

June 26, 1951.

FEDERAL STATUTORY CHANGES
1900 - 1951
GOVERNING THE ISSUANCE OF MONEY
AND
RESTRICTING OR DEFINING BANK CREDIT
FOREWORD

This memorandum contains summaries of major statutory changes in Federal Law since 1900 governing the issuance of money and restricting or defining bank credit.

In view of the nature of the subject and in order to present an integrated picture of the legislative developments in these fields, the memorandum includes summaries of some provisions which may be related to the subject only indirectly. In some cases in which changes were especially detailed or technical, the memorandum merely gives a general reference to the nature of the change. Some minor changes that had only a mechanical rather than a substantive effect upon the monetary or banking system have been omitted. In the case of statutes dealing with several different subjects only those provisions that are relevant to the fields under consideration are summarized.

The summaries, of course, are not intended to be technically exact or complete as to all details. They are arranged in chronological order.

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ACT OF MARCH 14, 1900
(Gold Standard Act of 1900)

Standard of value fixed. - This Act reaffirmed the Act of February 12, 1873 by providing that the dollar, consisting of 25 and 8/10ths grains of gold 9/10ths fine, shall be the standard unit of value and all forms of United States money shall be maintained at a parity of value with this standard and it shall be the duty of the Secretary of the Treasury to maintain such parity. (31 Stat. 45, sec. 1)

Redemption in gold. - United States notes and Treasury notes issued under the Act of July 14, 1890, were to be redeemed by the Treasury in gold coin, and a reserve of \$150,000,000 in gold established for such purpose. Under the provisions of the above mentioned Act, such notes had been redeemable in gold or silver coin at discretion of the Secretary of the Treasury. (31 Stat. 45, sec. 2)

Legal tender quality of silver dollar. - It was provided that nothing contained in this Act shall be construed to affect the legal-tender quality of the silver dollar or any other money of the United States. (31 Stat. 45, sec. 3)

Division of issue and redemption. - A separate division was established in the Treasury Department to separate the monetary functions from those of a fiscal character. (31 Stat. 45, sec. 4)

Silver certificates substitutes for Treasury notes. - The Secretary of the Treasury was directed to retire Treasury notes equal in amount to newly coined silver dollars and issue silver certificates in lieu thereof. (31 Stat. 45, sec. 5)

Gold certificates as lawful reserve. - The Secretary of the Treasury was directed to receive deposits of gold coin and to issue gold certificates therefor which, when held by national banks, could be counted as a part of their lawful reserves, thereby reenacting a provision similar to section 12 of the Act of July 12, 1882. (31 Stat. 45, sec. 6)

Denominations of currency. - Certain changes were made with regard to the various denominations of gold and silver certificates to be issued by the Secretary of the Treasury. (31 Stat. 45, secs. 6,7)

National bank minimum capital requirements lowered. - Section 5138 of the Revised Statutes was amended by lowering the previously established minimum requirement of \$50,000 for places not exceeding 6,000 people to \$25,000 for places not exceeding 3,000 people. (31 Stat. 45, sec. 10)

Security for, and limitation on amount of, national bank circulation, etc. - National banks could receive circulating notes in an amount equal to the par value of the bonds deposited therefor, and any such bank having less than such amount of circulating notes was declared to be entitled to an increase therein; but the total amount of notes issued any one bank could not exceed the amount of its paid-in capital stock. (Previously, the amount of such circulating notes could not exceed 90 per cent of the par value of the bonds deposited.) National banks were authorized to substitute for any bonds on deposit to secure their circulation or deposits of public moneys, the 2 per cent gold bonds issued by the Secretary of the Treasury in exchange for certain 3 per cent, 4 per cent and 5 per cent bonds of the United States. That part of the Act of July 12, 1882, which prohibited national banks that made deposits of lawful money in order to withdraw their circulating notes from receiving any increase therein for 6 months, was repealed. (31 Stat. 49, secs. 11 and 12)

Tax on national bank circulation secured by 2 per cent gold bonds. - National banks having circulating notes secured by the aforementioned 2 per cent gold bonds were required to pay a tax of one-fourth of 1 per cent each half year upon the average amount of notes in circulation secured by such bonds. Such tax was declared to be in lieu of the tax on circulation imposed by section 5214 of the Revised Statutes, providing for a tax every half year of one-half of 1 per cent on the average amount of notes in circulation. (31 Stat. 49, sec. 13)

