

NELSON ALDRICH

Monetary Commission

MISCELLANY

20 PER CENT.

2 NB

MOND. SEC.

A BILL

To incorporate the National Reserve Association of the United States *and for other purposes.*

- Sec. 1. Charter, Capital, and Location.
- Sec. 2. Membership, amount of capital to be subscribed by each bank, and amount required to be paid in.
- Sec. 3. Organization committee.
- Sec. 4. Location of branches and the division of country into districts.
- Sec. 5. Organization of local associations.
- Sec. 6. Election of directors by local associations.
- Sec. 7. Election of directors by branch associations.
- Sec. 8. Directors of the National Reserve Association.
- Sec. 9. Appointment of officers of the National Reserve Association.
- Sec. 10. Organization papers of the National Reserve Association.
- Sec. 11. Articles of association of the National Reserve Association.
- Sec. 12. Organization certificate of the National Reserve Association.
- Sec. 13. Ownership of stock in the National Reserve Association: Increase and reduction of capital.
- Sec. 14. Exemption from local and State taxation.
- Sec. 15. Executive committee of the National Reserve Association.
- Sec. 16. Auditing committee.
- Sec. 17. Executive officers of branches.
- Sec. 18. Executive officers of local associations.
- Sec. 19. List of shareholders.

CHARTER, CAPITAL, AND LOCATION.

a body corporate

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Reserve Association of the United States be, and ~~it~~ is hereby, created and established for a term of fifty years from the date of the execution of its organization certificate with an authorized capital equal in amount to twenty per centum of the paid-in and unimpaired capital of all banks eligible for membership in said National Reserve Association. Before the said association shall be authorized to commence business two hundred million dollars of the capital stock shall be subscribed and one hundred million dollars of the capital stock shall be paid in cash. The capital stock of said association shall be divided into shares of one hundred dollars each. The capital stock may be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers or may be decreased as subscribing banks reduce their capital or leave the association by liquidation. The head office of the National Reserve Association shall be located in Washington, in the District of Columbia.

*Make sure that
new banks pay
book value.
Give corporate powers.*

MEMBERSHIP.

SEC. 2. All national banks, *and all* and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided. Fifty per centum of the subscriptions to the capital of the National Reserve Association shall be fully paid in; the balance of the subscriptions will remain a liability of the subscribers, subject to call and payment thereof whenever necessary to meet the obligations of the

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Second. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion to that required by law of a national bank in the same location: *Provided, however,* That deposits which it may have with any subscribing national bank, State bank, or trust company in a city designated in the national banking laws as a reserve city or a central reserve city shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities.

Third. That it shall have and agree to maintain against all other classes of deposits the percentages of reserve required by this act.

Fourth. That it shall agree to submit to such examinations and to make such reports as are required by law and to comply with the requirements and conditions imposed by this act and regulations made in conformity therewith.

The words "subscribing banks" when used hereafter in this act shall be understood to refer to such national banks, and banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, as shall comply with the requirements for membership hereinbefore defined.

ORGANIZATION COMMITTEE.

SEC. 3. The Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency are hereby designated a committee to effect the preliminary organization of the National Reserve Association, and the necessary expenses of said committee shall be ~~paid out of any money in the Treasury not otherwise appropriated,~~ upon vouchers approved by the members of said committee, and the Treasury shall be reimbursed by the National Reserve Association to the full amount paid out therefor.

Within sixty days after the passage of this act said committee shall provide for the opening of books for subscriptions to the capital stock of said National Reserve Association: ~~in which the following banks shall be designated.~~

Before the subscription of any bank to the capital stock of the National Reserve Association shall be accepted, said bank shall file with the organization committee or with the National Reserve Association a certified copy of a resolution adopted by the board of directors of said bank accepting all the provisions and liabilities imposed by this act and authorizing the president or cashier of said bank to subscribe for said stock.

LOCATION OF BRANCHES AND DIVISION OF THE COUNTRY INTO DISTRICTS.

SEC. 4. When the subscriptions to the capital stock of the National Reserve Association shall amount to the sum of two hundred millions of dollars the organization committee hereinbefore provided shall forthwith proceed to select fifteen cities in the United States for the location of the branches of said National Reserve Association: *Provided,* That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana,

Secretary of Agriculture

payable out of the Treasury

Sec 1 -

Sec 4 -

Subscriptions to Capital Stock -

select fifteen cities in the United States for the location of the branches of said National Reserve Association: *Provided*, That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri; four branches in the Western and Pacific States, including the States of North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, and Arizona.

When the cities in which the branches are to be located have been selected the organization committee shall forthwith divide the entire country into fifteen districts, with one branch of the National Reserve Association in each district.

The districts may be readjusted ~~from time to time~~, and new districts and new branches may be created by the directors of the National Reserve Association.

ORGANIZATION OF LOCAL ASSOCIATIONS.

for SEC. 5. All subscribing banks within a district shall ~~group themselves, subject to the approval of the organization committee or the National Reserve Association,~~ *by the* into local associations of not less than ten banks, with an aggregate capital and surplus of at least five millions of dollars, for the purposes hereinafter prescribed: *Provided*, ~~That not more than one such association shall be formed in any city, and that the territory comprised in each association shall be contiguous: *Provided further*, That the territory included in the local associations comprising a district shall be so apportioned that every bank in said district shall be located within the boundaries of some local association: *And provided further*, That every subscribing bank shall become a member only of the local association of the territory in which it is situated.~~

The local associations in each district may be readjusted from time to time and new associations may be created by the directors ~~of the branch of said district with the approval~~ of the National Reserve Association.

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The members of the local association shall join in articles of association, having been first authorized to do so by resolution of the board of directors of each of the member banks. These articles shall provide that the board of directors of the local association shall be authorized to discount or rediscount paper for any member thereof and to offer such paper for rediscount with the branch of the National Reserve Association for that district, the gain or profit accruing to the local association from said transactions to be distributed from time to time, after the payment of all expenses, among the several banks of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association. In the event that the expenses shall exceed the earnings or that any losses shall occur upon any of the paper so rediscounted, the several banks composing the local association shall bear said expenses and losses in proportion to the ratio to which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, and the directors of the local associations shall be authorized by the articles of association to levy an assessment for these purposes. The total amount of rediscounts by a local association with the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming such local association. These articles, which must be approved by the board of directors of the National Reserve Association, shall be executed in triplicate, and one copy, together with the certified copy of the resolutions of the boards of directors authorizing the subscribing banks to sign them, shall be filed with the National Reserve Association, one copy shall be filed with the branch association, and one copy shall be retained by the local association.

Upon thirty days' notice in writing to each member bank the articles of association of the local association may be amended by a vote of three-fourths of the member banks by and with the approval of the National Reserve Association and in like manner as to vote and approval the local association may assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the National Reserve Association as the public interests may require.

A local association may, by a vote of two-thirds of the members, suspend a bank from the privilege of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition, or as to the character or extent of its assets or liabilities, or for failure or for refusal for thirty days to comply with any of the provisions of this act. A suspension from a local association shall operate as a suspension from the privileges of the National Reserve Association.

ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.

SEC. 6. Each local association shall have a board of directors, the number to be determined by the by-laws of the local association. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative and each representative one vote for each of the positions to be filled without

suspension from the privileges of the National Reserve Association.

ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.

SEC. 6. Each local association shall have a board of directors, the number to be determined by the by-laws of the local association. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative and each representative one vote for each of the positions to be filled without reference to the number of shares which the bank holds in the National Reserve Association. Two-fifths of the whole number of directors of the local association shall be elected by these same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the National Reserve Association. In neither case shall voting by proxies be allowed. The authorized representatives of a bank, as herein provided, must be either the president, vice president, or cashier of the bank he represents.

Each director when appointed or elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The directors originally elected shall hold office until the second Tuesday in February immediately following their election, and thereafter the directors shall be elected annually on that date and shall hold office for the term of one year.

The board of directors of the local association shall have authority to make by-laws, not inconsistent with law, subject to the approval of the directors of the National Reserve Association.

ELECTION OF DIRECTORS BY BRANCH ASSOCIATIONS.

SEC. 7. Each of the branches of the National Reserve Association shall have a board of directors, the number, not less than twelve, to be fixed by the by-laws of the branch. These directors shall be elected in the following manner:

The boards of each local association shall elect by ballot a voting representative or proxy holder. One-half of the directors of the branch shall be elected by the vote of such representatives, each representative having one vote for each of the positions to be filled, without reference to the number of shares which the bank composing the association which he represents holds in the National Reserve

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Association. One-third of the directors shall be elected by the same voting representatives or proxy holders, but each voting representative at this election shall have a number of votes equal to the number of shares in the National Reserve Association held by all the banks composing the local association which he represents. The remaining one-sixth of the directors shall be chosen by the directors already elected and shall fairly represent the industrial, commercial, agricultural, and other interests of the district and shall not be officers or, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. The manager of the branch shall be ex-officio a member of the board of directors of the branch and shall be chairman of the board.

Each director when appointed or elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

All the members of the board of directors of the branch except the ex officio member shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in March immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in March immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in March immediately following the election. All elections shall be held on the first Tuesday in March of each year, and after the first election all directors shall be elected for a term of three years.

The board of directors of the branch shall have authority to make by-laws, not inconsistent with law, subject to the approval of the National Reserve Association.

DIRECTORS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 8. The National Reserve Association shall have a board of directors, to be chosen in the following manner:

First. Fifteen directors shall be elected, one by the board of directors of each branch of the National Reserve Association. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director.

Second. Fifteen directors shall be elected, one by the board of directors of each branch of the National Reserve Association, who shall fairly represent the industrial, commercial, agricultural, and other interests of the country, and who shall not be officers ~~of banks~~ nor, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director of this class.

Third. Nine directors shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than one of these directors shall be chosen from one district.

Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture

Third. The directors shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than one of these directors shall be chosen from one district.

Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

All the members of the board, except the ex officio members, shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in April immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in April immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in April immediately following the election. All elections shall be held on the first Tuesday in April of each year, and after the first election all directors shall be elected for a term of three years.

Each director shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The board of directors of the National Reserve Association shall have authority to make by-laws, not inconsistent with law, which shall prescribe the manner in which the business shall be conducted and the privileges granted to it by law exercised and enjoyed.

APPOINTMENT OF OFFICERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 9. The governor of the National Reserve Association shall be selected by the President of the United States from a list of not less than three submitted to him by the board of directors of said association. The person so selected shall thereupon be appointed by the said board as governor of the National Reserve Association for a term of ten years, subject to removal for cause by a two-thirds vote of the board. There shall be two deputy governors, to be elected by the board, for a term of seven years, subject to removal for cause by a majority vote of the board. The two deputies first elected shall serve for terms of four years and seven years, respectively. In the absence of the governor or his inability to act the deputy who is senior in point of service shall act as governor. The board of directors shall have authority to appoint such other officers as may be provided for by the articles of association or the by-laws.

*Officers
to be named
Per Sec 24 plan*

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CIATION.

SEC. 10. When the board of directors of the National Reserve Association is duly organized it shall call upon the subscribing banks for a payment of fifty per centum on the amount of their subscriptions to the capital stock of the association. When one hundred millions of dollars of such capital have been paid in the board of directors shall at once proceed to execute and file with the Comptroller of the Currency articles of association and an organization certificate as hereinafter provided.

ARTICLES OF ASSOCIATION OF THE NATIONAL RESERVE
ASSOCIATION.

SEC. 11. The articles of association shall specify in general terms the object for which the National Reserve Association is formed and shall contain such other provisions, not inconsistent with law, as the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed in duplicate by at least three-fourths of the directors of the National Reserve Association, one copy being retained by the National Reserve Association and the other filed with the Comptroller of the Currency. These articles may be amended at any time by the vote of three-fourths of the board of directors, a copy of the amendment to be filed with the Comptroller of the Currency.

ORGANIZATION CERTIFICATE OF THE NATIONAL RESERVE
ASSOCIATION.

SEC. 12. The organization certificate shall be executed by the directors of the National Reserve Association and shall specifically state:

First. The title of said association.

Second. That its head office shall be located at Washington, in the District of Columbia.

Third. The amount of capital stock and the number of shares into which the same is to be divided.

Fourth. The title and location of each bank holding stock in said association and the number of shares held by each and the amount paid thereon, which must in no case be less than fifty per centum of the amount of the capital stock subscribed for by said bank.

Fifth. The fact that the certificate is made to enable such association to avail itself of the advantages of this act.

The organization certificate shall be signed by at least three-fourths of the directors of the National Reserve Association and acknowledged before a judge of a court of record or a notary public, and shall be so executed and acknowledged in duplicate, authenticated by the seal of such court or notary, one copy to be retained for the files of the association and one copy forwarded to the Comptroller of the Currency.

