

Form F. R. 511(a)

TO \_\_\_\_\_

FROM \_\_\_\_\_

REMARKS:

This will be taken up at a future meeting, possibly next Tuesday or Thursday.

GOVERNOR ECCLES' OFFICE



CERTAIN QUESTIONS REGARDING 3/12/51 DRAFT  
OF LOAN EXPANSION BILL

1. The draft contains a termination date of June 30, 1956. Should some such termination date be retained, or should the measure be suggested as permanent legislation?

2. Should the bill permit nonmember banks -- as the present draft does -- to carry the required balance with other insured banks? Should the privilege also be given to member banks?

(The correspondent balances of almost all banks are so large -- even after deducting those required by State law -- that, if such balances could be counted to meet the new requirements, the bill would have virtually no effect. The privilege might be limited to balances that exceed some figure representing "normal" balances, but this would add complexity.)

3. The draft provides that the extra reserve balances that can be required cannot exceed 50% of the increase in the bank's loans (and non-Government securities) above the base. Should the limit be stated in that way as a rather high percentage of the increase, or should it be stated instead as a smaller percentage, say 10%, of total assets?

4. Should the bill authorize examination of nonmember banks?

3/12/51