

19 Doctor WILLIS. Decidedly. I was saying, gentlemen, before leaving the subject of branch banking, I wish to refer to that portion of the McFadden bill which has to do with the establishment or rather with the admission of banks into the Federal reserve system. As you know, in the original bill, provision was made—and I believe is still made in the form in which the bill recently passed the House—for enabling the Federal Reserve Board to refuse membership to applying banks on the strength of their branch policy, and that is defended or warranted on the ground that a certain regulation of the Federal Reserve Board, known as regulation 8, has established that policy and that the Federal Reserve authorities conceive that it is essential to the maintenance of their general point of view in regard to the matter and for the maintenance of their proper control over the membership.

I believe that the Association of State Bank Supervisors, to which some reference has been made here this morning, requested the insertion of the following in H. R. 2:

The Federal Reserve Board, subject to the provisions of this act and such conditions as it may prescribe pursuant thereto, may permit the applying bank to become a stockholder of such Federal reserve banks: *Provided, however,* That such conditions or regulations shall not limit or impair the charter or statutory rights and powers of such bank, nor shall the Federal Reserve Board,

And so forth. Now you will notice that the essential effect of that amendment, had it been made—and by the way I do not present it in any official way in behalf of the State bank authorities; I merely pick it up, I think in a correct form, but simply on my own authority, for the purpose of discussion—you will notice that that provision essentially states that the Federal Reserve Board, in admitting banks to the Federal reserve system, shall do it pursuant to the provisions of this act.

In the form in which H. R. 2 first appeared in the House of Representatives, shortly after the opening of the present session, an amendment was inserted designed to meet the wishes of the State bank authorities, but that amendment omitted the words "subject to the provisions of this act," so that the language with which they were not satisfied simply gave to the board the right to regulate the admission to the Federal reserve system, subject to such conditions as it might prescribe.

I shall not attempt to discuss in any detail the question whether any administrative board should ever have given to it the right to prescribe regulations on such an important subject that are not pursuant to the provisions of some act of Congress.

Senator GLASS. That is what the board has done.

20 Doctor WILLIS. Yes, sir.

21 Senator GLASS. It has usurped the legislative functions of Congress.

22 Doctor WILLIS. It is proper for you to use that expression, but perhaps not for me, here. I merely state that that is what it has been doing; it has been making regulations not pursuant to the provisions of the act.

23 I did not want to address myself primarily to that, but the argument has been made that, of course, it is necessary for the board or some similar board to do that, inasmuch as banks would otherwise exercise unusual powers, such as engaging in the operation of