

L-475

L-472

CONFIDENTIAL

LIST OF SUGGESTED AMENDMENTS TO THE LAWS AFFECTING  
THE FEDERAL RESERVE SYSTEM

SECTION 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. 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".

*Amendments added in here*  
OK

SECTION 7 OF THE FEDERAL RESERVE ACT

Dividends of Federal Reserve banks. - An amendment forbidding the Federal Reserve banks to pay more than a 4 per cent cumulative dividend, [except that they may pay up to a 6 per cent non-cumulative dividend when earned during the current year.]

*Change*

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.

*Same*

Also an amendment eliminating (1) the minimum capital requirements for the establishment of branches of national and State member banks (\$500,000, \$250,000, and \$100,000, depending upon the size of the State of location) and (2) the provision that the aggregate capital of a bank and its branches shall not be less than the aggregate minimum capital required for the establishment of an equal number of national banks in the various places where the bank and its branches are located, and substituting (1) a provision that a bank having branches shall have capital adequate in relation to its deposit liabilities and (2) that such capital shall not be less in any case than the amount required by State law of State banks operating the same number of branches in the places where the bank's branches are located.

*Changed*

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.

*Same*

SECTION 10 OF THE FEDERAL RESERVE ACT

Retirement of Board members. - An amendment making the members of the Board eligible for participation in the present Federal Reserve Retirement System.

*out*  
*new entirely*

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.

*Same*

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

*Same*

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.

Same

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.

Same

14d inserted here

SECTION 14(g) OF THE FEDERAL RESERVE ACT

Service of Board member as director of the Bank for International Settlements. - An amendment making it clear that a member of the Board of Governors, with the approval of the President of the United States, may serve as a director of the Bank for International Settlements, in order to enable the Board more effectually to carry out its functions under section 14(g) of the Federal Reserve Act with regard to relationships of Federal Reserve Banks with foreign banks and bankers.

Out

SECTION 16 OF THE FEDERAL RESERVE ACT

Government securities as collateral for Federal Reserve notes. - An amendment making permanent the authority granted to the Board and which will expire on March 3, 1937, to authorize Federal Reserve banks, when the Board deems it in the public interest, to pledge direct obligations of the United States as collateral

Out

security for Federal Reserve notes. (Note: This should probably be taken up separately in order to get action by Congress before March 3, 1937.)

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.

*Same*