

LEGISLATION RECOMMENDED BY THE FEDERAL RESERVE BOARD

Federal Reserve Banks

1. The offices of Chairman of the Board and Governor of a Reserve bank shall be combined. The Chairman and Governor shall be appointed annually by the Federal Reserve Board. He shall be relieved of the detailed duties of Federal Reserve agent, shall be ex officio Chairman of the Executive Committee, and all other officers and employees shall be directly responsible to him. He shall be a Class C director, but his term as director shall terminate whenever he is not reappointed as Chairman; this provision shall apply to present Chairmen. There shall also be a vice-governor in each Federal Reserve bank to be appointed annually by the Federal Reserve Board. He shall exercise all the powers of the Governor during his absence and perform such duties as may be assigned to him by the Governor or the board of directors. In the discretion of the Federal Reserve Board, he may be a Class C director and may be designated deputy chairman of the board of directors. In case he is appointed a Class C director, his term as director shall terminate whenever he is not reappointed vice-governor. The salaries of the Governor and vice-governor shall be fixed by the Federal Reserve Board, and residence requirement for Class C directors shall not apply to them.

2. Members of the Board of a Federal Reserve bank shall not be eligible for more than two full consecutive three-year terms as directors. This provision shall not apply to the Governor or vice-governor and shall not apply to any director now in office until the expiration of his present term.

Federal Reserve Board

3. The qualifications for appointive members of the Federal Reserve Board shall be changed to be as follows: They shall be persons well qualified by education or experience or both to participate in the formulation of national economic and monetary policies. At least two appointive members of the Board should be qualified by experience as executive officers of Federal Reserve banks, but this qualification should not prevent reappointment of present members of the Board and should not be mandatory but should be a declaration of general policy. The President shall, as now, designate the Governor of the Board to serve at his pleasure. The Governor's membership on the Board shall

Confidential

- 2 -

expire when he is no longer designated as Governor by the President.

4. Increase the salaries of the appointive members of the Federal Reserve Board hereafter appointed to those now paid the Associate Justices of the Supreme Court, which is \$20,000 per annum. Present appointive members of the Board may retire on their full pay at any time after reaching the age of 70; any members hereafter appointed must retire at such age and shall receive pensions equal to full pay. Appointive members having served less than ~~two~~ years shall have pensions in proportionately reduced amount, and no member shall be entitled to a pension unless he has served at least five years. If a member's term expires after he reaches the age of 65, and he is not reappointed, he shall be eligible for a pension on the same basis as a member retiring at 70.

5. The Board shall be empowered to delegate specific powers and duties not involving the determination of national or System policies to individual members of the Board and/or its representatives, but the power to make rules or regulations shall not be delegated.

Credit Control

6. Change Section 12A of the Federal Reserve Act so as to provide for an open-market committee to consist of the Governor of the Board, two members of the Board elected annually by the Board, and two governors of Federal Reserve banks elected annually by the governors of the Federal Reserve banks in a manner prescribed by the Federal Reserve Board. This committee shall make recommendations about discount rate policy and formulate the System's open-market policy which, when approved by the Federal Reserve Board, shall be binding on the Federal Reserve banks.

7. Make bonds and notes fully guaranteed by the United States as to principal and interest eligible for purchase by Federal Reserve banks without regard to the six months limitation as to maturity.

8. Subject to limitations prescribed by the Federal Reserve Board, the Reserve banks shall have authority to discount or make advances on any sound assets of a member bank. Limitations on the maturity of advances to member banks shall be made discretionary with the Federal Reserve Board.

9. Collateral requirements for Federal Reserve notes shall be repealed and the appointment of a Federal Reserve agent shall be optional

Confidential

- 3 -

with the Federal Reserve Board. The prohibition against paying out of Federal Reserve notes of another Reserve bank shall be repealed.

10. In order to prevent injurious credit expansion or contraction, the Federal Reserve Board, in its discretion, may change reserve requirements as to any or all Federal Reserve districts and/or any or all classes of cities, and as to time and/or demand deposits.

11. Suspension of Capital Requirements for Membership. - At any time prior to July 1, 1937, the Federal Reserve Board, in its discretion, may admit any insured nonmember bank to membership in the Federal Reserve System; and, in order to facilitate such admission, may waive the legal capital requirements for admission: Provided, That such bank shall comply with all of the regular requirements of members within such time as the Federal Reserve Board shall prescribe.

12. Real Estate Loans. - Amend Section 24 of the Federal Reserve Act so as to eliminate the restriction regarding the limitation of real estate loans as to maturity and as to percentage of the value of the property.

13. Power to Carry Out Intent of Act. - ~~The Federal Reserve Board shall be empowered to take such action as may be necessary to carry out the provisions and intent of this act.~~

14. Technical Provisions. - (1) The Board shall have the power to define the different classes of deposits; and the provisions relating to reserves shall be changed as follows: (a) Member banks shall be permitted to deduct the "due from" item from gross deposits in calculating net demand deposits; and (b) Demand deposits of the United States Government at member banks shall carry the same reserves as individual demand deposits. (2) Repeal Section 8A of the Clayton Act and revise Section 8 so as to eliminate the permit provisions. Prohibit all interlocking directorates except to the extent allowed by general regulations of the Federal Reserve Board. (3) Amend Section 11(m) of the Federal Reserve Act so as to permit State member banks to lend as much to individual borrowers on security of Government bonds as national banks are permitted to lend under Section 5200 of the Revised Statutes. (4) Require State member banks to publish their reports of condition. (5) Permit the supervisory authorities in their discretion to waive examinations and reports of affiliates when they are not necessary to disclose the relations between such affiliates and member banks. (6) Revise the provisions of the Federal Reserve Act regarding payment of interest on deposits by member banks so as to clarify them, allow more flexibility, ~~and require all insured banks to comply with the Board's regulations on this subject.~~ (7) Revise Section 5144 of Revised Statutes of the United States so as to eliminate voting permits and make corresponding change in Section 9 of the Federal Reserve Act. (8) Repeal criminal penalties in Section 21 of the Banking Act of 1933 and Section 22(g) of the Federal Reserve Act.