

X-9166

MODIFICATION IN THE BANKING BILL OF 1935 PROPOSED
BY GOVERNOR ECCLES IN HIS TESTIMONY BEFORE THE
HOUSE BANKING AND CURRENCY COMMITTEE.

1. Section 201. The governors and chairmen and vice-governors of the Federal Reserve Banks shall be approved by the Federal Reserve Board every three years rather than annually, so that their terms as governors would coincide with their terms as Class C directors.

2. Section 202. On the admission of insured nonmember banks, the Board shall have authority to waive not only capital requirements, but all other requirements for admission, and that the Board be permitted to admit existing banks to membership permanently without requiring an increase in capital, provided their capital is adequate in relation to their liabilities.

3. Section 203. The pension provision shall be modified so that any member of the Board, regardless of age, who has served as long as five years, whose term expires and who is not reappointed, shall be entitled to a pension on the same basis as though he were retired at seventy. That is, he is to receive a pension of \$1,000 for each year of service up to twelve.

4. Section 205. Authority over open-market operations shall be vested in the Federal Reserve Board, but that there be created a committee of five governors of Federal Reserve banks, selected by the twelve governors of the Federal Reserve banks, and the Board shall be required to consult this committee before adopting an open-market policy, a change in discount rates, or a change in member bank reserve

requirements.

5. Section 209. The Board shall not have the power to change reserve requirements by Federal Reserve districts, but only by classes of cities. For this purpose banks shall be classified into two groups: one comprising member banks in central reserve and reserve cities, and the other all other member banks. Changes in reserve requirements, therefore, would have to be either for the country as a whole or for the financial centers, or for the country districts.

6. Section 210. The conditions on which real estate loans may be granted by member banks shall be left to the discretion of the Federal Reserve Board to be determined by regulation. No real estate loan hereafter made shall exceed 60 per cent of the appraised value of the property; but this shall not prevent the renewal or extension of loans heretofore made.

7. It shall be the duty of the Federal Reserve Board to exercise such powers as it possesses to promote conditions making for business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action.