

January 17, 1935.

OUTLINE OF PROPOSED FEDERAL RESERVE LEGISLATION

Federal Reserve Banks. - 1. Combine offices of Chairman of the Board of Directors and Governor at the twelve Federal Reserve banks, appointments to be made annually by the directors of the banks, after nomination to and approval by the Federal Reserve Board. Provide for Vice-Governor and Deputy Chairman to be selected in the same manner.

2. No members of the Board of a Federal Reserve bank, except Governor and Vice-Governor, shall hold office for more than six consecutive years.

Federal Reserve Board.- 3. Change qualifications for future appointive members of the Federal Reserve Board by providing that they shall be persons well qualified by education or experience or both to participate in the formulation of national economic and monetary policies, and that the general policy should be that at least two of them shall have had experience as executive officers of Federal Reserve banks. Present geographical limitation shall not apply to selection of future Governors. The Governor's membership on the Board shall expire when he is no longer designated as Governor by the President.

4. Increase the salaries of future appointive members to \$20,000 per annum, with compulsory retirement at 70 on \$12,000 pension. Present members to be eligible for retirement at 70. Provide for proportionate pensions for service of less than twelve years.

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.

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 and 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. This committee shall make recommendations about discount rate policies and formulate the System's open-market policies which, when approved by the Federal Reserve Board, shall be binding on the Federal Reserve banks.

Eligibility and Collateral Requirements. - 7. Any sound asset of a member bank shall be eligible for discount at a Reserve bank, subject to regulations of the Federal Reserve Board, and the Board shall also have authority to prescribe limitations on maturity of advances to member banks.

8. Collateral requirements for Federal Reserve notes shall be repealed, and the office of Federal Reserve agent shall be abolished.

Reserve Requirements of Member Banks. - 9. In order to prevent injurious credit expansion or contraction, the Federal Reserve Board 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.

Suspension of Capital Requirements for Membership.-10. At any time prior to July 1, 1937, the Federal Reserve Board may admit any insured nonmember bank to membership in the Federal Reserve System; and 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.

Real Estate Loans. - 11. 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.

Branch Banking. - 12. Permit national banks to establish branches within Federal Reserve branch territories, but provide that no branch shall be opened in a community of 50,000 people or less, except by taking over an existing bank, or with the consent of existing banks.

Miscellaneous Provisions of a Technical Nature. - 13. These provisions are largely non-controversial and are chiefly for the purpose of improving the operating efficiency of the System and removing inequalities and ambiguities from existing law.