and permitting the service of notice in such cases by registered mail.

SECTION 12A OF THE FEDERAL RESERVE ACT

Membership of Federal Open Market Committee. - An amendment changing representation of Federal Reserve banks on open market Committee so that there will be four representatives, each of whom will be elected by a group of three Federal Reserve banks, and one representative at large elected by the Presidents of the twelve Federal Reserve banks. Require that all representatives of Federal Reserve banks on Open Market Committee, including alternates, shall be Presidents of Federal Reserve banks. Make it clear that in electing such representatives each Federal Reserve bank has one vote instead of each director having one vote. Prescribe method of election.

SECTION 14(d) OF THE FEDERAL RESERVE ACT

Establishment of Discount Rates by Federal Reserve Banks. - An amendment which would eliminate the requirement that each Federal reserve bank shall establish discount rates every fourteen days, but would require instead that each bank shall establish such rates at least once during each month or oftener if deemed necessary by the Board.

SECTION 16 OF THE FEDERAL RESERVE ACT

Penalty for paying out notes of another Federal Reserve bank. - An amendment repealing the provision which prevents a Federal Reserve bank from paying out notes of another Federal Reserve bank.