IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1965

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To make the Federal Reserve System responsive to the best interests of the people of the United States and to improve the coordination of monetary, fiscal, and economic policy. It provides for:

(a) Retiring Federal Reserve bank stock;

(b) Coordinating Federal Reserve bank policies and programs with those of the President of the United States in keeping with the provisions of the Employment Act of 1946;

(c) Reducing the number and term of office of members of the Federal Reserve Board;

(d) Making the term of Chairman of the Board coterminous with that of the President of the United States;

(e) An audit for each fiscal year of the Federal Reserve
Board and the Federal Reserve banks and their branches by the Comptroller General of the United States;

(f) Funds to operate the Federal Reserve System to be appropriated by the Congress of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

RETIREMENT OF FEDERAL RESERVE BANK STOCK

SECTION 1. (a) The last sentence of the first paragraph of section 2 of the Federal Reserve Act (12 U.S.C. 222) is amended by changing “subscribing and paying for stock” to read “obtaining a certificate of membership”.

(b) The last sentence of the third paragraph of such section 2 (12 U.S.C. 282) is amended by changing “subscribe to the capital stock of such Federal reserve bank in a sum equal to 6 per centum of the paid-up capital and surplus of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Board of Governors of the Federal Reserve System, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System, said payments to be in gold or gold certificates.” to read “obtaining a
certificate of membership pursuant to the provisions of this Act.

(c) The fourth paragraph of such section 2 (12 U.S.C. 502) is repealed.

(d) The paragraphs which, prior to the repeal made by subsection (c) of this section, were the eighth, ninth, tenth, eleventh, and twelfth paragraphs of such section 2 (12 U.S.C. 283–286) are repealed.

(e) The first sentence of the last paragraph of such section 2 (12 U.S.C. 281) is repealed.

Sec. 2. (a) The last sentence of the first paragraph of section 4 of the Federal Reserve Act is amended by changing “a subscription to the capital stock of” to read “an application for a certificate of membership in”.

(b) The second paragraph of such section is amended (1) by changing “when the minimum amount of capital stock prescribed by this Act for the organization of any Federal reserve bank shall have been subscribed and allotted,” to read “when the organization committee shall deem that a sufficient proportion of eligible banks have applied for membership in a Federal Reserve bank in process of organization,”, (2) by striking “the amount of capital stock and the number of shares into which the same
1 is divided,”, (3) by changing “subscribed to the capital
2 stock of” to read “applied for membership in”, (4) by
3 striking “and the number of shares subscribed by each”,
4 and (5) by changing “subscribed or may thereafter sub-
5 scribe to the capital stock of” to read “applied or may there-
6 after apply for membership in”.

(c) The subparagraph numbered “Eighth” of the fourth
paragraph of such section 4 (12 U.S.C. 341) is amended
by striking “stock”.

(d) The tenth paragraph of such section 4 is amended
by changing “stock-holding” to read “member”.

(e) The second sentence of the twelfth paragraph of
such section 4 is amended by changing “subscriptions to
the capital stock” to read “applications for membership”.

SEC. 3. Section 5 of the Federal Reserve Act (12
U.S.C. 287) is amended to read:

“CERTIFICATES OF MEMBERSHIP

“SEC. 5. (a) The Federal Reserve banks shall have no
capital stock.

“(b) A bank applying for membership in the Federal
Reserve System at any time after the date of enactment of
this subsection shall submit such application, in accordance
with the regulations of the Federal Reserve Board, to the
Federal Reserve bank of its district. Such application shall
be accompanied by a membership fee of $10, which shall
not be refundable unless such application is disapproved or withdrawn before approval.

“(c) Upon the approval of an application submitted pursuant to subsection (b) of this section, the Federal Reserve bank shall issue to the applicant a certificate attesting the membership of the applicant in such Federal Reserve bank and in the Federal Reserve System.

“(d) When a member bank voluntarily liquidates, it shall surrender its certificate of membership and cease to be a member of the Federal Reserve bank of its district and of the Federal Reserve System.”

