

striking out the expiration date, I recommend, on behalf of the Board, that you report S. 2923 without amendment.

AMENDMENTS TO CARRY OUT FEDERAL RESERVE RECOMMENDATIONS

1. To make Public Law 89-597 permanent: Strike out section 7 of that statute (S. 3133 as introduced amends section 7 to extend expiration date).

2. Collateral for advances by Federal Reserve banks:

(a) Advances to member banks: Amend the eighth paragraph of section 13 of the Federal Reserve Act by striking out "secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve Banks" and inserting "secured by such obligations as are eligible for rediscount or for purchase by Federal Reserve Banks."

(b) Advances to individuals, partnerships, and corporations: Amend the first sentence of the last paragraph of section 13 of the Federal Reserve Act by inserting after "secured by direct obligations of the United States" the following: "or by any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States".

Senator PROXMIRE. Thank you very much.

Secretary Deming?

I should identify Secretary Deming. He is Under Secretary of the Treasury for Monetary Affairs. We are glad to have you.

STATEMENT OF FREDERICK L. DEMING, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS

Mr. DEMING. I have a short statement which I should like to read.

Senator PROXMIRE. Very good.

Mr. DEMING. The Treasury Department strongly urges that favorable action be taken on S. 3133 which would extend for 2 more years the flexible authority under which the appropriate financial agencies can regulate maximum rates of interest or dividends payable on savings accounts. This legislation has amply demonstrated its worth. In view of the present and prospective pressures on financial markets, a further temporary extension of this valuable authority would be an act of ordinary prudence. In the absence of this legislation, we could face a return to the potentially destructive form of competition among financial institutions which contributed to mortgage market difficulties and the escalation of interest rates during 1966.

This bill would also extend the authority of the Federal Reserve to (a) vary reserve requirements on time and savings deposits between 3 and 10 percent, and (b) conduct open market operations in securities issued or guaranteed by any agency of the United States. Both are valuable potential tools to promote financial stability and the efficient functioning of our financial markets. Some limited use has already been made of the broadened authority to conduct open market operations. While reserve requirements on time and savings deposits have not been raised beyond the 3- to 6-percent range permitted under earlier legislation, the reserve required on time deposits in excess of \$5 million is presently at 6 percent. The broader latitude inherent in the 3- to 10-percent range is clearly desirable.