

89TH CONGRESS
1ST SESSION

H. R. 11

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.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **RETIREMENT OF FEDERAL RESERVE BANK**

4 **STOCK**

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

9 (b) The last sentence of the third paragraph of such
10 section 2 (12 U.S.C. 282) is amended by changing "sub-
11 scribe to the capital stock of such Federal reserve bank in a
12 sum equal to 6 per centum of the paid-up capital and sur-
13 plus of such bank, one-sixth of the subscription to be payable
14 on call of the organization committee or of the Board of
15 Governors of the Federal Reserve System, one-sixth within
16 three months and one-sixth within six months thereafter,
17 and the remainder of the subscription, or any part thereof,
18 shall be subject to call when deemed necessary by the Board
19 of Governors of the Federal Reserve System, said payments
20 to be in gold or gold certificates." to read "obtaining a

1 certificate of membership pursuant to the provisions of this
2 Act.”

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4 502) is repealed.

5 (d) The paragraphs which, prior to the repeal made
6 by subsection (c) of this section, were the eighth, ninth,
7 tenth, eleventh, and twelfth paragraphs of such section 2
8 (12 U.S.C. 283-286) are repealed.

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10 section 2 (12 U.S.C. 281) is repealed.

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

15 (b) The second paragraph of such section is amended
16 (1) by changing “when the minimum amount of capital
17 stock prescribed by this Act for the organization of any
18 Federal reserve bank shall have been subscribed and al-
19 lotted,” to read “when the organization committee shall
20 deem that a sufficient proportion of eligible banks have
21 applied for membership in a Federal Reserve bank in
22 process of organization,” (2) by striking “the amount of
23 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”.

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

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

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

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

17 “CERTIFICATES OF MEMBERSHIP

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

20 “(b) A bank applying for membership in the Federal
21 Reserve System at any time after the date of enactment of
22 this subsection shall submit such application, in accordance
23 with the regulations of the Federal Reserve Board, to the
24 Federal Reserve bank of its district. Such application shall
25 be accompanied by a membership fee of \$10, which shall

1 not be refundable unless such application is disapproved or
2 withdrawn before approval.

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

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

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

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

23 SEC. 5. (a) The first paragraph (12 U.S.C. 289) of
24 section 7 of the Federal Reserve Act is amended by striking
25 “the stockholders shall be entitled to receive an annual

1 dividend of 6 per centum on the paid-in capital stock, which
2 dividend shall be cumulative. After the aforesaid dividend
3 claims have been fully met,”.

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

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

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

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

24 (c) The first sentence of the third paragraph (12
25 U.S.C. 321, third paragraph) of such section 9 is amended

1 (1) by changing "stockholder" to read "member", and (2)
2 by changing "stock" to read "membership".

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

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

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

23 (g) The paragraph which, prior to the repeal made by
24 subsection (d) of this section, was the sixteenth paragraph
25 (12 U.S.C. 333) of such section 9, is amended (1) by

1 striking, in the first sentence thereof, “, except that any
2 such savings bank shall subscribe for capital stock of the
3 Federal reserve bank in an amount equal to six-tenths of 1
4 per centum of its total deposit liabilities as shown by the most
5 recent report of examination of such savings bank preceding
6 its admission to membership”, (2) by striking all of the
7 remaining sentences of such paragraph except the last sen-
8 tence thereof, and (3) by striking, in the last sentence
9 of such paragraph, “, except as otherwise hereinbefore pro-
10 vided with respect to capital stock”.

11 (h) The paragraph which, prior to the repeal made by
12 subsection (d) of this section, was the twenty-second para-
13 graph (12 U.S.C. 337) of such section 9, is amended (1) by
14 changing, in the third sentence thereof, “stock” to read
15 “certificate of membership”, and (2) by changing, in the
16 last sentence thereof, “stock” to read “certificates of mem-
17 bership”.

18 (i) The last paragraph (12 U.S.C. 338) of such sec-
19 tion 9 is amended by changing, in the last sentence thereof,
20 “stock” to read “certificates of membership”.

21 SEC. 7. The amendments made by the first six sec-
22 tions of this Act shall take effect on the thirty-first day after
23 the date of enactment of this Act.

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

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

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

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

1 **COORDINATION OF MONETARY POLICIES AND PROGRAMS**

2 SEC. 10. (a) Section 12A of the Federal Reserve Act
3 (12 U.S.C. 263) is amended to read:

4 “SECTION 12A. OPEN MARKET OPERATIONS

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

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

19 “(c) The Board shall submit a quarterly report to the
20 Congress stating, in comprehensive detail, its past and
21 prospective actions and policies under this section and other-
22 wise with respect to monetary affairs, and indicating specifi-
23 cally how such actions and policies facilitate the economic
24 program of the President.”

1 ABOLITION OF FEDERAL OPEN MARKET COMMITTEE

2 (b) The Federal Open Market Committee is abolished.