OWNERSHIP OF STOCK IN THE NATIONAL RESERVE ASSOCIA-
TION, INCREASE AND REDUCTION OF CAPITAL.

SEC. 13. Shares of the capital of the National Reserve Association shall not be transferable, and under no circumstances shall they be owned otherwise than by the subscribing banks, nor may they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the increase of capital, paying therefor its then

OWNERSHIP OF STOCK IN THE ASSOCIATION,
TION, INCREASE AND REDUCTION OF CAPITAL.

SEC. 13. Shares of the capital of the National Reserve Association shall not be transferable, and under no circumstances shall they be owned otherwise than by the subscribing banks, nor may they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the bank's increase of capital, paying therefor its then book value as shown by the last published statement of said association. A bank applying for membership in the National Reserve Association at any time after its formation must subscribe for an amount of the capital of said association equal to twenty per centum of the book value as shown by the last published statement of said association. When the capital of the National Reserve Association has been increased either on account of the increase of capital of the banks in said association or on account of the increase in the membership of said association, the board of directors shall make and execute a certificate showing said increase in capital, the amount paid in and by whom paid. This certificate shall be acknowledged before a judge of a court of record or a notary public and shall be filed in the office of the Comptroller of the Currency. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said association, and if a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said association. The shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to their then book value as shown by the last published statement of said association.

If any member of the National Reserve Association shall become insolvent and a receiver be appointed, the stock held by it in the association shall be canceled and the balance, after paying all debts due by such insolvent bank to the association (such debts being hereby declared to be a first lien upon the stock), shall be paid to the receiver of the insolvent bank.

Whenever the capital stock of the National Reserve Association is reduced, either on account of the reduction in capital of members of the association or the liquidation or insolvency of any member, the board of directors shall make and execute a certificate showing such reduction of capital stock and the amount repaid to each bank. This certificate shall be acknowledged before a judge of a court of record or a notary public and shall be filed in the office of the Comptroller of the Currency.

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EXEMPTION FROM LOCAL AND STATE TAXATION.

SEC. 15. The National Reserve Association and its branches and the local associations shall be exempt from local and State taxation except in respect to taxes upon real estate.

EXECUTIVE COMMITTEE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 15. The directors of the National Reserve Association shall annually elect from their number an executive committee and such other committees as the by-laws of the National Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the National Reserve Association shall be ex officio chairman and the two deputies and the Comptroller of the Currency ex officio members, but not more than one of the elected members shall be chosen from any one district.

The executive committee shall have all the authority which is vested in the board of directors, except such as may be specifically delegated by the board to other committees or to the executive officers, or such as may be specifically reserved or retained by the board.

AUDITING COMMITTEE.

SEC. 16. There shall be ^{a Board of Examination} ~~an auditing committee~~ elected annually by the board of directors from among their number, excluding the members of the executive committee, of which the Secretary of the Treasury shall be ex officio chairman. It shall be the duty of this ^{board} ~~committee~~ to audit the books of the National Reserve Association and of the branches and to make a public ~~report~~ ^{report} of the result of ~~such audit~~ at least once a year.

EXECUTIVE OFFICERS OF BRANCHES.

SEC. 17. Each branch shall have a manager and a deputy manager appointed from the district by the governor of the National Reserve Association with the approval of the executive committee and subject to removal at any time by the same authority. The powers and duties ~~and length of service~~ of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the National Reserve Association.

EXECUTIVE OFFICERS OF LOCAL ASSOCIATIONS.

SEC. 18. The directors of each local association shall annually elect from their number a president, a vice president, and an executive committee, whose powers and ~~duties and terms of office shall be determined by the by-laws of the local association, subject, however, to the provisions of this act.~~

LISTS OF SHAREHOLDERS.

SEC. 19. The National Reserve Association shall cause to be kept at all times, at the head office of the association, a full and correct list of the names of the banks owning stock in the association and the number of shares held by each. Such list shall be subject to the inspection of all the shareholders and creditors of the association, and a copy thereof on the first Monday of July of each year, verified by the oath of the governor or deputy governor, shall be transmitted to the Comptroller of the Currency.

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EARNINGS AND DIVIDENDS.

SEC. 20. The earnings of the National Reserve Association shall be distributed in the following manner:

After the payment of all expenses and taxes the shareholders shall be entitled to receive annually four per centum on the paid-in capital, which minimum dividend shall be cumulative. Further net earnings shall be divided, one-half to go to the surplus fund of the National Reserve Association until said fund shall amount to twenty per centum of the paid-in capital, one-fourth to go to the United States, and one-fourth to the shareholders, but when the shareholders' dividends shall amount to five per centum per annum on paid-in capital they shall receive no additional dividends. After the shareholders receive five per centum on the paid-in capital the net earnings shall then be divided, one-half to be added to the surplus fund of the National Reserve Association and one-half to go to the United States. After the shareholders receive five per centum per annum on paid-in capital and the surplus fund of the National Reserve Association amounts to twenty per centum of the paid in capital, one-half of the net earnings shall go to the United States and one-half to the contingent fund, which fund shall be maintained at an amount equal to one per centum of the paid-in capital, but not to exceed in any event two million dollars, and shall be used to meet losses; and such fund shall upon the final dissolution of the National Reserve Association go to the United States, and shall not under any circumstances be included in the book value of the stock, or go to the shareholders. Whenever and so long as the contingent fund shall remain unimpaired all excess earnings shall go to the United States.

as a franchise tax

to go to be paid

as a franchise tax

CORPORATE POWERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 21. Upon duly making and filing ~~articles of association and an organization~~ certificate the National Reserve Association shall become as from the date of the ~~execution of its organization~~ certificate a body corporate and as such and by that name shall have power—

filing found

by the Board of Directors of the

First. To adopt and use a corporate seal.

Second. To have succession for a period of fifty years from the date of its organization.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law and equity, as fully as natural persons.

Fifth. To elect or appoint directors and officers in the manner hereinbefore provided, define their duties, require bonds of them, and fix the penalty thereof.

Sixth. To prescribe by its board of directors by-laws not inconsistent with this act, regulating the manner in which its property shall be transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all powers and privileges conferred by this act.

to the effect that one hundred million of dollars the capital stock of the Association have been actually paid in the said Assn.

GUARANTIES OF LOCAL ASSOCIATION.

SEC. 22. Any member of a local association may apply to such association for a guaranty of the commercial

Eight Board to purchase corporate bond not money by proper 2. members

exercised and enjoyed.

Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all powers and privileges conferred by this act.

*Eight. Power to purchase
require that not
less as may be
necessary for the proper
transmission of the same*

GUARANTIES OF LOCAL ASSOCIATION.

SEC. 22. Any member of a local association may apply to such association for a guaranty of the commercial paper which it desires to rediscount at the branch of the National Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed in each case by its board of directors. The guaranty of the local association, in the event of loss, shall be met by the members of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, and the commission received for such guaranty, after the payment of expenses and possible losses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require security from any bank offering paper for guaranty, or it may decline to grant the application. The total amount of guaranties by a local association to the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

CLEARING HOUSE.

SEC. 23. Any local association may by a vote of three-fourths of its members and with the approval of the National Reserve Association, assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the Reserve Association as the public interests may require.

SUSPENSION.

SEC. 24. A local association may by a vote of two-thirds of its members suspend a bank from the privileges of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition or as to the character or extent of its assets or liabilities.

PRIVILEGES OF SUBSCRIBING BANKS.

SEC. 25. All of the privileges and advantages of the National Reserve Association shall be equitably extended to every bank of any of the classes herein defined which shall subscribe to its proportion of the capital of the National Reserve Association and shall otherwise conform to the requirements of this act.

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GOVERNMENT OF THE UNITED STATES AND BANKS OWNING STOCK TO BE SOLE DEPOSITORS.

SEC. 26. The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE GOVERNMENT.

SEC. 27. The Government of the United States shall deposit its general funds with the National Reserve Association, and thereafter all receipts of the Government shall be deposited with the National Reserve Association. All disbursements by the Government shall be made through the National Reserve Association.

INTEREST ON DEPOSITS.

SEC. 28. The National Reserve Association shall pay no interest on deposits.

REDISCOUNTS OF BILLS OF EXCHANGE ARISING OUT OF COMMERCIAL TRANSACTIONS FOR SUBSCRIBING BANKS.

SEC. 29. The National Reserve Association may rediscount for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions; that is, only notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, and not including notes or bills issued or drawn for the purpose of carrying stocks, bonds, or other investment securities.

Such notes and bills must have a maturity of not more than twenty-eight days, and must have been made at least thirty days prior to the date of rediscount. The amount so rediscounted shall in no case exceed the capital of the bank applying for the rediscount. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank.

REDISCOUNTS FOR SUBSCRIBING BANKS OF NOTES AND BILLS OF EXCHANGE GUARANTEED BY THE LOCAL ASSOCIATION.

SEC. 30. The National Reserve Association may also rediscount, for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions as hereinbefore defined, having more than twenty-eight days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK INDORSED BY LOCAL ASSOCIATION.

SEC. 31. Whenever, in the opinion of the governor of

arising out of commercial transactions as hereinbefore defined, having more than twenty-eight days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK
INDORSED BY LOCAL ASSOCIATION.

SEC. 31. Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treasury, the National Reserve Association may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the National Reserve Association; but in no such case shall the amount loaned by the National Reserve Association exceed three-fourths of the actual value of the securities so pledged.

RATES OF DISCOUNT.

SEC. 32. The National Reserve Association shall have authority to fix the rates of discount from time to time, which when so fixed shall be published, and shall be uniform throughout the United States.

PURCHASE OF ACCEPTANCES BY THE NATIONAL RESERVE
ASSOCIATION.

SEC. 33. The National Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase from a subscribing bank acceptances of banks or acceptors of unquestioned financial responsibility. Such acceptances must have arisen out of commercial transactions, must have not exceeding ninety days to run, and must be of a character generally known in the market as prime bills. Such acceptances shall bear the indorsement of the subscribing bank selling the same, which indorsement must be other than that of the acceptor.

INVESTMENT IN GOVERNMENT AND STATE BONDS.

SEC. 34. The National Reserve Association may invest in United States bonds, also in short-term obligations having not more than one year to run of the United States or its dependencies, or of any State, or of foreign governments.

POWER TO DEAL IN GOLD COIN OR BULLION.

SEC. 35. The National Reserve Association shall have power, both at home and abroad, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of any of its holdings of United States bonds.

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MONO. SEC.

POWER TO DEAL IN FOREIGN EXCHANGE.

SEC. 36. The National Reserve Association shall have power to purchase from its subscribing banks and to sell, with or without its indorsement, checks or bills of exchange payable in such foreign countries as the board of the National Reserve Association may determine. These bills of exchange must have arisen out of commercial transactions, must have not exceeding ninety days to run, and must bear the signatures of two or more responsible parties, of which the last one shall be that of a subscribing bank.

POWER TO MAINTAIN BANK ACCOUNTS AND TO ESTABLISH AGENCIES IN FOREIGN COUNTRIES.

SEC. 37. The National Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing and selling and collecting foreign bills of exchange, and it shall have authority to buy and sell, with or without its indorsement, through such correspondents or agencies, checks or prime foreign bills of exchange which have arisen out of commercial transactions, which have not exceeding ninety days to run, and which bear the signatures of two or more responsible parties.

DOMESTIC EXCHANGES.

SEC. 38. It shall be the duty of the National Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any bank having an account with it to the credit of any other bank having an account with the National Reserve Association. If a deposit balance is transferred from the books of one branch to the books of another branch, it may be done, under regulations to be prescribed by the National Reserve Association, by mail, telegraph, or otherwise, at rates to be fixed at the time by the directors of the branch at which the transaction originates, or an executive committee thereof.

RESERVES OF SUBSCRIBING BANKS.

SEC. 39. All subscribing banks must conform to the following requirements as to reserves to be held against deposits of various classes, but the deposit balance of any subscribing bank in the National Reserve Association and any notes of the National Reserve Association which it holds may be counted as a part of its required reserve:

First. On demand deposits: National banks in different localities shall maintain the same percentages of reserve against demand deposits as is now required by law, and the same percentages of reserve against demand deposits shall be required of all other subscribing banks in the same localities: *Provided, however,* That all or any part of the legal reserve of all subscribing banks may be kept on deposit with the National Reserve Association or its branches.

Second. On time deposits: All time deposits and moneys held in trust payable or maturing within thirty days shall be subject to the same reserve requirements as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the

kept on deposit with the National Reserve Association or its branches.

Second. On time deposits: All time deposits and moneys held in trust payable or maturing within thirty days shall be subject to the same reserve requirements as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the thirty days preceding their maturity, but no reserves shall be required therefor except for this period. Such time deposits and moneys held in trust must be represented by certificates or instruments in writing and be payable only at a stated time not less than thirty days from date of deposit, and must not be allowed to be withdrawn before the time specified without thirty days' notice.