Sec. 4. (a) The first paragraph (12 U.S.C. 288, first paragraph) of section 6 of the Federal Reserve Act is repealed.

(b) The second sentence of the paragraph which, prior to the repeal made by subsection (a) of this section, was the second paragraph (12 U.S.C. 288, second paragraph) of such section 6, is amended to read: “The certificate of membership held by said national bank shall be surrendered to the Federal Reserve bank of its district, and said national bank shall cease to be a member of such Federal Reserve bank and of the Federal Reserve System.”

Sec. 5. (a) The first paragraph (12 U.S.C. 289) of section 7 of the Federal Reserve Act is amended by striking “the stockholders shall be entitled to receive an annual
dividend of 6 per centum on the paid-in capital stock, which
dividend shall be cumulative. After the aforesaid dividend
claims have been fully met,”.

(b) The second sentence of the second paragraph (12
U.S.C. 290) of such section 7 is amended by striking
“dividend requirements as hereinbefore provided, and the
par value of the stock,”.

(c) The third paragraph (12 U.S.C. 531) of such
section 7 is amended by striking “capital stock and”.

Sec. 6. (a) The first paragraph (12 U.S.C. 321, first
paragraph) of section 9 of the Federal Reserve Act is
amended (1) by changing, in the first sentence, “the right
to subscribe to the stock of” to read “membership in”, (2)
by striking the second and third sentences, and (3) by
changing, in the last sentence, “stockholder” to read
“member”.

(b) The first sentence of the second paragraph (12
U.S.C. 321, second paragraph) of such section 9 is amended
by changing “Federal reserve bank stock owned by the
national bank shall be canceled and paid for as provided in
section 5 of this Act.” to read “membership of such national
bank shall be extinguished and the certificate of membership
canceled as provided in section 5 of this Act.”

(c) The first sentence of the third paragraph (12
U.S.C. 321, third paragraph) of such section 9 is amended
(1) by changing "stockholder" to read "member", and (2) by changing "stock" to read "membership".

(d) The fifth paragraph (12 U.S.C. 323) of such section 9 is repealed.

(e) The first sentence of the paragraph which, prior to the repeal made by subsection (d) of this section, was the ninth paragraph (12 U.S.C. 327) of such section 9, is amended by striking out "stock" and inserting in lieu thereof "certificate of membership".

(f) The paragraph which, prior to the repeal made by subsection (d) of this section, was the tenth paragraph (12 U.S.C. 328) of such section 9, is amended (1) by changing, in the first sentence thereof, "all of its holdings of capital stock" to read "its certificate of membership", (2) by striking the second proviso of the first sentence thereof, (3) by changing, in the last sentence thereof, "stock holdings" to read "certificate of membership", and (4) by striking, in the last sentence thereof, "a refund of its cash paid subscription with interest at the rate of one-half of 1 per centum per month from date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to".

(g) The paragraph which, prior to the repeal made by subsection (d) of this section, was the sixteenth paragraph (12 U.S.C. 333) of such section 9, is amended (1) by
striking, in the first sentence thereof, "except that any such savings bank shall subscribe for capital stock of the Federal reserve bank in an amount equal to six-tenths of 1 per centum of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership", (2) by striking all of the remaining sentences of such paragraph except the last sentence thereof, and (3) by striking, in the last sentence of such paragraph, "except as otherwise hereinbefore provided with respect to capital stock".

(h) The paragraph which, prior to the repeal made by subsection (d) of this section, was the twenty-second paragraph (12 U.S.C. 337) of such section 9, is amended (1) by changing, in the third sentence thereof, "stock" to read "certificate of membership", and (2) by changing, in the last sentence thereof, "stock" to read "certificates of membership".

(i) The last paragraph (12 U.S.C. 338) of such section 9 is amended by changing, in the last sentence thereof, "stock" to read "certificates of membership".

