

PROPOSALS

FEDERAL RESERVE BANKS

ADMINISTRATIVE CHANGES

1. Increase the importance and prestige of the Chairman of the Board of Directors of each Federal Reserve bank by making him the chief executive officer of the bank with the title of Governor, relieving him of the detailed duties of Federal Reserve Agent, making him Chairman of the Executive Committee and making all other officers and employees directly responsible to him. He shall serve in this capacity at the pleasure of the <sup>Fed Res</sup> Board and his salary shall be fixed by the Federal Reserve Board. He shall be, as now, one of the Class C directors.

*yes*

*yes*

2. Provide for a Vice-Governor for each Federal Reserve bank to be appointed by the Federal Reserve Board and to exercise all executive powers of the Governor during his absence. Provide that in the discretion of the Federal Reserve Board one of the Class C directors may be appointed Vice-Governor and may also be Deputy Chairman of the Board of Directors.

*yes*

3. Collateral requirements for notes should be repealed and the appointment of a Federal Reserve Agent shall be optional with the Federal Reserve Board.

*yes*

4. Members of the Board of a Federal Reserve bank shall not be eligible for more than two full three-year terms as directors. This

*yes*

provision shall not apply to the ~~Governor.~~ <sup>Governor</sup> ~~Chairman~~ <sup>or deputy Vice-Governor</sup>

5. The by-laws of the Federal Reserve banks shall be subject  
to the approval of the Federal Reserve Board.

yes

MONETARY CONTROL

*by combine language*

1. Amend the law so as to make it absolutely clear that the Federal Reserve Board has the power to initiate and enforce discount rates and open-market policies.

*yes*

2. The ~~present~~ <sup>statutory</sup> Open-Market Committee shall be abolished.

3. The Federal Reserve Board shall be empowered to direct Federal Reserve banks to issue debentures (i.e., to borrow cash).

*yes*

4. Legal reserve requirements against Federal Reserve deposits and notes shall be reduced to 25%.

*no*

5. Provisions of the Emergency Banking Act relating to Federal Reserve bank notes shall be made permanent, except that such notes shall not be subject to the tax of one-half of one per cent and shall be issued only when the President has declared that a national emergency exists.

*yes*

*change wording*

6. Governmental agencies <sup>other than treasury</sup> shall use the funds at their disposal in such a way as to cooperate with the open market operations of the Federal Reserve Board.

*yes*

7. The receipt of deposits of foreigners by member banks shall be subject to such rules, limitations and restrictions as the Federal Reserve Board may establish. The volume of current foreign balances may be ascertained and published by the Federal Reserve Board.

*yes*

8. The Federal Reserve Board shall be empowered to vary the price of gold within a 4% range when it finds that its domestic policy

*no*

is being impeded by an inflow or outflow of short term capital.

(For discussion.)

9. Congress shall declare that the general objective of monetary policy is the promotion of business stability. (For discussion.)

10. If, in the Board's view, promotion of business stability should at any time in the future be incompatible with the maintenance of the current price of gold, it shall be the duty of the Board to recommend to the President either the suspension of gold exports or a change in the price of gold. The President may by executive order effect such changes. (For discussion.)

11. If despite the full utilization of the powers of the Board business activity does not respond in a desired manner, it shall be the duty of the Board to recommend to the President and to Congress such action in regard to taxation and expenditures as it considers necessary. (For discussion.)

12. Other governmental agencies which are now engaged in the collection, summarization and analysis of basic statistical data shall cooperate with the Federal Reserve Board in the task of supplying the Board with data essential to the formulation of monetary policy. In furtherance of this, it shall be the duty of the Federal Reserve Board to recommend to the appropriate governmental agencies such modifications and extensions of existing statistical data as

*Change  
monetary policy of  
Federal Reserve Board*

*yes*

*no*

*no*

will best aid it in the performance of its official duties. *yes*

13. Member banks shall be permitted to deduct the "due from" item from gross deposits in calculating net demand deposits for the purpose of computing reserve requirements. *yes*

14. Demand deposits of the United States Government in member banks shall carry the same reserves as individual demand deposits. *yes*