Third. On savings deposits: Savings deposits, as defined in this act, shall be subject to notice of withdrawal of not less than thirty days and shall be covered by a reserve amounting to forty per centum of that required against demand deposits in the same locality.

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RESERVE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 40. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided, however,* That whenever and so long as such reserve shall fall and remain below fifty per centum the National Reserve Association shall pay a special tax upon the deficiency of reserve at a rate increasing in proportion to such deficiency as follows: For each two and one-half per centum or fraction thereof that the reserve falls below fifty per centum a tax shall be levied at the rate of one and one-half per centum per annum.

All note issues of the National Reserve Association must be covered to the extent of at least one-third by gold or other lawful money, and the remaining portion by bankable commercial paper as herein defined or obligations of the United States, but no notes shall be issued whenever the lawful money so held shall fall below one-third of the notes outstanding.

In computing the demand liabilities of the association a sum equal to one-half of the amount of the United States bonds held by the association which have been purchased from the national banks, and which had previously been deposited by those banks to secure their circulating notes, shall be deducted.

REPORTS OF CONDITION OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 41. The National Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency coincident with the five reports called for each year from the national banks.

11 NB
MONO. SEC.

REPORTS OF SUBSCRIBING BANKS TO THE NATIONAL
RESERVE ASSOCIATION.

SEC. 42. All subscribing banks shall, under regulations to be prescribed by the National Reserve Association, make a report monthly, or oftener if required, to said association showing the principal items of their balance sheets.

EXAMINATIONS.

SEC. 43. The National Reserve Association may for all subscribing banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State-bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law: *Provided, however,* That the standard of such examinations, both National and State, meets the requirements of the National Reserve Association. The National Reserve Association shall have the right at any time to examine or cause to be examined by its own representatives any subscribing bank. The National and State examiners shall be ~~allowed~~ such additional compensation to be paid by the National Reserve Association for making reports to it as the directors thereof may consider just and equitable.

FURTHER NOTE ISSUES BY NATIONAL BANKS PROHIBITED.

SEC. 44. There shall be no further issue of circulating notes by any national bank beyond the amount now outstanding. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it shall permanently surrender its right to reissue the notes so retired.

PURCHASE OF TWO PERCENTUM BONDS BY NATIONAL
RESERVE ASSOCIATION.

SEC. 45. The National Reserve Association must, for a period of one year, offer to purchase at a price not less than par and accrued interest the two per centum bonds held by subscribing national banks and deposited to secure their circulating notes. The National Reserve Association shall take over these bonds and assume responsibility for the redemption upon presentation of outstanding notes secured thereby. The National Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption and may issue further notes from time to time to meet business requirements.

PROVISIONS REQUIRING DEPOSIT OF BONDS BY NATIONAL
BANKS REPEALED.

SEC. 46. All provisions of law requiring national banks to hold or to transfer and deliver to the Treasurer of the United States United States bonds other than those required to secure outstanding circulating notes and Government deposits are hereby repealed.

TAX ON NOTES OF NATIONAL RESERVE ASSOCIATION.

SEC. 47. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money held by said association shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

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SEC. 47. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money held by said association shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

CIRCULATING NOTES FIRST LIEN ON ASSETS.

SEC. 48. The circulating notes of the National Reserve Association shall constitute a first lien upon all its assets and shall be redeemable in lawful money on presentation at the head office of said association or any of its branches.

FOR WHAT CIRCULATING NOTES OF NATIONAL RESERVE ASSOCIATION ARE RECEIVABLE.

SEC. 49. The circulating notes of the National Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, firms, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one bank to another, and for all obligations due to a bank.

CIRCULATING NOTES FORWARDED ON APPLICATION.

SEC. 50. The National Reserve Association and its branches shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

EXCHANGE OF 2 PER CENT FOR 3 PER CENT BONDS.

SEC. 51. Upon application of the National Reserve Association the Secretary of the Treasury shall exchange the two per centum bonds bearing the circulation privilege purchased from the banks for three per centum bonds without the circulation privilege, payable after fifty years from the date of issue.

FRANCHISE TAX.

SEC. 52. The National Reserve Association shall pay to the Government a special franchise tax of one and one-half per centum annually during the period of its charter upon an amount equal to the par value of such bonds transferred to it by the subscribing banks.

SALE OR REDEMPTION OF BONDS.

SEC. 53. The Reserve Association shall agree to hold the three per centum bonds so issued during the period its corporate existence: *Provided*, That after five years the Secretary of the Treasury may at his option permit the Reserve Association to sell not more than fifty millions of such bonds annually: *And provided further*, That the United States reserves the right at any time to pay any of such bonds before maturity, or to purchase any of them at par for the trustees of the postal savings, or otherwise.

Mr. Bonyng's corrections to draft of Dec. 27/11.

**20 PER CENT.
1 NB
MONO. SEC.**

*of paid-in capital
shall be*

A BILL

To incorporate the National Reserve Association of the United States, and for other purposes.

CHARTER, CAPITAL, AND LOCATION.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Reserve Association of the United States be, and it is hereby, created and established for a term of fifty years from the date of the filing with the Comptroller of the Currency of the certificate hereinafter provided, with an authorized capital equal in amount to twenty per centum of the paid-in and unimpaired capital of all banks eligible for membership in said National Reserve Association. Before the said association shall be authorized to commence business two hundred million dollars of the capital stock shall be subscribed and one hundred million dollars of the capital stock shall be paid in cash. The capital stock of said association shall be divided into shares of one hundred dollars each. The outstanding capital stock may be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers or may be decreased as subscribing banks reduce their capital or leave the association by liquidation. The head office of the National Reserve Association shall be located in Washington, in the District of Columbia.

shall have thereof

CORPORATE POWERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 2. Upon duly making and filing with the Comptroller of the Currency the certificate hereinafter required the National Reserve Association shall become a body corporate and as such and by that name shall have power—

- First. To adopt and use a corporate seal.
- Second. To have succession for a period of fifty years from the date of said certificate.
- Third. To make all contracts necessary and proper to carry out the purposes of this act.
- Fourth. To sue and be sued, complain and defend, in any court of law or equity, as fully as natural persons.
- Fifth. To elect or appoint directors and officers in the manner hereinafter provided and define their duties.
- Sixth. To prescribe by its board of directors by-laws not inconsistent with this act, regulating the manner in which its property shall be transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.
- Seventh. To purchase, acquire, hold, and convey real estate as hereinafter provided.

Eighth. To exercise by its board of directors or duly authorized committees, officers, or agents, subject to law, all powers and privileges conferred upon the National Reserve Association by this act.

MEMBERSHIP.

SEC. 3. All national banks, and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided.

MEMBERSHIP.

SEC. 3. All national banks, and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided. Fifty per centum of the subscriptions to the capital stock of the National Reserve Association shall be fully paid in; the remainder of the subscriptions or any part thereof shall remain a liability of the subscribers, subject to call and payment thereof whenever necessary to meet the obligations of the National Reserve Association under such terms and in accordance with such regulations as the board of directors of the National Reserve Association may prescribe.

The subscriptions of a bank or trust company incorporated under the laws of any State or of the District of Columbia to the capital stock of the National Reserve Association shall be made subject to the following conditions:

First. That (a) if a bank, it shall have a paid-in and unimpaired capital of not less than that required for a national bank in the same place; and that (b) if a trust company, it shall have an unimpaired surplus of not less than twenty per centum of its capital, and if located in a place having a population of six thousand inhabitants or less shall have a paid-in and unimpaired capital of not less than fifty thousand dollars; if located in a city having a population of more than six thousand inhabitants and not more than fifty thousand inhabitants, shall have a paid-in and unimpaired capital of not less than one hundred thousand dollars; if located in a city having a population of more than fifty thousand inhabitants and not more than two hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than two hundred thousand dollars; if located in a city having a population of more than two hundred thousand inhabitants and not more than three hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than three hundred thousand dollars; if located in a city having a population of more than three hundred thousand inhabitants and not more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than four hundred thousand dollars, and if located in a city having a population of more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than five hundred thousand dollars.

2 NB MONOTYPE SECTION

Second. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion to that required by law of a national bank in the same locality: *Provided, however,* That deposits which it may have with any subscribing national bank, State bank, or trust company in a city designated in the national banking laws as a reserve city or a central reserve city shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities.

Third. That it shall have and agree to maintain against all other classes of deposits the percentages of reserve required by this act.

Fourth. That it shall agree to submit to such examinations and to make such reports as are required by law and to comply with the requirements and conditions imposed by this act and regulations made in conformity therewith.

The words "subscribing banks" when used hereafter in this act shall be understood to refer to such national banks, and banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, as shall comply with the requirements for membership herein defined.

ORGANIZATION COMMITTEE.

SEC. 4. The Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency are hereby designated a committee to effect the organization of the National Reserve Association, and the necessary expenses of said committee shall be payable out of the Treasury upon vouchers approved by the members of said committee, and the Treasury shall be reimbursed by the National Reserve Association to the full amount paid out therefor.

Within sixty days after the passage of this act said committee shall provide for the opening of books for subscriptions to the capital stock of said National Reserve Association in such places as the said committee may designate. Before the subscription of any bank to the capital stock of the National Reserve Association shall be accepted, said bank shall file with the organization committee or after organization with the National Reserve Association a certified copy of a resolution adopted by the board of directors of said bank accepting all the provisions and liabilities imposed by this act and authorizing the president or cashier of said bank to subscribe for said stock.

LOCATION OF BRANCHES AND DIVISION OF THE COUNTRY INTO DISTRICTS.

SEC. 5. When the subscriptions to the capital stock of the National Reserve Association shall amount to the sum of two hundred million dollars the organization committee hereinbefore provided shall forthwith proceed to select fifteen cities in the United States for the location of the branches of said National Reserve Association: *Provided,* That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri; four branches in the Western and Pacific States, including the States of North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California,

New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri; four branches in the Western and Pacific States, including the States of North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, and Arizona.

When the cities in which the branches are to be located have been selected the organization committee shall forthwith divide the entire country into fifteen districts, with one branch of the National Reserve Association in each district; provided that the districts shall be apportioned with due regard to the convenient and customary course of business and not necessarily along State lines.

The districts may be readjusted, and new districts and new branches may from time to time be created by the directors of the National Reserve Association whenever, in their opinion, the business of the country so requires.

ORGANIZATION OF LOCAL ASSOCIATIONS.

SEC. 6. All subscribing banks within a district shall be grouped by the organization committee or after organization, by the National Reserve Association, into local associations of not less than ten banks, with an aggregate capital and surplus of at least five million dollars, for the purposes hereinafter prescribed: *Provided*, That the territory ~~comprised in~~ each association shall be contiguous and that in apportioning the territory due regard shall be had for the customary course of business and for the convenience of the banks forming the association: *Provided further*, That ~~the territory included in the local associations comprising a district shall be so apportioned that every bank and all the territory within said district shall be located within the boundaries of some local association: And provided further~~, That every subscribing bank shall become a member only of the local association of the territory in which it is situated.

The banks uniting to form ~~such~~ association shall, by their presidents or vice presidents, under authority from the board of directors, execute a certificate in triplicate setting forth the name of the association, the names of the banks composing it, its principal place of business, its territorial limits, and the purposes for which it is organized. One copy of this certificate shall be filed with the Comptroller of the Currency, one copy shall be filed with the National Reserve Association, and one copy shall be filed with the branch of the National Reserve Association of the district in which the local association is included. Upon the filing of such certificates the local association therein named shall become a body corporate and by the name so designated may sue and be sued and exercise the powers of a body corporate for the purposes mentioned in this act, and not otherwise.

The local associations in each district may be readjusted from time to time and new associations may be authorized by the directors of the National Reserve Association.

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ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.

SEC. 7. Each local association shall have a board of directors, the number to be determined by the by-laws of the local association. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative and each representative one vote for each of the positions to be filled without reference to the number of shares which the bank holds in the National Reserve Association. Two-fifths of the whole number of directors of the local association shall be elected by these same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the National Reserve Association. In neither case shall voting by proxy be allowed. The authorized representative of a bank, as herein provided, shall be its president, vice president, or cashier.

Each director when elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The directors originally elected shall hold office until the second Tuesday in February immediately following their election, and thereafter the directors shall be elected annually on that date and shall hold office for the term of one year.

The board of directors of the local association shall have authority to make by-laws, not inconsistent with law, subject to the approval of the directors of the National Reserve Association.

ELECTION OF DIRECTORS BY BRANCH ASSOCIATIONS.