SEC. 7. The amendments made by the first six sections of this Act shall take effect on the thirty-first day after the date of enactment of this Act.
SEC. 8. (a) Not later than thirty-one days after the date of enactment of this Act, each holder of stock in any Federal Reserve bank shall surrender such stock to such bank, which shall, as of the thirty-first day after the date of enactment of this Act, cancel and retire the same and pay or credit to such former holder the par value thereof, plus interest at the rate of one-half of one per centum per month from the date of the last dividend, less a membership fee of $10, which shall not be refundable.

(b) Upon the cancellation and retirement of Federal Reserve bank stock as provided in subsection (a) of this section, each Federal Reserve bank shall issue to each such former holder thereof a certificate attesting its membership in such Federal Reserve bank and in the Federal Reserve System.

SEC. 9. The eleventh paragraph of section 9 of the Federal Reserve Act is amended to read:

“Any applying bank shall be eligible for membership if it is an insured bank as defined in subsection (h) of section 3 of the Federal Deposit Insurance Act. The capital stock of a State member bank shall not be reduced except with the prior consent of the Federal Reserve Board.”

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COORDINATION OF MONETARY POLICIES AND PROGRAMS

SEC. 10. (a) Section 12A of the Federal Reserve Act (12 U.S.C. 263) is amended to read:

"SECTION 12A. OPEN MARKET OPERATIONS

(a) No Federal Reserve bank shall engage or decline to engage in open-market operations under section 14 of this Act except in accordance with the direction of and regulations adopted by the Board. The Board shall consider, adopt, and transmit to the several Federal Reserve banks regulations relating to the open-market transactions of such banks.

(b) All purchases and sales by Federal Reserve banks of paper described in section 14 of this Act as eligible for open-market operations, as well as all other actions and policies of the Federal Reserve banks and the Board in the field of monetary affairs, shall be conducted in accordance with the programs and policies of the President pursuant to the Employment Act of 1946 and other provisions of law.

(c) The Board shall submit a quarterly report to the Congress stating, in comprehensive detail, its past and prospective actions and policies under this section and otherwise with respect to monetary affairs, and indicating specifically how such actions and policies facilitate the economic program of the President."
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ABOLITION OF FEDERAL OPEN MARKET COMMITTEE
(b) The Federal Open Market Committee is abolished.

FEDERAL RESERVE BOARD MEMBERSHIP AND TENURE

Sec. 11. (a) The first and second paragraphs (12 U.S.C. 241 and 242) of section 10 of the Federal Reserve Act are amended to read as follows:

"The Federal Reserve Board (hereinafter referred to as the 'Board') shall be composed of five members appointed by the President by and with the advice and consent of the Senate. Each member shall be appointed for a term expiring on June 30 of one of the first five calendar years succeeding the year in which he is appointed, as designated by the President at the time of nomination, subject to the limitation that not more than one member of the Board may have a term scheduled to expire within the same calendar year. The members of the Board shall devote their entire time to the business of the Board.

"The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. The President shall designate one member as Chairman, to serve
as such until the expiration of his term of office as a member, or until the President shall designate another member to serve as Chairman, whichever is earlier. The Chairman of the Board, subject to its supervision, shall be its active executive officer. The Chairman may designate one member as Vice Chairman, who shall have power to act in the temporary absence or disability of the Chairman, or in the event of the death, resignation, or permanent incapacity of the Chairman, to act as Chairman pending appointment of his successor. Each member of the Board shall within fifteen days after notice of appointment make and subscribe the oath of office. Upon the expiration of their terms of office, members of the Board shall continue to serve until their successors are appointed and have qualified.”

(b) The Board of Governors of the Federal Reserve System established under authority of the Federal Reserve Act as in effect prior to the effective date of the amendment made by subsection (a) of this section is abolished. Each member of the Board of Governors of the Federal Reserve System in office immediately prior to the taking effect of such amendment shall be paid one year’s salary at his then current rate.

(c) On and after the effective date of the amendment made by subsection (a) of this section, any reference (other than the reference in subsection (b) of this section) to the
Board of Governors of the Federal Reserve System in any law, rule, or regulation of the United States or any department or agency thereof shall be deemed a reference to the Federal Reserve Board.

