8/19/38

SUMMARY OF SUGGESTED AMENDMENTS TO EXISTING BANKING LEGISLATION AS DISCUSSED AT CONFERENCES OF AUGUST 9TH AND 10TH

REORGANIZATION OF FEDERAL SUPERVISION AND REGULATION

1. Ownership of System. - Retire the capital stock of the banks at par plus accrued dividends, the remaining surplus to constitute the banks' capital. Permit each bank to accumulate profits until the aggregate capital of all of the banks (equitably apportioned among each of them in some manner to be determined) aggregates $300,000,000. Thereafter, subject to the creation and maintenance of adequate reserves, pay all earnings to the Government as a franchise tax. As an incident to this capital adjustment, provide for the transfer of all interest in F.D.I.C. stock to the Treasury, for final settlement with Treasury on advances by Treasury to banks under section 13(b), for liquidation of industrial loans, and for discontinuance of this function in future.

2. Directors of Federal Reserve banks. - Eliminate existing classes of directors in banks and provide for a directorate of seven members, all of whom, except the State bank supervisory authority, shall be actively engaged in their district in commercial and agricultural, or some other industrial pursuit, and none of whom shall be an officer, director or employee of any bank. Provide for the election, under rules and regulations of the Board of Governors, of three directors by insured banks, for the appointment of three directors by the Board of Governors, and for the election of one of the banking supervisory authorities of the States comprising the district by such authorities provided that no authority could serve two banks at the same time. Provide that the terms of directors shall be for three years and permit a director to serve only for three full consecutive terms. Stagger the appointment of directors to the end that in each district all insured banks will elect and the Board will appoint one director each year. Eliminate the manager of a branch as a branch director and substitute a director elected by the State banking supervisory authorities in States served by such branch. Separate office of Chairman and Agent or abolish Agent. (Federal Reserve note collateral)

3. Membership. - Extend the facilities of the Federal Reserve System to all insured banks and make all insured banks subject to the requirements of the Federal Reserve Act.

4. Board of Governors. - Reconstitute the Board of Governors to consist of seven members, the Chairman to serve for a term coterminous with the term of office of the President and to be an

ex officio member of the F.D.I.C. board; the Chairman of the F.D.I.C. to be an ex officio member; the remaining five members to be appointed for terms of ten years so arranged as to require the appointment of a member each two years with no prohibition against the reappointment of a member already serving. Permit the Board, except as to national or system policy, to allocate particular duties to individual members and to delegate authority to Federal Reserve banks.

5. Federal Deposit Insurance Corporation. - Reconstitute the Board of Directors of the F.D.I.C., making the Chairman of the Board of Governors an ex officio member of the Board of Directors of the F.D.I.C., but permitting him to select one of the appointed members of the Board to act for him in such capacity.

6. Division of Authority Between F.D.I.C. and Board of Governors. - Abolish office of the Comptroller of the Currency, transferring his currency functions to the Treasurer of the United States. Transfer all supervisory powers of the Comptroller of the Currency and the Board of Governors to the F.D.I.C. (Illustrative of powers thus to be transferred are the powers to examine, require reports (?), grant trust powers to national banks, terminate insurance of State banks, remove officers of insured banks, supervise holding company and affiliate relations and supervise interlocking relations under Clayton Act and Section 32 of the Banking Act of 1933.) Transfer all regulatory powers of the Comptroller of the Currency and the F.D.I.C. to the Board of Governors. (Illustrative of the powers thus to be transferred are the powers to issue regulations relating to investments of insured banks under Section 5136 of the Revised Statutes and to issue regulations prohibiting the payment of interest on demand deposits and fixing the maximum amount of interest which may be paid on time deposits.) Under this arrangement the F.D.I.C. will charter national banks, will permit State banks to become insured banks, and will authorize the establishment of branches, with respect to all of which provide that action may be taken only with the consent of the Board of Governors. In lieu of present statutory capital requirements, substitute a discretionary determination based upon adequacy. Make number of examinations and frequency with which they shall be made a matter of discretion.

7. Federal Advisory Council. - Reconstitute and change membership of Federal Advisory Council providing for the appointment by the board of each Federal Reserve bank of one of the State bank supervisory authorities of the States comprising such district and providing for the Advisory Council to meet and advise with the F.D.I.C. and Board of Governors jointly.

MONETARY AMENDMENTS

8. Reserve Requirements. - Include a proposal with respect to reserve requirements for all insured banks, the details of which should result from a study to be continued. Related to this study is the problem of inter-bank balances which, in turn, is related to the subject of par clearance and the right upon the part of insured banks to charge exchange.

Provide for control of balances of foreign Governments and foreign central banks by permitting the Board to prescribe different reserve requirements for such balances or to require that they be maintained only with Federal Reserve banks.

9. Open Market Operations. - Place direction and control of open market operations of Federal Reserve banks in Board of Governors. Permit direct purchases from Treasury of Government securities having maturities not to exceed ninety days from date of purchase. Amend requirements of law requiring publication of weekly statement showing size of portfolio.

10. Silver Purchase Act. - Provide for the retirement of silver certificates issued under the Silver Purchase Act and their replacement by Federal Reserve notes by covering the silver so purchased into the Federal Reserve System at its cost to the Treasury (making provision for the use of such silver as reserves by the banks) and using the resulting Treasury credit to retire the outstanding silver certificates.

As a part of the program the Treasury should seek to have the Silver Purchase Act repealed. If silver purchases are to be subsidized, make the subsidy direct and to domestic producers.

11. Thomas Amendment. - Repeal Thomas Amendment.

12. Postal Savings. - Postal savings were mentioned, with no conclusion being reached.