SEC. 8. Each of the branches of the National Reserve Association shall have a board of directors, the number, not less than twelve, to be fixed by the by-laws of the branch. These directors shall be elected in the following manner:

The board of directors of each local association shall elect by ballot a voting representative or proxy holder. One-half of the directors of the branch shall be elected by the vote of such representatives, each representative having one vote for each of the positions to be filled, without reference to the number of shares which the banks composing the association which he represents holds in the National Reserve Association. One-third of the directors shall be elected by the same voting representatives or proxy holders, but each voting representative at this election shall have a number of votes equal to the number of shares in the National Reserve Association held by all the banks composing the local association which he represents. The remaining one-sixth of the directors shall be chosen by the directors already elected and shall fairly represent the agricultural, commercial, industrial, and other interests of the district and shall not be officers nor, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. The manager of the branch shall be ex-officio a member of the board of directors of the branch and shall be chairman of the board.

Each director when elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

All the members of the board of directors of the branch except the ex officio member shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in March immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in March immediately following

All the members of the board of directors of the branch except the ex officio member shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in March immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in March immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in March immediately following the election. All elections shall be held on the first Tuesday in March of each year, and after the first election all directors shall be elected for a term of three years. Provided, That all directors shall serve until their successors have qualified; and provided further, That the by-laws of the National Reserve Association shall provide for the manner of filling any vacancies which may occur in the board of directors of the branches.

The board of directors of the branch shall have authority to make by-laws, not inconsistent with law, subject to the approval of the National Reserve Association.

DIRECTORS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 9. The National Reserve Association shall have a board of directors, to be chosen in the following manner:

First. Fifteen directors shall be elected, one who shall be a resident of the district by the board of directors of each branch of the National Reserve Association. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director.

Second. Fifteen additional directors shall be elected, who shall be ~~resident~~ of the district, one by the board of directors of each branch of the National Reserve Association, who shall fairly represent the agricultural, commercial, industrial, and other interests of the country, and who shall not be officers nor, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director of this class.

Third. Nine additional directors shall be elected by voting representatives chosen by the boards of directors of the various districts, each of whom shall cast a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than one of these directors shall be chosen from one district.

Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

No member of any national or State legislative body shall be a director of the National Reserve Association, nor of any of its branches, nor of any local association.

20 PER CENT. [REDACTED]
4 NB
MONO. SEC.

All the members of the board, except the ex officio members, shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in April immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in April immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in April immediately following the election. All elections shall be held on the first Tuesday in April of each year, and after the first election all directors shall be elected for a term of three years: *Provided*, That all directors shall serve until their successors have qualified; *And provided further*, That the by-laws of the National Reserve Association shall provide for the manner of filling any vacancies which may occur in the board of directors of the National Reserve Association.

Each director shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The board of directors of the National Reserve Association shall have authority to make by-laws, not inconsistent with law, which shall prescribe the manner in which the business shall be conducted and the privileges granted to it by law exercised and enjoyed.

APPOINTMENT OF OFFICERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 10. The executive officers of the National Reserve Association shall consist of a governor, two deputy governors, a secretary, and such subordinate officers as may be provided by the by-laws. The governor of the National Reserve Association shall be selected by the President of the United States from a list of not less than three submitted to him by the board of directors of said association. The person so selected shall thereupon be appointed by the said board as governor of the National Reserve Association for a term of ten years, subject to removal for cause by a two-thirds vote of the board. There shall be two deputy governors, to be elected by the board, for a term of seven years, subject to removal for cause by a majority vote of the board. The two deputy governors first elected shall serve for terms of four years and seven years, respectively. In the absence of the governor or his inability to act the deputy who is senior in point of service shall act as governor. The board of directors shall have authority to appoint such other officers as may be provided for by the by-laws.

ORGANIZATION PAPERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 11. When the board of directors of the National Reserve Association is duly organized it shall call upon the subscribing banks for a payment of fifty per centum on the amount of their subscriptions to the capital stock of said association. When one hundred million dollars of such capital have been paid in the board of directors shall at once proceed to execute and file with the Secretary of State a certificate showing the payment of one hundred million dollars on capital stock, and they shall further file with the Comptroller of the Currency a certificate showing the title and location of each bank which has subscribed to the capital stock of the National Reserve Association, the number of shares subscribed by each, and the amount paid thereon.

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OWNERSHIP OF STOCK IN THE NATIONAL RESERVE ASSOCIATION, INCREASE AND REDUCTION OF CAPITAL.

SEC. 12. Shares of the capital stock of the National Reserve Association shall not be transferable, and under no circumstances shall they be hypothecated nor shall they be owned otherwise than by the subscribing banks, nor may they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the bank's increase of capital, paying therefor its then book value as shown by the last published statement of said association. A bank applying for membership in the National Reserve Association at any time after its formation must subscribe for an amount of the capital of said association equal to twenty per centum of the capital of said subscribing bank, paying therefor its then book value as shown by the last published statement of said association. When the capital of the National Reserve Association has been increased either on account of the increase of capital of the banks in said association or on account of the increase in the membership of said association, the board of directors shall make and execute a certificate showing said increase in capital, the amount paid in and by whom paid. This certificate shall be filed in the office of the Comptroller of the Currency. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said association, and if a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said association. In either case the shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to their then book value as shown by the last published statement of said association.

If any member of the National Reserve Association shall become insolvent and a receiver be appointed, the stock held by it in said association shall be canceled and the balance, after paying all debts due by such insolvent bank to said association (such debts being hereby declared to be a first lien upon the paid-in capital stock), shall be paid to the receiver of the insolvent bank.

Whenever the capital stock of the National Reserve Association is reduced, either on account of the reduction in capital of members of said association or the liquidation or insolvency of any member, the board of directors shall make and execute a certificate showing such reduction of capital stock and the amount repaid to each bank. This certificate shall be filed in the office of the Comptroller of the Currency.

20 PER CENT.
5 NB
MONO. SEC.

EXEMPTION FROM LOCAL AND STATE TAXATION.

SEC. 13. The National Reserve Association and its branches and the local associations shall be exempt from local and State taxation except in respect to taxes upon real estate.

EXECUTIVE COMMITTEE OF THE NATIONAL RESERVE
ASSOCIATION.

SEC. 14. The directors of the National Reserve Association shall annually elect from their number an executive committee and such other committees as the by-laws of the National Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the National Reserve Association shall be ex officio chairman and the two deputy governors and the Comptroller of the Currency ex officio members, but not more than one of the elected members shall be chosen from any one district.

The executive committee shall have all the authority which is vested in the board of directors, except the power of nomination, appointment, and removal of the governor and deputy governors and except such as may be specifically delegated by the board to other committees or to the executive officers, or such as may be specifically reserved or retained by the board.

BOARD OF EXAMINATION.

SEC. 15. There shall be a board of examination elected annually by the board of directors from among their number, excluding the members of the executive committee, of which the Secretary of the Treasury shall be ex officio chairman. It shall be the duty of this board to carefully examine the condition and the business of the National Reserve Association and of its branches and to make a public statement of the result of such examination at least once a year.

EXECUTIVE OFFICERS OF BRANCHES.

SEC. 16. Each branch shall have a manager and a deputy manager appointed from the district by the governor of the National Reserve Association with the approval of the executive committee and subject to removal at any time by the governor with the approval of the executive committee of the National Reserve Association. The powers and duties of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the National Reserve Association.

EXECUTIVE OFFICERS OF LOCAL ASSOCIATIONS.

SEC. 17. The directors of each local association shall annually elect from their number a president, a vice president, and an executive committee, whose powers and duties shall be determined by the by-laws of the local association, subject, however, to the provisions of this act.

LISTS OF SHAREHOLDERS.

SEC. 18. The National Reserve Association shall cause to be kept at all times, at the head office of the association, a full and correct list of the names of the banks owning stock in the association and the number of shares held by each. Such list shall be subject to the inspection of all the shareholders of the association, and a copy thereof on the first Monday of July of each year shall be trans-

LISTS OF SHAREHOLDERS.

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SEC. 19. The earnings of the National Reserve Association shall be disposed of in the following manner:

After the payment of all expenses and taxes the shareholders shall be entitled to receive annually a dividend of four per centum on the paid-in capital, which dividend shall be cumulative. Further net earnings shall be disposed of as follows: First, a contingent fund shall be created, which shall be maintained at an amount equal to one per centum on the paid-in capital, and shall not exceed in any event two million dollars and shall be used to meet any possible losses. Such fund shall, upon the final dissolution of the National Reserve Association, be paid to the United States and shall not under any circumstances be included in the book value of the stock or be paid to the shareholders. Second, one-half of additional net earnings shall be paid into the surplus fund of the National Reserve Association until said fund shall amount to twenty per centum of the paid-in capital, one-fourth shall be paid to the United States as a franchise tax, and one-fourth shall be paid to the shareholders, until the shareholders' dividend shall amount to five per centum per annum on the paid-in capital, provided no dividends, except the cumulative dividends above provided for, shall at any time be paid in excess of five per centum in any one year; one-half of the additional earnings shall be added to the surplus fund, and one-half shall be paid to the United States as a franchise tax. Whenever and so long as the surplus fund of the National Reserve Association amounts to twenty per centum of the paid-in capital and the shareholders shall have received dividends not exceeding five per centum, all excess earnings shall be paid to the United States as a franchise tax.

6 NB

MONOTYPE SECTION

GUARANTIES OF LOCAL ASSOCIATION.

SEC. 20. Any member of a local association may apply to such association for a guaranty of the commercial paper which it desires to rediscount at the branch of the National Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed in each case by its board of directors. Expenses and losses in excess of commissions shall be met by an assessment of the members of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, which assessment shall be made by its board of directors, and the commission received for such guaranty, after the payment of expenses and possible losses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require security from any bank offering paper for guaranty, or it may decline to grant the application. The total amount of guaranties by a local association to the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

CLEARING HOUSE.

SEC. 21. Any local association may by a vote of three-fourths of its members and with the approval of the National Reserve Association, assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the National Reserve Association as the public interests may require.

PRIVILEGES OF SUBSCRIBING BANKS.

SEC. 22. All of the privileges and advantages of the National Reserve Association shall be equitably extended to every bank of any of the classes herein defined which shall subscribe to its proportion of the capital stock of the National Reserve Association and shall otherwise conform to the requirements of this act, provided:

SUSPENSION.

That the National Reserve Association may suspend a bank from the privileges of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition or as to the character or extent of its assets or liabilities.

GOVERNMENT OF THE UNITED STATES AND BANKS OWNIGN STOCK TO BE THE ONLY DEPOSITORS.

SEC. 23. The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE GOVERNMENT.

SEC. 24. The National Reserve Association shall be the

ernment or State securities or securities of foreign governments or of gold coin or bullion.

NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE
GOVERNMENT.

SEC. 24. The National Reserve Association shall be the principal fiscal agent of the United States. The Government of the United States shall upon the organization of the National Reserve Association deposit its general funds with said association and its branches, and thereafter all receipts of the Government shall be deposited with said Association and its branches, and all disbursements by the Government shall be made through said association and its branches.

INTEREST ON DEPOSITS.

SEC. 25. The National Reserve Association shall pay no interest on deposits.

REDISCOUNT OF BILLS OF EXCHANGE ARISING OUT OF
COMMERCIAL TRANSACTIONS FOR SUBSCRIBING BANKS.

SEC. 26. The National Reserve Association through its branches may rediscount for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, and not including notes or bills issued or drawn for the purpose of carrying stocks, bonds, or other investment securities.

Such notes and bills must have a maturity of not more than twenty-eight days, and must have been made at least thirty days prior to the date of rediscount. The amount so rediscounted shall at no time exceed the capital of the bank for whom the rediscounts are made. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank.

20 PER CENT.

7 NB
MONO. SEC.

REDISCOUNTS FOR SUBSCRIBING BANKS OF NOTES AND
BILLS OF EXCHANGE GUARANTEED BY THE LOCAL
ASSOCIATION.

SEC. 27. The National Reserve Association through its branches may also rediscount, for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions as hereinbefore defined, having more than twenty-eight days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK
INDORSED BY LOCAL ASSOCIATION.

SEC. 28. Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treasury, the National Reserve Association through its branches may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the National Reserve Association; but in no such case shall the amount loaned by the National Reserve Association exceed three-fourths of the actual value of the securities so pledged.

SEC. 29. The power of rediscount and discount granted to the National Reserve Association by sections twenty-six, twenty-seven, and twenty-eight of this act shall in each case be exercised through the branch in the district in which the bank making the application is located.

RATES OF DISCOUNT.

SEC. 30. The National Reserve Association shall have authority to fix its rates of discount from time to time, which when so fixed shall be published, and shall be uniform throughout the United States.

ACCEPTANCES.

SEC. 31. National banks shall be authorized to accept commercial paper drawn upon them, having not more than four months to run, properly secured, and arising out of commercial transactions. The amount of such acceptances outstanding shall not exceed one-half the capital and surplus of the accepting bank, and shall be subject to the restrictions of section 5200 of the Revised Statutes.

