

## Office Correspondence

Date April 19, 1935.To Mr. Wyatt

Subject: \_\_\_\_\_

From Mr. Clayton

e r o 16-852

Mr. Giannini called on me this morning and had several suggestions and comments to make regarding the banking bill.

1. In the matter of reserve requirements Mr. Giannini feels that the Board should be permitted to make different requirements for some central cities as against others. For instance, the same ratio might work for New York and Chicago, but it might be very prejudicial to San Francisco, St. Louis, and other points. He also feels that reserve requirements of branch banking organizations should be computed with allowances for branch offices located in cities or towns where the reserve requirements of unit banks would be less stringent. Under the proposed bill as now drafted, the branch of the Bank of America at Fresno or Lodi might be required to carry the same ratio of reserves as one of the metropolitan banks in New York City.

2. The Banking Act of 1933 contained a blanket prohibition against the underwriting of securities by any individual firm or corporation which accepted deposits. The proposed bill apparently permits private bankers as well as State banks to underwrite and sell securities to the same extent that any national bank may do it. He feels that private bankers such as Morgan, Kuhn Loeb and Company, and Lazard Freres Brothers should not sell securities unless they become national banks. To my suggestion that the bill puts all banks on the same basis, he answered: "That's just it. They ought to keep that gang out of the security business unless they become national banks so that they can be properly examined and supervised by the Government."

3. The proposed bill does away with double liability of stockholders. No amendments is provided so as to relieve holding company stockholders from the necessity of building up surpluses of 25% as provided in the Banking Act of 1933, which provision was enacted in order to approximate the double liability as regards holding companies.

4. Mr. Giannini feels that the inclusion of government deposits in computation of reserves works hardship in connection with war loan deposits. Such accounts are already secured by the bonds subscribed for and, therefore, should not be included.

It may well be that the above objections are not well grounded and perhaps I could satisfy myself by the requisite amount of study. Knowing, however, that you are thoroughly familiar with all these points and have the material involved at your finger-tips, I would appreciate it if you will comment on these objections.