15. Subject to the rules and regulations of the Federal Reserve Board, the reserve banks may permit member banks to count vault cash as part of their legal reserve requirements. *yes*

16. The Federal Reserve Board may, in order to prevent injurious credit expansion or contraction, raise or lower from time to time in its discretion the reserve balances required to be maintained against either demand or time deposits. <sup>in any or all</sup> (For discussion.) *yes*

17. In prescribing reserve requirements of member banks, account shall be taken of the velocity of bank deposits. (For discussion.) *no*

18. Modify the present prohibition against the payment of interest on demand deposits by giving the Board authority to permit the payment of such interest by regulation. *out*

UNIFICATION OF THE BANKING SYSTEM

1. Three years after date of enactment National Banks only may receive deposits subject to check. *out*

2. No bank receiving deposits subject to check may be organized without a national charter after date of enactment. *out*

3. Present provisions of Section 12b re: compulsory membership to remain in force in the meantime. *out*

4. Any non-member bank *which is insured* ~~with unimpaired capital~~ shall be admitted to membership in the Federal Reserve System. Within five years after date of admittance such banks shall comply with all the regular requirements of members. The period of compliance may be extended in particular cases at the discretion of the Federal Reserve Board. *yes*

5. Powers now possessed by the Reconstruction Finance Corporation to rehabilitate banks shall be vested in the Federal Reserve Board, which may use the funds of the Federal Deposit Insurance Corporation for this purpose. *out*

6. The present \$50,000 minimum capital requirement for individual *National* banks shall be retained. All other capital requirements shall be left to the discretion of the Federal Reserve Board. *yes*

7. Consolidate all bank examining functions in the Examination Departments at the Federal Reserve banks under the supervision and regulation of the Federal Reserve Board. *out*

8. The cost of examinations may be borne by the Federal Reserve

banks at the discretion of the Federal Reserve Board. *such*

9. The number of examinations shall be discretionary with the Federal Reserve Board. *such*

10. Charters, consolidations, reorganizations, the establishment of branches ~~and suspensions~~ shall be passed upon by the Board on the recommendations of the Federal Reserve banks. *forfeiture of charter for violation of law*  
*yes*

11. The Federal Reserve Board shall be given power to require and enforce the correction of bad practices and unsound conditions in banks before such conditions lead to insolvency. *such*

12.(a). National Banks shall be permitted to establish branches regardless of state laws throughout their own Federal Reserve Districts *Branch Jones* ~~and within a radius of one hundred miles from their head offices,~~ ~~regardless of district lines.~~

(b). In granting permission to establish branches, the Federal Reserve Board shall be guided by the principle that branches shall be established only when there is a likelihood of successful operation. Such a principle is understood to involve an affirmative finding that (1) existing banking facilities in the community are inadequate and the public convenience and advantage require the establishment of such branch, or (2) that the public interest requires that an existing bank be taken over and converted into a branch. *revised*

13. Pending unification of the banking system all banks whose deposits are insured shall be subject to the same requirements as

member banks in respect to interest paid on ~~time~~ deposits and  
~~reserves.~~ *yes*

14. A Commission shall be appointed to revise and codify all  
Federal banking laws. *yes*

15. All national bank common stock shall be treated alike in  
regard to double liability. *yes*



MISCELLANEOUS

1. Section 8 and 8a of the Clayton Act shall be revised by eliminating the permit provisions. Prohibit all interlocking directorates except to the extent allowed by general regulations of the Federal Reserve Board. *yes*

2. Section 32 of the Banking Act of 1933 shall be repealed. *or prohibit yes*

3. Accept the Omnibus Banking Bill subject to modifications suggested in this memorandum relating to Section 8a of the Clayton Act ~~and interest on demand deposits.~~

4. All routine operations connected with the handling, shipment and destruction of ~~currency~~ shall be transferred to the Bureau of Engraving and Printing of the Treasury Department. *yes*

5. Paper eligible for discount by the reserve banks shall be determined by regulations of the Federal Reserve Board. *yes*

6. Public deposits shall not be secured by a specific pledge of collateral provided that this provision shall not apply to deposits which are required by state law to be secured, until the expiration of the next session of the State legislature. *yes*