PURCHASE OF ACCEPTANCES BY THE NATIONAL RESERVE
ASSOCIATION.

SEC. 32. The National Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase from a subscribing bank acceptances of banks or acceptors of unquestioned financial responsibility. Such acceptances must have arisen out of commercial transactions, must have not exceeding ninety days to run, and must be of a character generally known in the market as prime bills. Such acceptances shall bear the indorsement of the subscribing bank selling the same, which indorsement must be other than that of the acceptor.

INVESTMENT IN GOVERNMENT AND STATE BONDS.

SEC. 33. The National Reserve Association may invest in United States bonds; also in short-term obligations

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INVESTMENT IN GOVERNMENT AND STATE BONDS.

SEC. 33. The National Reserve Association may invest in United States bonds; also in short-term obligations of the United States or its dependencies, or of any State, or of foreign governments having not more than one year to run.

POWER TO DEAL IN GOLD COIN OR BULLION.

SEC. 34. The National Reserve Association shall have power, both at home and abroad, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of any of its holdings of United States bonds.

POWER TO DEAL IN FOREIGN EXCHANGE.

SEC. 35. The National Reserve Association shall have power to purchase from its subscribing banks and to sell, with or without its indorsement, checks or bills of exchange payable in such foreign countries as the board of directors of the National Reserve Association may determine. These bills of exchange must arise out of commercial transactions, must have not exceeding ninety days to run, and must bear the signatures of two or more responsible parties, of which the last one shall be that of a subscribing bank.

POWER TO MAINTAIN BANK ACCOUNTS AND TO ESTABLISH AGENCIES IN FOREIGN COUNTRIES.

SEC. 36. The National Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing, selling, and collecting foreign bills of exchange, and it shall have authority to buy and sell, with or without its indorsement, through such correspondents or agencies, checks or prime foreign bills of exchange arising out of commercial transactions, which have not exceeding ninety days to run, and which bear the signatures of two or more responsible parties.

DOMESTIC EXCHANGES.

SEC. 37. It shall be the duty of the National Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any bank having an account with it to the credit of any other bank having an account with the National Reserve Association. If a deposit balance is transferred from the books of one branch to the books of another branch, it may be done, under regulations to be prescribed by the National Reserve Association, by mail, telegraph, or otherwise, at rates to be fixed at the time by the manager of the branch at which the transaction originates.

20 PER CENT.
8 NB
MONO. SEC.

REAL ESTATE.

SEC. 38. The National Reserve Association may purchase, acquire, hold, and convey real estate for the following purposes and for no others:

First. Such as shall be necessary for the immediate accommodation in the transaction of the business either of the head office or of the branches.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by said association, or shall purchase to secure debts due to it.

But the National Reserve Association shall not hold the possession of any real estate under mortgage or the title and possession of any real estate purchased to secure any debts due to it for a longer period than five years.

RESERVES OF SUBSCRIBING BANKS.

SEC. 39. All subscribing banks must conform to the following requirements as to reserves to be held against deposits of various classes, but the deposit balance of any subscribing bank in the National Reserve Association and any notes of the National Reserve Association which it holds may be counted as the whole or any part of its required reserve:

First. On demand deposits: National banks in different localities shall maintain the same percentages of reserve against demand deposits as is now required by law, and the same percentages of reserve against demand deposits shall be required of all other subscribing banks in the same localities.

Second. On time deposits: All time deposits and moneys held in trust payable or maturing within thirty days shall be subject to the same reserve requirements as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the thirty days preceding their maturity, but no reserves shall be required therefor except for this period. Such time deposits and moneys held in trust must be represented by certificates or instruments in writing and be payable only at a stated time not less than thirty days from date of deposit, and must not be allowed to be withdrawn before the time specified without thirty days' notice.

REAL ESTATE LOANS.

SEC. 40. National banks may loan not more than thirty per centum of their time deposits, as herein defined, upon improved and unencumbered real estate, such loans not to exceed fifty per centum of the actual value of the property, which property shall be situated in the vicinity or in the territory directly tributary to the bank: *Provided*, That this privilege shall not be extended to ~~other~~ banks acting as reserve agents. *for other banks.*

RESERVE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 41. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided*, That whenever and so long as such reserve shall fall and remain below fifty per centum the National Reserve Association shall pay a special tax upon the deficiency of reserve at a rate increasing in proportion to such deficiency as follows: For each

territory directly tributary to the same. This
this privilege shall not be extended to other banks acting
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SEC. 41. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided*, That whenever and so long as such reserve shall fall and remain below fifty per centum the National Reserve Association shall pay a special tax upon the deficiency of reserve at a rate increasing in proportion to such deficiency as follows: For each two and one-half per centum or fraction thereof that the reserve falls below fifty per centum a tax shall be levied at the rate of one and one-half per centum per annum: *Provided further*, That no additional circulating notes shall be issued whenever and so long as the amount of such reserve falls below thirty-three and one-third per centum of the outstanding notes.

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SEC. 42. All note issues of the National Reserve Association must be covered by the legal reserves required by section (40) of this act and by bankable commercial paper as herein defined or obligations of the United States.

SEC. 43. In computing the demand liabilities of the National Reserve Association a sum equal to one-half of the amount of the United States bonds held by the association which have been purchased from the national banks, and which had previously been deposited by those banks to secure their circulating notes, shall be deducted.

REPORTS OF CONDITION OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 44. The National Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency by said association coincident with the five reports called for each year from the national banks.

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REPORTS OF SUBSCRIBING BANKS TO THE NATIONAL
RESERVE ASSOCIATION.

SEC. 45. All subscribing banks shall, under regulations to be prescribed by the National Reserve Association, make a report monthly, or oftener if required, to said association showing the principal items of their balance sheets.

EXAMINATIONS.

SEC. 46. All reports of national-bank examiners in regard to the condition of banks shall hereafter be made in duplicate, and one copy shall be filed with the National Reserve Association for the confidential use of its executive officers and branch managers.

SEC. 47. The National Reserve Association may for all subscribing banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State-bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law: *Provided, however,* That the standard of such examinations, both National and State, meets the requirements prescribed by the National Reserve Association. The National Reserve Association shall have the right at any time to examine or cause to be examined by its own representatives any subscribing bank. The National Reserve Association may make such payments to national and State examiners for any services required of them as the directors may consider just and equitable.

FURTHER NOTE ISSUES BY NATIONAL BANKS PROHIBITED.

SEC. 48. There shall be no further issue of circulating notes by any national bank beyond the amount now outstanding. National banks may maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue its right to reissue the notes so retired shall thereupon cease.

PURCHASE OF TWO PER CENTUM BONDS BY NATIONAL
RESERVE ASSOCIATION.

SEC. 49. The National Reserve Association shall, for a period of one year from the date of its organization, offer to purchase at a price not less than par and accrued interest the two per centum bonds held by subscribing national banks and deposited to secure their circulating notes. The National Reserve Association shall take over the bonds so purchased and assume responsibility for the redemption upon presentation of outstanding notes secured thereby. The National Reserve Association shall issue, on the terms herein provided, its own notes as the outstanding notes secured by such bonds so held shall be presented for redemption and may issue further notes from time to time to meet business requirements.

PROVISIONS REQUIRING DEPOSIT OF BONDS BY NATIONAL
BANKS REPEALED.

SEC. 50. All provisions of law requiring national banks to hold or to transfer and deliver to the Treasurer of the United States bonds of the United States other than those required to secure outstanding circulating notes and Government deposits are hereby repealed.

TAX ON NOTES OF NATIONAL RESERVE ASSOCIATION.

SEC. 51. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money, gold bullion, or foreign gold coin held by said association, shall pay a special tax at the rate

SEC. 51. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money, gold bullion, or foreign gold coin held by said association, shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

CIRCULATING NOTES FIRST LIEN ON ASSETS.

SEC. 52. The circulating notes of the National Reserve Association shall constitute a first lien upon all its assets and shall be redeemable in lawful money on presentation at the head office of said association or any of its branches. It shall be the duty of the National Reserve Association to maintain at all times a parity of value of its circulating notes with the standard established by the first section of the act of March fourteenth, nineteen hundred, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes."

FOR WHAT CIRCULATING NOTES OF NATIONAL RESERVE ASSOCIATION ARE RECEIVABLE.

SEC. 53. The circulating notes of the National Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, firms, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one bank to another, and for all obligations due to a bank.

CIRCULATING NOTES FORWARDED ON APPLICATION.

SEC. 54. The National Reserve Association and its branches shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

EXCHANGE OF 2 PER CENT FOR 3 PER CENT BONDS.

SEC. 55. Upon application of the National Reserve Association the Secretary of the Treasury shall exchange the two per centum bonds bearing the circulation privilege purchased from the banks for three per centum bonds without the circulation privilege, payable after fifty years from the date of issue.

FRANCHISE TAX.

SEC. 56. The National Reserve Association shall pay to the Government a special franchise tax of one and one-half per centum annually during the period of its charter upon an amount equal to the par value of such bonds transferred to it by the subscribing banks.

10 NB MONO. SEC.

SALE OR REDEMPTION OF BONDS.

SEC. 57. The National Reserve Association shall agree to hold the three per centum bonds so issued during the period of its corporate existence: *Provided*, That after five years from the date of its organization the Secretary of the Treasury may at his option permit the National Reserve Association to sell not more than fifty million dollars of such bonds annually: *And provided further*, That the United States reserves the right at any time to pay any of such bonds before maturity, or to purchase any of them at par for the trustees of the postal savings, or otherwise.

FOREIGN BANKS.

SEC. 58. That banking corporations for carrying on the business of banking in foreign countries and in aid of the commerce of the United States with foreign countries and to act when required as fiscal agents of the United States in such countries may be formed by any number of persons, not less in any case than five, who shall enter into articles of association which shall specify in general terms the object for which the banking corporation is formed and may contain any other provisions not inconsistent with the provisions of this section which the banking corporation may see fit to adopt for the regulation and conduct of its business and affairs, which said regulations shall be signed, in duplicate, by the persons uniting to form the banking corporation and one copy thereof shall be forwarded to the Comptroller of the Currency and the other to the Secretary of State, to be filed and preserved in their offices.

That the persons uniting to form such banking corporation shall under their hands make an organization certificate which shall specify, first, the name assumed by such banking corporation, which name shall be subject to approval by the comptroller; second, the foreign country or countries or the dependencies or colonies of foreign countries or the dependencies of the United States where its banking operations are to be carried on; third, the place in the United States where its home office shall be located; fourth, the amount of its capital stock and the number of shares into which the same shall be divided; fifth, the names and places of residence of the shareholders and the number of shares held by each of them; and, sixth, a declaration that said certificate is made to enable such persons to avail themselves of the advantages of this section.

That no banking corporation shall be organized under this section with a less capital than two million dollars, which shall be fully paid in before the banking corporation shall be authorized to commence business.

That every banking corporation formed pursuant to the provisions of this section shall for a period of twenty years from the date of the execution of its organization certificate be a body corporate, but shall not be authorized to receive deposits in the United States nor compete with banks in the United States organized either under national or State laws for domestic business not necessarily related to the business being done in foreign countries or in the dependencies of the United States. Such banking corporations shall have authority to make acceptances, buy and sell bills of exchange, or other commercial paper relating to foreign business, and to purchase and sell securities, including securities of the United States or of any State in the Union. Each banking corporation organized under the provisions of this section shall have power to establish and maintain for the transaction of its business a branch or branches in foreign countries, their dependencies, or the dependencies of the United States at such places and under such regulations as its board of directors may deem expedient.

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A majority of the shares of the capital stock of such banking corporation shall be held and owned by citizens of the United States or corporations chartered under the laws of the United States or of any State of the Union, and a majority of the members of the board of directors of such banking corporations shall be citizens of the United States. Each director shall own in his own right at least one hundred shares of the capital stock of the banking corporation of which he is a director.

The annual meeting of every such banking corporation shall be held at its home office in the United States, and every such banking corporation shall keep at its home office books containing the names of all stockholders of such banking corporation and members of its board of directors, together with copies of the reports furnished by it to the Comptroller of the Currency exhibiting in detail and under appropriate heads the resources and liabilities of the banking corporation. Every such banking corporation shall make reports to the Comptroller of the Currency at such times as he may require, and shall be subject to examinations when deemed necessary by the Comptroller of the Currency through examiners appointed by him.

Any bank doing business in the United States and being the owner of stock in the National Reserve Association may subscribe to the stock of any banking corporation organized under the provisions of this section, but the aggregate of such stock held by any one bank shall not exceed ten per centum of the capital stock of the subscribing bank.

SEC. 59. Congress reserves the right to alter or amend the provisions of this act at the end of decennial periods.