International bimetallism. - It was also provided that the provisions of this Act were not intended to preclude the accomplishments of international bimetallism whenever conditions made it expedient and practical to secure the same by action of leading commercial nations of the world and at a ratio which shall insure permanence of relative value between gold and silver. (31 Stat. 49, sec. 14)

ACT OF MARCH 3, 1903

Smaller cities as reserve cities. - The Act of March 3, 1887, authorizing the designation of cities of 50,000 people as reserve cities, was amended so as to authorize cities of 25,000 people to be so designated. (32 Stat. 1223, Ch. 1014)

ACT OF DECEMBER 21, 1905

Tax on national bank circulation secured by Panama Canal Bonds. - Certain changes were made in the rate of tax on circulating notes of national banks secured by 2 per cent Panama Canal Bonds. This tax was declared to be in lieu of existing tax on circulating notes imposed by section 5214 of the Revised Statutes. (34 Stat. 5, sec. 1)

ACT OF JUNE 22, 1906

Limitation on loans to one obligor. - Section 5200 of the Revised Statutes, limiting to one-tenth of a national bank's paid-in capital stock the total liabilities of any one obligor thereto but excepting from such limitation the discount of bills of exchange drawn in good faith, etc., was amended by expanding the one-tenth limitation to include the bank's unimpaired surplus fund; and the total of such liabilities was prohibited from exceeding 30 per cent of the capital stock of any such bank. (34 Stat. 451, Ch. 3516)

ACT OF MARCH 4, 1907

Amendment re gold certificates, etc. - Section 6 of the Act of March 14, 1900, providing, inter alia, for the repeal of the law authorizing the issuance of demand certificates to national banks depositing United States notes with the Secretary of the Treasury, and providing that gold certificates issued by him might be counted as reserves of such banks, was reenacted with certain technical amendments. (34 Stat. 1289, sec. 1)

Deposits for withdrawal of circulating notes; amendment. - Section 9 of the Act of July 12, 1882, as amended by section 12 of the Act of March 14, 1900, providing for the withdrawal of circulating notes of national banks upon their deposit of lawful money with the United States Treasurer, etc., was amended so as to make such withdrawals dependent upon the approval of the Comptroller of the Currency and the Secretary of the Treasury, and by raising the maximum deposits of lawful money for such purpose in any one month from \$3,000,000 to \$9,000,000. (34 Stat. 1290, sec. 4)

ACT OF MAY 30, 1908
(Aldrich-Vreeland Act)

National currency associations. - Subject to specified capital and surplus requirements, ten or more national banks were authorized to form (voluntary) national currency associations with the usual corporate attributes. Such an association could be composed only of national banks not members of any other such association, and there could be only one such association in any one city. The affairs of such an association were required to be managed by a board consisting of one representative from each member bank, and the board's powers could be exercised through its executive committee. These associations were empowered to render available, under the direction and control of the Secretary of the Treasury, any securities, including commercial paper, held by national banks, as a basis for additional circulation.

To obtain such additional circulation, any member bank having circulating notes outstanding not less than a specified amount and with a specified capital and surplus, was authorized to deposit with the association, in trust for the United States, such of the securities above mentioned as the Board might approve. Upon the association's application, the Comptroller of the Currency, with the approval of the Secretary of the Treasury, was authorized to direct the issuance of additional circulating notes to the association not exceeding 75 per cent (90 per cent in case of State or municipal bonds) of the cash value of the securities or commercial paper so deposited. The member banks were made jointly and severally liable to the United States for the redemption of such additional circulation; and the association could require its members to deposit additional securities to secure such circulation and, upon failure to comply, could sell the securities already deposited or sue delinquent banks for any deficiency. Should any member bank fail to maintain its redemption funds as required by law, ultimately the redemption funds of other member banks could be used to supply the deficiency. (35 Stat. 546, 548, secs. 1, 2, and 6)

Issuance of additional notes secured by bonds. - Any national bank having outstanding circulating notes secured by United States bonds to a specified amount and with a specified capital stock and surplus, was authorized to apply to the Comptroller of the Currency for authority to issue additional circulating notes on the security of State or municipal bonds. Such notes could be issued only upon the approval of the Secretary of the Treasury. The provisions of the Revised Statutes relating to custody, etc., of bonds deposited to secure circulating notes and the redemption thereof were made applicable to the notes here involved; but the amount of outstanding notes so issued could not exceed \$500,000,000. (35 Stat. 548, secs. 3, 4, and 5)