AUDIT OF FEDERAL RESERVE SYSTEM BY COMPTROLLER GENERAL

Sec. 12. (a) The Comptroller General shall make, under such rules and regulations as he shall prescribe, an audit for each fiscal year of the Federal Reserve Board and the Federal Reserve banks and their branches.

(b) In making the audit required by subsection (a), representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the entities being audited, including reports of examinations of member banks, and they shall be afforded full facilities for verifying transactions with balances or securities held by depositaries, fiscal agents, and custodians of such entities.

(c) The Comptroller General shall, at the end of six months after the end of the year, or as soon thereafter as may be practicable, make a report to the Congress on the results of the audit required by subsection (a), and he shall make any special or preliminary reports he deems desirable for the information of the Congress. A copy of each report made...
under this subsection shall be sent to the President of the
United States, the Federal Reserve Board, and the Federal
Reserve banks. In addition to other matters, the report shall
include such comments and recommendations as the Compt-
troller General may deem advisable, including recommenda-
tions for attaining a more economical and efficient administra-
tion of the entities audited, and the report shall specifically
show any program, financial transaction, or undertaking
observed in the course of the audit which in the opinion of
the Comptroller General has been carried on without
authority of law.

(d) The Comptroller General is authorized to employ
such personnel and to obtain such temporary and intermittent
services as may be necessary to carry out the audit required
by subsection (a), at such rates as he may determine, with-
out regard to the civil service and classification laws, and
without regard to section 15 of the Act of August 2, 1946,

RECEIPTS AND EXPENDITURES OF FEDERAL
RESERVE SYSTEM

Sec. 13. Section 7 of the Federal Reserve Act is
amended by inserting immediately after the section heading
the following new paragraph:

"The full amount of all interest, discounts, assessments,
and fees received by Federal Reserve banks shall be paid
or credited by such banks to the Secretary of the Treasury
and covered into the Treasury as miscellaneous receipts.
The expenses of such banks may be paid only from such
funds as may be specifically authorized or appropriated for
that purpose.”

Sec. 14. (a) The third paragraph (12 U.S.C. 243) of
section 10 of the Federal Reserve Act is amended to read:
“There are hereby authorized to be appropriated such
sums as may be necessary to pay the expenses of the Fed-
eral Reserve Board and the salaries of its members and
employees. Subject to the availability of appropriations,
the Board may maintain, enlarge, or remodel its office build-
ing in the District of Columbia and shall have sole control
of such building and space therein.”

(b) The fourth paragraph (12 U.S.C. 244) of section
10 of the Federal Reserve Act is amended by striking the
third sentence.

EFFECTIVE DATE; ACCOUNTING PERIOD

Sec. 15. Sections 13 and 14 of this Act shall take effect
on the first day of the first fiscal year which begins after the
date of enactment of this Act. During the period between
the date of enactment of this Act and the effective date of
such sections, the several Federal Reserve banks and the
Federal Reserve Board shall take such steps as may be
necessary to change their accounting period from the calen-
dar year to the fiscal year and otherwise to bring their
accounting practices and procedures into conformity with
those employed by other agencies of the United States
operated with appropriated funds.

AMENDMENT OF EMPLOYMENT ACT OF 1946

Sec. 16. Subsection (a) of section 3 of the Employment
Act of 1946 (15 U.S.C. 1022 (a)) is amended by adding
the following new sentence at the end thereof: “Such pro-
gram shall include the President’s recommendations on fiscal
and debt management policy and guidelines concerning
monetary policy, domestic and foreign, including the growth
of the money supply as defined by him.”
Referred to the Committee on Banking and Currency

January 4, 1965

By Mr. PAYZAN

United States

This is the 28th Congress, 1st Session.

H. R. 11

To make the Federal Reserve System responsive to the

A B I L L

The Speaker of the House

Amendments to the Federal Reserve Act of 1913, and to improve the coordination of monetary policy, in the best interests of the people of the United States.