SEC. 60. All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.

20 PER CENT.
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A BILL

To incorporate the National Reserve Association of the United States, and for other purposes.

CHARTER, CAPITAL, AND LOCATION.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Reserve Association of the United States be, and it is hereby, created and established for a term of fifty years from the date of the filing with the Comptroller of the Currency of the certificate hereinafter provided, with an authorized capital equal in amount to twenty per centum of the paid-in and unimpaired capital of all banks eligible for membership in said National Reserve Association. Before ~~the~~ said association shall be authorized to commence business two hundred million dollars of the capital stock shall be subscribed and one hundred million dollars of ~~the~~ capital stock shall be paid in cash. The capital stock of said association shall be divided into shares of one hundred dollars each. The outstanding capital stock may be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers or may be decreased as subscribing banks reduce their capital or leave the association by liquidation. The head office of the National Reserve Association shall be located in Washington, in the District of Columbia.

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CORPORATE POWERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 2. Upon duly making and filing with the Comptroller of the Currency the certificate hereinafter required the National Reserve Association shall become a body corporate and as such and by that name shall have power—

- First. To adopt and use a corporate seal.
- Second. To have succession for a period of fifty years from the date of said certificate.
- Third. To make all contracts necessary and proper to carry out the purposes of this act.
- Fourth. To sue and be sued, complain and defend, in any court of law or equity, as fully as natural persons.
- Fifth. To elect or appoint directors and officers in the manner hereinafter provided and define their duties.

Sixth. To ~~prescribe~~ by its board of directors by-laws not inconsistent with this act, regulating the manner in which its property shall be transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

Seventh. To purchase, acquire, hold, and convey real estate as hereinafter provided.

Eighth. To exercise by its board of directors or duly authorized committees, officers, or agents, subject to law, all powers and privileges conferred upon the National Reserve Association by this act.

MEMBERSHIP.

SEC. 3. All national banks, and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter

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Rm 313 Senate Office Building
Washington, D.C. Dec. 27, 1911
Admiral J. T. ...

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MEMBERSHIP.

SEC. 3. All national banks, and all banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, complying with the requirements for membership in the said National Reserve Association, hereinafter set forth, may subscribe to its capital to an amount equal to twenty per centum of the paid-in and unimpaired capital of the subscribing bank, and not more nor less; and each of such subscribing banks shall become a member of a local association as hereinafter provided. Fifty per centum of the subscriptions to the capital stock of the National Reserve Association shall be fully paid in; the remainder of the subscriptions or any part thereof shall remain a liability of the subscribers, subject to call and payment thereof whenever necessary to meet the obligations of the National Reserve Association under such terms and in accordance with such regulations as the board of directors of the National Reserve Association may prescribe.

The subscriptions of a bank or trust company incorporated under the laws of any State or of the District of Columbia to the capital stock of the National Reserve Association] shall be made subject to the following conditions:

First. That (a) if a bank, it shall have a paid-in and unimpaired capital of not less than that required for a national bank in the same ~~place~~; and that (b) if a trust company, it shall have an unimpaired surplus of not less than twenty per centum of its capital, and if located in a place having a population of six thousand inhabitants or less shall have a paid-in and unimpaired capital of not less than fifty thousand dollars; if located in a city having a population of more than six thousand inhabitants and not more than fifty thousand inhabitants, shall have a paid-in and unimpaired capital of not less than one hundred thousand dollars; if located in a city having a population of more than fifty thousand inhabitants and not more than two hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than two hundred thousand dollars; if located in a city having a population of more than two hundred thousand inhabitants and not more than three hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than three hundred thousand dollars; if located in a city having a population of more than three hundred thousand inhabitants and not more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than four hundred thousand dollars, and if located in a city having a population of more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than five hundred thousand dollars.

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Second. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion to that required by law of a national bank in the same locality: *Provided, however,* That deposits which it may have with any subscribing national bank, State bank, or trust company in a city designated in the national banking laws as a reserve city or a central reserve city shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities.

Third. That it shall have and agree to maintain against ~~all~~ other classes of deposits the percentages of reserve required by this act.

Fourth. That it shall agree to submit to such examinations and to make such reports as are required by law and to comply with the requirements and conditions imposed by this act and regulations made in conformity therewith.

The words "subscribing banks" when used hereafter in this act shall be understood to refer to such national banks, and banks or trust companies chartered by the laws of any State of the United States or of the District of Columbia, as shall comply with the requirements for membership herein defined.

ORGANIZATION COMMITTEE.

SEC. 4. The Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency are hereby designated a committee to effect the organization of the National Reserve Association, and the necessary expenses of said committee shall be payable out of the Treasury upon vouchers approved by the members of said committee, and the Treasury shall be reimbursed by the National Reserve Association to the full amount paid out therefor.

Within sixty days after the passage of this act said committee shall provide for the opening of books for subscriptions to the capital stock of said National Reserve Association in such places as the said committee may designate. Before the subscription of any bank to the capital stock of the National Reserve Association shall be accepted, said bank shall file with the organization committee or after organization with the National Reserve Association a certified copy of a resolution adopted by the board of directors of said bank accepting all the provisions and liabilities imposed by this act and authorizing the president or cashier of said bank to subscribe for said stock.

LOCATION OF BRANCHES AND DIVISION OF THE COUNTRY INTO DISTRICTS.

SEC. 5. When the subscriptions to the capital stock of the National Reserve Association shall amount to the sum of two hundred million dollars the organization committee hereinbefore provided shall forthwith proceed to select fifteen cities in the United States for the location of the branches of said National Reserve Association; *Provided, That one branch shall be located in the New England States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle*

States, including the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut; two branches in the Eastern States, including the States of New York, New Jersey, Pennsylvania, and Delaware; four branches in the Southern States, including the States of Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, Kentucky, Tennessee, and also the District of Columbia; four branches in the Middle Western States, including the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri; four branches in the Western and Pacific States, including the States of North Dakota, South Dakota, Nebraska, Kansas, Montana, Wyoming, Colorado, New Mexico, Oklahoma, Washington, Oregon, California, Idaho, Utah, Nevada, and Arizona.

When the cities in which the branches are to be located have been selected the organization committee shall forthwith divide the entire country into fifteen districts, with one branch of the National Reserve Association in each district, provided that the districts shall be apportioned with due regard to the convenient and customary course of business and not necessarily along State lines.

The districts may be readjusted, and new districts and new branches may from time to time be created by the directors of the National Reserve Association whenever, in their opinion, the business of the country so requires.

ORGANIZATION OF LOCAL ASSOCIATIONS.

SEC. 6. All subscribing banks within a district shall be grouped by the organization committee or after organization, by the National Reserve Association, into local associations of not less than ten banks, with an aggregate capital and surplus of at least five million dollars, for the purposes hereinafter prescribed: *Provided*, That the territory comprised in each association shall be contiguous and that in apportioning the territory due regard shall be had for the customary course of business and for the convenience of the banks forming the association: *Provided further*, That the territory included in the local associations comprising a district shall be so apportioned that every bank and all the territory within said district shall be located within the boundaries of some local association: *And provided further*, That every subscribing bank shall become a member only of the local association of the territory in which it is situated.

The banks uniting to form such association shall, by their presidents or vice presidents, under authority from the board of directors, execute a certificate in triplicate setting forth the name of the association, the names of the banks composing it, its principal place of business, its territorial limits, and the purposes for which it is organized. One copy of this certificate shall be filed with the Comptroller of the Currency, one copy shall be filed with the National Reserve Association, and one copy shall be filed with the branch of the National Reserve Association of the district in which the local association is included. Upon the filing of such certificates the local association therein named shall become a body corporate and by the name so designated may sue and be sued and exercise the powers of a body corporate for the purposes mentioned in this act, and not otherwise.

The local associations in each district may be readjusted from time to time and new associations may be authorized by the directors of the National Reserve Association.

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ELECTION OF DIRECTORS BY LOCAL ASSOCIATIONS.

SEC. 7. Each local association shall have a board of directors, the number to be determined by the by-laws of the local association. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative and each representative one vote for each of the positions to be filled without reference to the number of shares which the bank holds in the National Reserve Association. Two-fifths of the whole number of directors of the local association shall be elected by ~~these~~ same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the National Reserve Association. In ~~neither~~ case shall voting by proxy be allowed. The authorized representative of a bank, as herein provided, shall be its president, vice president, or cashier.

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Each director when elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The directors originally elected shall hold office until the second Tuesday in February immediately following their election, and thereafter the directors shall be elected annually on that date and shall hold office for the term of one year.

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The board of directors of the local association shall have authority to make by-laws, not inconsistent with law, subject to the approval of the directors of the National Reserve Association.

ELECTION OF DIRECTORS BY BRANCH ASSOCIATIONS.

SEC. 8. Each of the branches of the National Reserve Association shall have a board of directors, the number, not less than twelve, to be fixed by the by-laws of the branch. These directors shall be elected in the following manner:

The board of directors of each local association shall elect by ballot a voting representative ~~or proxy holder~~. One-half of the directors of the branch shall be elected by the vote of such representatives, each representative having one vote for each of the positions to be filled, without reference to the number of shares which the banks composing the association which he represents holds in the National Reserve Association. One-third of the directors shall be elected by ~~the same voting representatives or proxy holders~~, but each voting representative ~~at this election~~ shall have a number of votes equal to the number of shares in the National Reserve Association held by all the banks composing the local association which he represents. The remaining one-sixth of the directors shall be chosen by the directors already elected and shall fairly represent the agricultural, commercial, industrial, and other interests of the district and shall not be officers nor, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. The manager of the branch shall be ex-officio a member of the board of directors of the branch and shall be chairman of the board.

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Each director ~~when elected~~ shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

and shall be chairman of the board.

Each director ~~when elected~~ shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

All the members of the board of directors of the branch except the ex officio member shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in March immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in March immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in March immediately following the election. All elections shall be held on the first Tuesday in March of each year, and after the first election all directors shall be elected for a term of three years, Provided, That all directors shall serve until their successors have qualified; and provided further, That the by-laws of the National Reserve Association shall provide for the manner of filling any vacancies which may occur in the board of directors of the branches.

The board of directors of the branch shall have authority to make by-laws, not inconsistent with law, subject to the approval of the National Reserve Association.

DIRECTORS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 9. The National Reserve Association shall have a board of directors, to be chosen in the following manner:

First. Fifteen directors shall be elected, ~~one who shall be a resident of the district~~ by the board of directors of each branch of the National Reserve Association. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director.

Second. Fifteen additional directors shall be elected, ~~who shall be a resident of the district~~, one by the board of directors of each branch of the National Reserve Association, who shall fairly represent the agricultural, commercial, industrial, and other interests of the ~~country~~, and who shall not be officers nor, while serving, directors of banks, trust companies, insurance companies, or other financial institutions. In case the number of districts shall be increased hereafter, each additional district shall be entitled to elect an additional director of this class.

Third. Nine additional directors shall be elected by voting representatives chosen by the boards of directors of the various districts, each of whom shall cast a number of votes equal to the number of shares in the National Reserve Association held by the banks in the district which he represents. Not more than ~~one of these~~ ^{one} directors shall be chosen from one district.

VII. Fourth. There shall be seven ex officio members of the board, namely: The governor of the National Reserve Association, who shall be chairman of the board, two deputy governors of the National Reserve Association, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

No member of any national or State legislative body shall be a director of the National Reserve Association, nor of any of its branches, nor of any local association.

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the directors of each of the three classes named above shall be residents of the district from which they are elected.

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All the members of the board, except the ex officio members, shall at the first meeting of the board be divided into three classes. One-third of the directors shall hold office until the first Tuesday in April immediately following the election; one-third of the directors shall hold office for an additional period of one year after the first Tuesday in April immediately following the election; the remaining one-third of the directors shall hold office for an additional period of two years after the first Tuesday in April immediately following the election. All elections shall be held on the first Tuesday in April of each year, and after the first election all directors shall be elected for a term of three years: *Provided*, That all directors shall serve until their successors have qualified. *And provided further*, That the by-laws of the National Reserve Association shall provide for the manner of filling any vacancies which may occur in the board of directors of the National Reserve Association.

Each director shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association and will not knowingly violate or willingly permit to be violated any of the provisions of this act.

The board of directors of the National Reserve Association shall have authority to make by-laws, not inconsistent with law, which shall prescribe the manner in which the business shall be conducted and the privileges granted to it by law exercised and enjoyed.