7. The Federal Reserve Board shall be empowered to regulate the service charges of any or all member banks. (Present law regarding regulation of collection charges should be made more flexible.) *no*

8. The Federal Reserve Board shall be empowered to require reports of all ~~commercial~~ *insured* banks and the publication thereof. ~~no~~ *yes*

9. No national bank or a trust department shall invest any trust funds in the stocks, bonds or other obligations of any company in which it has any interest. *no*

10. No national bank or a trust department shall contract against the usual liabilities of a trustee as determined by the decisions of the Federal courts. *no*

11. Further amendments of a technical nature may be suggested. *no*

DEPOSIT INSURANCE

1. Deposit insurance shall be a separate division of the Federal Reserve Board under the general supervision of one of its members. *pub*

2. All deposits shall be insured 100%.

3. Assessments shall be based on all insurable deposits.

4. Assessments shall be levied annually, any excess over losses being added to a reserve fund.

5. The initial contribution of the banks should be one-fourth of one per cent of their insurable deposits (this has in part already been paid). Thereafter the rate of assessment shall be one-tenth of one per cent annually of the current volume of insurable deposits.

6. Assessments shall be suspended when the fund exceeds two per cent of insurable deposits.

7. Banks, whose deposits have declined, shall not be entitled to any rebate on account of previous assessments. To allow such rebates would expose the Insurance Corporation to a serious drain of resources during a period of declining total deposits, at the very time when demands on it for cash payments to depositors of failed banks will be heaviest.

8. The rate of assessment on deposits in mutual savings banks shall be one-twentieth of one per cent annually.

9. Should the accumulated reserve fund prove insufficient to pay deposits, the Board of the Federal Deposit Insurance Corporation

shall issue bonds, guaranteed as to principal and interest by the United States Government, in such amounts as are necessary.

10. The contribution of 150 million already made by the Government to the fund shall be repaid. In place of it, the Government shall assume the contingent liability for future losses in excess of the premiums and interest received by the fund.

11. The former franchise tax shall be restored and henceforth paid into the insurance fund.

12. Mutual and stock savings banks which receive no deposits subject to check may participate in the insurance system without becoming members of the Federal Reserve System.

POSTAL SAVINGS

1. The Governor of the Federal Reserve Board shall replace the Attorney General on the Board of Trustees of the Postal Savings System.

2. The Board of Trustees of the Postal Savings System, in any locality in which there is no bank whose deposits are insured by the Federal Deposit Insurance Corporation, and after public hearings before a Delegated authority, may authorize any Postal Savings Depository in such locality to receive non-interest bearing checking accounts subject to a service charge in accordance with rulings and regulations to be prescribed from time to time by the Board of Trustees.

3. If member banking facilities are provided in a community either by the establishment of a new bank or by a branch of an existing bank, the Postal Savings System shall discontinue the provision of such checking facilities as it had hitherto provided.

4. The Postal Savings System shall not accept deposits in localities where there are banks whose deposits are insured.

5. The rate of interest to be paid on savings deposits in the Postal Savings System should be determined from time to time by the Board of Trustees.

6. The rate of interest to be paid on postal savings deposits re-deposited with other institutions shall be prescribed from time to time by the Board of Trustees.

7. The Board of Trustees, if in its judgment the interest of the locality requires or makes it desirable, may authorize the funds received at any depository to be deposited in or lent to any bank insured by the Federal Deposit Insurance Corporation, solvent building and loan association, insurance company, mortgage loan company, credit union, agricultural credit corporations, live stock credit corporation, or loan company in such locality.

8. The Board of Trustees of the Postal Savings System may deposit such postal savings funds as it deems desirable in any Federal Reserve bank.

9. The reserves required to be held against such checking accounts as are provided by the Postal Savings System shall be those required of member banks in similar localities.

10. The requirement that 5% of the savings deposits in the Postal Savings System shall be kept in lawful money with the Treasurer of the United States shall be repealed.

11. The Board of Trustees shall be empowered to settle claims arising out of the operations of the Postal Savings System.