3 **FEDERAL RESERVE BOARD MEMBERSHIP AND**
4 **TENURE**5 SEC. 11. (a) The first and second paragraphs (12
6 U.S.C. 241 and 242) of section 10 of the Federal Reserve
7 Act are amended to read as follows:8 "The Federal Reserve Board (hereinafter referred to
9 as the 'Board') shall be composed of five members ap-
10 pointed by the President by and with the advice and con-
11 sent of the Senate. Each member shall be appointed for
12 a term expiring on June 30 of one of the first five calendar
13 years succeeding the year in which he is appointed, as
14 designated by the President at the time of nomination, sub-
15 ject to the limitation that not more than one member of
16 the Board may have a term scheduled to expire within
17 the same calendar year. The members of the Board shall
18 devote their entire time to the business of the Board.19 "The members of the Board shall be ineligible during
20 the time they are in office and for two years thereafter to hold
21 any office, position, or employment in any member bank,
22 except that this restriction shall not apply to a member who
23 has served the full term for which he was appointed. The
24 President shall designate one member as Chairman, to serve

1 as such until the expiration of his term of office as a member,
2 or until the President shall designate another member to
3 serve as Chairman, whichever is earlier. The Chairman of
4 the Board, subject to its supervision, shall be its active
5 executive officer. The Chairman may designate one member
6 as Vice Chairman, who shall have power to act in the
7 temporary absence or disability of the Chairman, or in the
8 event of the death, resignation, or permanent incapacity of
9 the Chairman, to act as Chairman pending appointment of
10 his successor. Each member of the Board shall within fifteen
11 days after notice of appointment make and subscribe the
12 oath of office. Upon the expiration of their terms of office,
13 members of the Board shall continue to serve until their
14 successors are appointed and have qualified.”

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

23 (c) On and after the effective date of the amendment
24 made by subsection (a) of this section, any reference (other
25 than the reference in subsection (b) of this section) to the

1 Board of Governors of the Federal Reserve System in any
2 law, rule, or regulation of the United States or any depart-
3 ment or agency thereof shall be deemed a reference to the
4 Federal Reserve Board.

5 **AUDIT OF FEDERAL RESERVE SYSTEM BY**
6 **COMPTROLLER GENERAL**

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

11 (b) In making the audit required by subsection (a),
12 representatives of the General Accounting Office shall have
13 access to all books, accounts, financial records, reports, files,
14 and all other papers, things, or property belonging to or in
15 use by the entities being audited, including reports of exam-
16 inations of member banks, and they shall be afforded full fa-
17 cilities for verifying transactions with balances or securities
18 held by depositaries, fiscal agents, and custodians of such
19 entities.

20 (c) The Comptroller General shall, at the end of six
21 months after the end of the year, or as soon thereafter as may
22 be practicable, make a report to the Congress on the results
23 of the audit required by subsection (a), and he shall make
24 any special or preliminary reports he deems desirable for
25 the information of the Congress. A copy of each report made

1 under this subsection shall be sent to the President of the
2 United States, the Federal Reserve Board, and the Federal
3 Reserve banks. In addition to other matters, the report shall
4 include such comments and recommendations as the Comptroller
5 General may deem advisable, including recommenda-
6 tions for attaining a more economical and efficient administra-
7 tion of the entities audited, and the report shall specifically
8 show any program, financial transaction, or undertaking
9 observed in the course of the audit which in the opinion of
10 the Comptroller General has been carried on without
11 authority of law.

12 (d) The Comptroller General is authorized to employ
13 such personnel and to obtain such temporary and intermittent
14 services as may be necessary to carry out the audit required
15 by subsection (a), at such rates as he may determine, with-
16 out regard to the civil service and classification laws, and
17 without regard to section 15 of the Act of August 2, 1946,
18 as amended (5 U.S.C. 55a).

19 **RECEIPTS AND EXPENDITURES OF FEDERAL**
20 **RESERVE SYSTEM**

21 **SEC. 13.** Section 7 of the Federal Reserve Act is
22 amended by inserting immediately after the section heading
23 the following new paragraph:

24 "The full amount of all interest, discounts, assessments,
25 and fees received by Federal Reserve banks shall be paid

1 or credited by such banks to the Secretary of the Treasury
2 and covered into the Treasury as miscellaneous receipts.
3 The expenses of such banks may be paid only from such
4 funds as may be specifically authorized or appropriated for
5 that purpose.”

6 SEC. 14. (a) The third paragraph (12 U.S.C. 243) of
7 section 10 of the Federal Reserve Act is amended to read:

8 “There are hereby authorized to be appropriated such
9 sums as may be necessary to pay the expenses of the Fed-
10 eral Reserve Board and the salaries of its members and
11 employees. Subject to the availability of appropriations,
12 the Board may maintain, enlarge, or remodel its office build-
13 ing in the District of Columbia and shall have sole control
14 of such building and space therein.”

15 (b) The fourth paragraph (12 U.S.C. 244) of section
16 10 of the Federal Reserve Act is amended by striking the
17 third sentence.

18 EFFECTIVE DATE; ACCOUNTING PERIOD

19 SEC. 15. Sections 13 and 14 of this Act shall take effect
20 on the first day of the first fiscal year which begins after the
21 date of enactment of this Act. During the period between
22 the date of enactment of this Act and the effective date of
23 such sections, the several Federal Reserve banks and the
24 Federal Reserve Board shall take such steps as may be
25 necessary to change their accounting period from the calen-

1 dar year to the fiscal year and otherwise to bring their
2 accounting practices and procedures into conformity with
3 those employed by other agencies of the United States
4 operated with appropriated funds.

5 **AMENDMENT OF EMPLOYMENT ACT OF 1946**

6 SEC. 16. Subsection (a) of section 3 of the Employment
7 Act of 1946 (15 U.S.C. 1022 (a)) is amended by adding
8 the following new sentence at the end thereof: "Such pro-
9 gram shall include the President's recommendations on fiscal
10 and debt management policy and guidelines concerning
11 monetary policy, domestic and foreign, including the growth
12 of the money supply as defined by him."

A BILL

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By Mr. PATMAN

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