APPOINTMENT OF OFFICERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 10. The executive officers of the National Reserve Association shall consist of a governor, two deputy governors, a secretary, and such subordinate officers as may be provided by the by-laws. The governor of the National Reserve Association shall be selected by the President of the United States from a list of not less than three submitted to him by the board of directors of said association. The person so selected shall thereupon be appointed by the said board as governor of the National Reserve Association for a term of ten years, subject to removal for cause by a two-thirds vote of the board. There shall be two deputy governors, to be elected by the board, for a term of seven years, subject to removal for cause by a majority vote of the board. The two deputy governors first elected shall serve for terms of four years and seven years, respectively. In the absence of the governor or his inability to act the deputy who is senior in point of service shall act as governor. The board of directors shall have authority to appoint such other officers as may be provided for by the by-laws.

ORGANIZATION PAPERS OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 11. When the board of directors of the National Reserve Association is duly organized it shall call upon the subscribing banks for a payment of fifty per centum on the amount of their subscriptions to the capital stock of said association. When one hundred million dollars of such capital have been paid in the board of directors shall at once proceed to execute and file with the Secretary of State a certificate showing the payment of one hundred million dollars on capital stock, and they shall further file with the Comptroller of the Currency a certificate showing the title and location of each bank which has

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on the amount of their subscriptions to the capital stock of said association. When one hundred million dollars of ~~such~~ capital have been paid in the board of directors shall at once proceed to execute and file with the Secretary of State a certificate showing the payment of one hundred million dollars on capital stock, and they shall further file with the Comptroller of the Currency a certificate showing the title and location of each bank which has subscribed to the capital stock of the National Reserve Association, the number of shares subscribed by each, and the amount paid thereon.

OWNERSHIP OF STOCK IN THE NATIONAL RESERVE ASSOCIATION, INCREASE AND REDUCTION OF CAPITAL.

shall SEC. 12. Shares of the capital stock of the National Reserve Association shall not be transferable, and under no circumstances shall ~~they~~ be hypothecated nor shall ~~they~~ be owned otherwise than by ~~the~~ subscribing banks, *J* nor ~~may~~ they be owned by any bank other than in the *such* proportion herein provided. In case a subscribing bank increases its capital it shall thereupon subscribe for an additional amount of the capital of the National Reserve Association equal to twenty per centum of the bank's increase of capital, paying therefor its then book value as shown by the last published statement of said association. A bank applying for membership in the National Reserve Association at any time after its formation must subscribe for an amount of the capital of said association equal to twenty per centum of the capital of said subscribing bank, paying therefor its then book value as shown by the last published statement of said association. When the capital of the National Reserve Association has been increased either on account of the increase of capital of the banks in said association or on account of the increase in the membership of said association, the board of directors shall make and execute a certificate showing said increase in capital, the amount paid in and by whom paid. This certificate shall be filed in the office of the Comptroller of the Currency. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said association, and if a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said association. In either case the shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to their then book value as shown by the last published statement of said association.

If any member of the National Reserve Association shall become insolvent and a receiver be appointed, the stock held by it in said association shall be canceled and the balance, after paying all debts due by such insolvent bank to said association (such debts being hereby declared to be a first lien upon the paid-in capital stock), shall be paid to the receiver of the insolvent bank.

2EC Whenever the capital stock of the National Reserve Association is reduced, either on account of the reduction in capital of members of said association or the liquidation or insolvency of any member, the board of directors shall make and execute a certificate showing such reduction of capital stock and the amount repaid to each bank. This certificate shall be filed in the office of the Comptroller of the Currency.

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EXEMPTION FROM LOCAL AND STATE TAXATION.

SEC. 13. The National Reserve Association and its branches and the local associations shall be exempt from local and State taxation except in respect to taxes upon real estate.

EXECUTIVE COMMITTEE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 14. The directors of the National Reserve Association shall annually elect from their number an executive committee and such other committees as the by-laws of the National Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the National Reserve Association shall be ex officio chairman and the two deputy governors and the Comptroller of the Currency ex officio members, but not more than one of the elected members shall be chosen from any one district.

The executive committee shall have all the authority which is vested in the board of directors, except the power of nomination, appointment, and removal of the governor and deputy governors and except such as may be specifically delegated by the board to other committees or to the executive officers, or such as may be specifically reserved or retained by the board.

BOARD OF EXAMINATION.

SEC. 15. There shall be a board of examination elected annually by the board of directors from among their number, excluding the members of the executive committee, of which the Secretary of the Treasury shall be ex officio chairman. It shall be the duty of this board to carefully examine the condition and the business of the National Reserve Association and of its branches and to make a public statement of the result of such examination at least once a year.

EXECUTIVE OFFICERS OF BRANCHES.

its SEC. 16. Each branch shall have a manager and a deputy manager appointed from the district by the governor of the National Reserve Association with the approval of ~~the~~ executive committee and subject to removal at any time by the governor with the approval of the executive committee of the National Reserve Association. The powers and duties of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the National Reserve Association.

and the board of directors of the branch,

EXECUTIVE OFFICERS OF LOCAL ASSOCIATIONS.

SEC. 17. The directors of each local association shall annually elect from their number a president, a vice president, and an executive committee, whose powers and duties shall be determined by the by-laws of the local association, subject, however, to the ~~provisions of this act.~~

approval of the National Reserve Association.

LISTS OF SHAREHOLDERS.

SEC. 18. The National Reserve Association shall cause to be kept at all times, at the head office of the association, a full and correct list of the names of the banks owning stock in the association and the number of shares held by each. Such list shall be subject to the inspection of all the shareholders of the association, and a copy thereof on the first Monday of July of each year shall be transmitted to the Comptroller of the Currency.

SEC. 18. The National Reserve Association shall cause to be kept at all times, at the head office of the association, a full and correct list of the names of the banks owning stock in the association and the number of shares held by each. Such list shall be subject to the inspection of all the shareholders of the association, and a copy thereof on the first Monday of July of each year shall be transmitted to the Comptroller of the Currency.

SEC. 19. The earnings of the National Reserve Association shall be disposed of in the following manner:

After the payment of all expenses and taxes the shareholders shall be entitled to receive ~~annually~~ a dividend of four per centum on the paid-in capital, which dividend shall be cumulative. Further, net earnings shall be disposed of as follows: First, a contingent fund shall be created, which shall be maintained at an amount equal to one per centum on the paid-in capital, and shall not exceed in any event two million dollars and shall be used to meet any possible losses. Such fund shall, upon the final dissolution of the National Reserve Association, be paid to the United States and shall not under any circumstances be included in the book value of the stock or be paid to the shareholders. Second, one-half of additional net earnings shall be paid into the surplus fund of the National Reserve Association until said fund shall amount to twenty per centum of the paid-in capital, one-fourth shall be paid to the United States as a franchise tax, and one-fourth shall be paid to the shareholders, until the shareholders' dividend shall amount to five per centum per annum on the paid-in capital, ~~provided~~ no dividends, except the cumulative dividends above provided for, shall at any time be paid in excess of five per centum in any one year, one-half of the additional earnings shall be added to the surplus fund, and one-half shall be paid to the United States as a franchise tax. Whenever and so long as the surplus fund of the National Reserve Association amounts to twenty per centum of the paid-in capital and the shareholders shall have received dividends not exceeding five per centum, all excess earnings shall be paid to the United States as a franchise tax.

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centum dividend has been paid to shareholders

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GUARANTIES OF LOCAL ASSOCIATION.

SEC. 20. Any member of a local association may apply to such association for a guaranty of the commercial paper which it desires to rediscount at the branch of the National Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed in each case by its board of directors. Expenses and losses in excess of commissions shall be met by an assessment of the members of the local association in proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the members of the local association, which assessment shall be made by its board of directors, and the commission received for such guaranty, after the payment of expenses and possible losses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require security from any bank offering paper for guaranty, or it may decline to grant the application. The total amount of guaranties by a local association to the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

CLEARING HOUSE.

SEC. 21. Any local association may by a vote of three-fourths of its members and with the approval of the National Reserve Association, assume and exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of this act. The National Reserve Association may require any local association to perform such services in facilitating the domestic exchanges of the National Reserve Association as the public interests may require.

PRIVILEGES OF SUBSCRIBING BANKS.

SEC. 22. All of the privileges and advantages of the National Reserve Association shall be equitably extended to every bank of any of the classes herein defined which shall subscribe to its proportion of the capital stock of the National Reserve Association and shall otherwise conform to the requirements of this act, provided:

~~SUSPENSION.~~

That the National Reserve Association may suspend a bank from the privileges of membership for a failure for thirty days to maintain its reserves, or to make the reports required by this act, or for misrepresentation in any report or examination as to its condition or as to the character or extent of its assets or liabilities.

for refusal to comply with such requirements or

GOVERNMENT OF THE UNITED STATES AND BANKS OWNIGN STOCK TO BE THE ONLY DEPOSITORS.

SEC. 23. The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE GOVERNMENT.

SEC. 24. The National Reserve Association shall be the principal fiscal agent of the United States. The Govern-

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shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

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NATIONAL RESERVE ASSOCIATION FISCAL AGENT OF THE GOVERNMENT.

SEC. 24. The National Reserve Association shall be the principal fiscal agent of the United States. The Government of the United States shall upon the organization of the National Reserve Association deposit its general funds with said association and its branches, and thereafter all receipts of the Government shall be deposited with said Association and its branches, and all disbursements by the Government shall be made through said association and its branches.

INTEREST ON DEPOSITS.

SEC. 25. The National Reserve Association shall pay no interest on deposits.

REDISCOUNT OF BILLS OF EXCHANGE ARISING OUT OF COMMERCIAL TRANSACTIONS FOR SUBSCRIBING BANKS.

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SEC. 26. The National Reserve Association ~~through its branches may~~ rediscount for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, and not including notes or bills issued or drawn for the purpose of carrying stocks, bonds, or other investment securities.

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Such notes and bills must have a maturity of not more than twenty-eight days, and must have been made at least thirty days prior to the date of rediscount. The amount so rediscounted shall at no time exceed the capital of the bank for ~~whom~~ the rediscounts are made. *which* The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank.

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REDISCOUNTS FOR SUBSCRIBING BANKS OF NOTES AND BILLS OF EXCHANGE GUARANTEED BY THE LOCAL ASSOCIATION.

SEC. 27. The National Reserve Association ~~through its branches~~ may also rediscount, for and with the indorsement of any bank having a deposit with it, notes and bills of exchange arising out of commercial transactions as hereinbefore defined, having more than twenty-eight days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

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DISCOUNT OF DIRECT OBLIGATION OF DEPOSITING BANK INDORSED BY LOCAL ASSOCIATION.

SEC. 28. Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treasury, the National Reserve Association ~~through its branches~~ may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the National Reserve Association; but in no such case shall the amount loaned by the National Reserve Association exceed three-fourths of the actual value of the securities so pledged.

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SEC. 29. The power of rediscount and discount granted to the National Reserve Association by sections twenty-six, twenty-seven, and twenty-eight of this act shall in each case be exercised through the branch in the district in which the bank making the application is located.

RATES OF DISCOUNT.

SEC. 30. The National Reserve Association shall have authority to fix its rates of discount from time to time, which when so fixed shall be published, and shall be uniform throughout the United States.

ACCEPTANCES.

SEC. 31. National banks ~~shall be~~ authorized to accept ~~commercial paper~~ drawn upon them, having not more than four months to run, properly secured, and arising out of commercial transactions. The amount of such acceptances outstanding shall not exceed one-half the capital and surplus of the accepting bank, and shall be subject to the restrictions of section 5200 of the Revised Statutes.

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PURCHASE OF ACCEPTANCES BY THE NATIONAL RESERVE ASSOCIATION.

SEC. 32. The National Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase from a subscribing bank acceptances of banks or acceptors of unquestioned financial responsibility. Such acceptances ~~must have arisen out of commercial transactions,~~ must have not exceeding ninety days to run, and must be of a character generally known in the market as prime bills. Such acceptances shall bear the indorsement of the subscribing bank selling the same, which indorsement must be other than that of the acceptor.

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exceeding ninety days to run, and must be of a character generally known in the market as prime bills. Such acceptances shall bear the indorsement of the subscribing bank selling the same, which indorsement must be other than that of the acceptor.

INVESTMENT IN GOVERNMENT AND STATE BONDS.

SEC. 33. The National Reserve Association may invest in United States bonds; also in short-term obligations of the United States or its dependencies, or of any State, or of foreign governments having not more than one year to run.

POWER TO DEAL IN GOLD COIN OR BULLION.

SEC. 34. The National Reserve Association shall have power, both at home and abroad, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of any of its holdings of United States bonds.

POWER TO DEAL IN FOREIGN EXCHANGE.

SEC. 35. The National Reserve Association shall have power to purchase from its subscribing banks and to sell, with or without its indorsement, checks or bills of exchange payable in such foreign countries as the board of directors of the National Reserve Association may determine. These bills of exchange ~~must arise out of commercial transactions,~~ must have not exceeding ninety days to run, and must bear the signatures of two or more responsible parties, of which the last one shall be that of a subscribing bank.

, arising out of commercial transactions as hereinbefore defined,

POWER TO MAINTAIN BANK ACCOUNTS AND TO ESTABLISH AGENCIES IN FOREIGN COUNTRIES.

SEC. 36. The National Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing, selling, and collecting foreign bills of exchange, and it shall have authority to buy and sell, with or without its indorsement, through such correspondents or agencies, checks or prime foreign bills of exchange arising out of commercial transactions, which have not exceeding ninety days to run, and which bear the signatures of two or more responsible parties.

DOMESTIC EXCHANGES.

SEC. 37. It shall be the duty of the National Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any bank having an account with it to the credit of any other bank having an account with the National Reserve Association. If a deposit balance is transferred from the books of one branch to the books of another branch, it may be done, under regulations to be prescribed by the National Reserve Association, by mail, telegraph, or otherwise, at rates to be fixed at the time by the manager of the branch at which the transaction originates.

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REAL ESTATE.

SEC. 38. The National Reserve Association may purchase, acquire, hold, and convey real estate for the following purposes and for no others:

First. Such as shall be necessary for the immediate accommodation in the transaction of the business either of the head office or of the branches.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by said association, or shall purchase to secure debts due to it.

But the National Reserve Association shall not hold the possession of any real estate under mortgage or the title and possession of any real estate purchased to secure any debts due to it for a longer period than five years.

RESERVES OF SUBSCRIBING BANKS.

SEC. 39. All subscribing banks must conform to the following requirements as to reserves to be held against deposits of various classes, but the deposit balance of any subscribing bank in the National Reserve Association and any notes of the National Reserve Association which it holds may be counted as the whole or any part of its required reserve:

First. On demand deposits: National banks in different localities shall maintain the same percentages of reserve against demand deposits as is now required by law, and the same percentages of reserve against demand deposits shall be required of all other subscribing banks in the same localities.

Second. On time deposits: All time deposits and moneys held in trust payable or maturing within thirty days shall be subject to the same reserve requirements as demand deposits in the same locality. All time deposits and moneys held in trust payable or maturing more than thirty days from date shall be subject to the same reserve requirements as demand deposits for the thirty days preceding their maturity, but no reserves shall be required therefor except for this period. Such time deposits and moneys held in trust must be represented by certificates or instruments in writing and be payable only at a stated time not less than thirty days from date of deposit, and must not be allowed to be withdrawn before the time specified without thirty days' notice.

REAL ESTATE LOANS.

SEC. 40. National banks may loan not more than thirty per centum of their time deposits, as herein defined, upon improved and unencumbered real estate, such loans not to exceed fifty per centum of the actual value of the property, which property shall be situated in the vicinity or in the territory directly tributary to the bank: *Provided*, That this privilege shall not be extended to ~~other~~ banks acting as reserve agents.

RESERVE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 41. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided*, That whenever and so long

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RESERVE OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 41. All demand liabilities, including deposits and circulating notes, of the National Reserve Association shall be covered to the extent of fifty per centum by a reserve of gold (including foreign gold coin and gold bullion) or other money of the United States which the national banks are now authorized to hold as a part of their legal reserve: *Provided*, That whenever and so long as such reserve shall fall and remain below fifty per centum the National Reserve Association shall pay a special tax upon the deficiency of reserve at a rate increasing in proportion to such deficiency as follows: For each two and one-half per centum or fraction thereof that the reserve falls below fifty per centum a tax shall be levied at the rate of one and one-half per centum per annum: *Provided further*, That no additional circulating notes shall be issued whenever and so long as the amount of such reserve falls below thirty-three and one-third per centum of the outstanding notes.

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SEC. 42. All note issues of the National Reserve Association must be covered by the legal reserves required by section 41 of this act and by bankable commercial paper as herein defined or obligations of the United States.

SEC. 43. In computing the demand liabilities of the National Reserve Association a sum equal to one-half of the amount of the United States bonds held by the association which have been purchased from the national banks, and which had previously been deposited by those banks to secure their circulating notes, shall be deducted.

REPORTS OF CONDITION OF THE NATIONAL RESERVE ASSOCIATION.

SEC. 44. The National Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency by said association coincident with the five reports called for each year from the national banks.

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REPORTS OF SUBSCRIBING BANKS TO THE NATIONAL RESERVE ASSOCIATION.

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SEC. 44. All subscribing banks shall, under regulations to be prescribed by the National Reserve Association, make a report monthly, or oftener if required, to said association showing the principal items of their balance sheets.

EXAMINATIONS.

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SEC. 45. All reports of national-bank examiners in regard to the condition of banks shall hereafter be made in duplicate, and one copy shall be filed with the National Reserve Association for the confidential use of its executive officers and branch managers.

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SEC. 46. The National Reserve Association may for all subscribing banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State-bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law: *Provided, however,* That the standard of such examinations, both National and State, meets the requirements prescribed by the National Reserve Association. The National Reserve Association shall have the right at any time to examine or cause to be examined by its own representatives any subscribing bank. The National Reserve Association may make such payments to national and State examiners for ~~any~~ services required of them as the directors may consider just and equitable.

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FURTHER NOTE ISSUES BY NATIONAL BANKS PROHIBITED.

SEC. 48. There shall be no further issue of circulating notes by any national bank beyond the amount now outstanding. National banks may maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue its right to reissue the notes so retired shall thereupon cease.

PURCHASE OF TWO PER CENTUM BONDS BY NATIONAL RESERVE ASSOCIATION.

SEC. 49. The National Reserve Association shall, for a period of one year from the date of its organization, offer to purchase at a price not less than par and accrued interest the two per centum bonds held by subscribing national banks and deposited to secure their circulating notes. The National Reserve Association shall take over the bonds so purchased and assume responsibility for the redemption upon presentation of outstanding notes secured thereby. The National Reserve Association shall issue, on the terms herein provided, its own notes as the outstanding notes secured by such bonds so held shall be presented for redemption and may issue further notes from time to time to meet business requirements.

it being the policy of the United States to retire as rapidly as possible, consistent with the public interests, bond-secured circulation and to substitute therefor notes of the National Reserve Association of a character and secured and redeemed in the manner provided for in this Act.

PROVISIONS REQUIRING DEPOSIT OF BONDS BY NATIONAL BANKS REPEALED.

47

SEC. 50. All provisions of law requiring national banks to hold or to transfer and deliver to the Treasurer of the United States bonds of the United States other than those required to secure outstanding circulating notes and Government deposits are hereby repealed.

TAX ON NOTES OF NATIONAL RESERVE ASSOCIATION.

SEC. 51. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money, gold bullion, or foreign gold coin held by said Association shall pay a special tax at the rate

required to secure outstanding circulating notes and Government deposits are hereby repealed.

TAX ON NOTES OF NATIONAL RESERVE ASSOCIATION.

SEC. 51. Any notes of the National Reserve Association in circulation at any time in excess of nine hundred million dollars which are not covered by an equal amount of lawful money, gold bullion, or foreign gold coin held by said association, shall pay a special tax at the rate of one and one-half per centum per annum, and any notes in excess of one billion two hundred million dollars not so covered shall pay a special tax at the rate of five per centum per annum.

Provided, That in computing said amounts of nine hundred million dollars and one billion two hundred million dollars the aggregate amount of any national bank notes then outstanding shall be included.

CIRCULATING NOTES FIRST LIEN ON ASSETS.

SEC. 52. The circulating notes of the National Reserve Association shall constitute a first lien upon all its assets and shall be redeemable in lawful money on presentation at the head office of said association or any of its branches. It shall be the duty of the National Reserve Association to maintain at all times a parity of value of its circulating notes with the standard established by the first section of the act of March fourteenth, nineteen hundred, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes."

FOR WHAT CIRCULATING NOTES OF NATIONAL RESERVE ASSOCIATION ARE RECEIVABLE.

SEC. 53. The circulating notes of the National Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, firms, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one bank to another, and for all obligations due to ~~any~~ bank.

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CIRCULATING NOTES FORWARDED ON APPLICATION.

SEC. 54. The National Reserve Association and its branches shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

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EXCHANGE OF 2 PER CENT FOR 3 PER CENT BONDS.

SEC. 55. Upon application of the National Reserve Association the Secretary of the Treasury shall exchange the two per centum bonds bearing the circulation privilege purchased from ~~the~~ banks for three per centum bonds without the circulation privilege, payable after fifty years from the date of issue.

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FRANCHISE TAX.

SEC. 56. The National Reserve Association shall pay to the Government a special franchise tax of one and one-half per centum annually during the period of its charter upon an amount equal to the par value of such bonds transferred to it by the subscribing banks.

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~~SECTION OR DEFINITION OF TERMS.~~

The National Reserve Association shall ~~agree~~ hold the three per centum bonds so issued during the period of its corporate existence: *Provided*, That after five years from the date of its organization the Secretary of the Treasury may at his option permit the National Reserve Association to sell not more than fifty million dollars of such bonds annually: *And provided further*, That the United States reserves the right at any time to pay any of such bonds before maturity, or to purchase any of them at par for the trustees of the postal savings, or otherwise.

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FOREIGN BANKS.

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SEC. 58. That banking corporations for carrying on the business of banking in foreign countries and in aid of the commerce of the United States with foreign countries and to act when required as fiscal agents of the United States in such countries may be formed by any number of persons, not less in any case than five, who shall enter into articles of association which shall specify in general terms the object for which the banking corporation is formed and may contain any other provisions not inconsistent with the provisions of this section which the banking corporation may see fit to adopt for the regulation and conduct of its business and affairs, which said regulations shall be signed, in duplicate, by the persons uniting to form the banking corporation and one copy thereof shall be forwarded to the Comptroller of the Currency and the other to the Secretary of State, to be filed and preserved in their offices.

That the persons uniting to form such banking corporation shall under their hands make an organization certificate which shall specify, first, the name assumed by such banking corporation, which name shall be subject to approval by the comptroller; second, the foreign country or countries or the dependencies or colonies of foreign countries or the dependencies of the United States where its banking operations are to be carried on; third, the place in the United States where its home office shall be located; fourth, the amount of its capital stock and the number of shares into which the same shall be divided; fifth, the names and places of residence of the shareholders and the number of shares held by each of them; and, sixth, a declaration that said certificate is made to enable such persons to avail themselves of the advantages of this section.

That no banking corporation shall be organized under this section with a less capital than two million dollars, which shall be fully paid in before the banking corporation shall be authorized to commence business.

That every banking corporation formed pursuant to the provisions of this section shall for a period of twenty years from the date of the execution of its organization certificate be a body corporate, but shall not be authorized to receive deposits in the United States nor ~~compete with banks in the United States organized either under national or State laws for domestic business not necessarily related to the business being done in foreign countries or in the dependencies of the United States.~~ Such banking corporations shall have authority to make acceptances, buy and sell bills of exchange, or other commercial paper relating to foreign business, and to purchase and sell securities, including securities of the United States or of any State in the Union. Each banking corporation organized under the provisions of this section shall have power to establish and maintain for the transaction of

and the fact of said payment shall be certified by the Comptroller of the Currency and a copy of his certificate to this effect shall be filed with the Secretary of State.

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in the dependencies of the United States. Such banking corporations shall have authority to make acceptances, buy and sell bills of exchange, or other commercial paper relating to foreign business, and to purchase and sell securities, including securities of the United States or of any State in the Union. Each banking corporation organized under the provisions of this section shall have power to establish and maintain for the transaction of its business a branch or branches in foreign countries, their dependencies, or the dependencies of the United States at such places and under such regulations as its board of directors may deem expedient.

A majority of the shares of the capital stock of such banking corporation shall be held and owned by citizens of the United States or corporations chartered under the laws of the United States or of any State of the Union, and a majority of the members of the board of directors of such banking corporations shall be citizens of the United States. Each director shall own in his own right at least one hundred shares of the capital stock of the banking corporation of which he is a director.

The annual meeting of every such banking corporation shall be held at its home office in the United States, and every such banking corporation shall keep at its home office books containing the names of all stockholders of such banking corporation and members of its board of directors, together with copies of the reports furnished by it to the Comptroller of the Currency exhibiting in detail and under appropriate heads the resources and liabilities of the banking corporation. Every such banking corporation shall make reports to the Comptroller of the Currency at such times as he may require, and shall be subject to examinations when deemed necessary by the Comptroller of the Currency through examiners appointed by him.

Any bank doing business in the United States and being the owner of stock in the National Reserve Association may subscribe to the stock of any banking corporation organized under the provisions of this section, but the aggregate of such stock held by any one bank shall not exceed ten per centum of the capital stock of the subscribing bank.

58

~~SEC. 58. Congress reserves the right to alter or amend the provisions of this act at the end of decennial periods.~~

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~~SEC. 59. All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.~~

from and after the organization of the National Reserve Association.

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