Equitable distribution of notes. - To maintain an equitable distribution of notes issued under this Act, for which national banks were required to maintain with the Treasury an additional redemption fund of 5 per cent of the outstanding amounts thereof, the Secretary of the Treasury was required to observe the proportion of unimpaired capital funds of national banks in one State to the total unimpaired capital funds of all national banks. (35 Stat. 550, secs. 6 and 7)

Tax on circulating notes. - Section 5214 of the Revised Statutes, as amended, relating to the tax on national bank circulation, was amended to make certain changes in the rate of tax imposed on circulating notes of national banks. (35 Stat. 550, sec. 9)

Withdrawal and redemption of circulation. - Section 9 of the Act of July 12, 1882, as amended by the Act of March 4, 1907, permitting national banks to withdraw their circulating notes by depositing lawful money or national bank notes with the United States Treasurer, was amended so as to permit a bank to withdraw also circulating notes secured other than by United States bonds. (35 Stat. 551, 552, sec. 10)

Deposits of public money; reserves and interest. - The provisions of section 5191 of the Revised Statutes, prescribing the lawful money reserves of national banks, were rendered inapplicable to deposits of public money in those designated as depositories; and national banks so designated were required to pay interest on the deposits of certain public money at a rate not less than one per cent per annum on the average monthly amount of such deposits. (35 Stat. 552, secs. 14 and 15)

National Monetary Commission created, etc. - The "National Monetary Commission", composed of nine Senators and nine Representatives, was established to inquire into, and report to Congress on, necessary or desirable changes in the country's monetary system or in the laws relating to banking and currency. (35 Stat. 552, 553, secs. 17, 18 and 19)

Expiration of law. - This Act was to expire on June 30, 1914. (35 Stat. 553, sec. 20)

ACT OF MARCH 4, 1909

Criminal statutes relating to national bank notes. - This Act codified, revised, and amended the penal statutes relating, inter alia, to the counterfeiting, forging, etc., of national bank notes, United States obligations, etc.; the theft, improper use, etc., of equipment for printing such notes and obligations, etc.; the issuance and circulation of notes after the expiration of a national bank's charter; the issuance and circulation of notes representing fractional parts of a dollar; the use of national bank notes or likenesses thereof in advertising, etc.; and the mutilation, disfigurement, etc., of such notes. (35 Stat. 1088, 1103-1133, Ch. 321)

ACT OF MARCH 2, 1911

Panama Canal bonds; eligibility as security for national bank circulation. - The Secretary of the Treasury was authorized to have inserted in the additional issue of Panama Canal bonds authorized by the Act of August 5, 1909 (36 Stat. L. 117), a provision prohibiting such bonds from being received as security for the issuance of circulating notes of national banks. (36 Stat. 1013, Ch. 195)

ACT OF DECEMBER 23, 1913
(Federal Reserve Act)

Federal Reserve System established. - This Act provided for the establishment and operation of the Federal Reserve System, composed of the Federal Reserve Board, the Federal Reserve Banks, and member banks consisting of all national banks in the United States, and such State banks as apply for and are admitted to membership. The United States was divided into districts, not to exceed twelve, with a Reserve Bank in each district. Such districts were to be apportioned with due regard to the convenience and customary course of business. Each Federal Reserve Bank was authorized to establish branches within its district, to be operated under rules and regulations approved by the Federal Reserve Board. (38 Stat. 251, secs. 2, 3)

Stock of Federal Reserve Banks. - Each Federal Reserve Bank was required to have a subscribed capital stock of \$4 million before it commenced business. If the stock subscription by the member banks was insufficient, stock could be offered for sale to the public, no person being allowed to hold more than \$25 thousand par value of such stock. Should the total subscription of stock by banks and the public be insufficient, stock could be purchased by the United States. (38 Stat. 251, sec. 2)

Corporate powers of Federal Reserve Banks. - The usual corporate powers were conferred upon Federal Reserve Banks, such as the power to adopt a seal, to make contracts, to sue and be sued, to prescribe by-laws, etc. Among the powers specifically conferred was the power to issue circulating notes (Federal Reserve Bank notes) in the same manner as that relating to national banks. (38 Stat. 251, sec. 4)

Directors of Federal Reserve Banks. - A board of nine directors was provided for each Federal Reserve Bank with three-year terms of office and divided into three classes: Class A and Class B chosen by the member banks, and Class C appointed by the Federal

Reserve Board. Class A directors were to be representative of the member banks and Class B were to be actively engaged in commerce, agriculture, or industry, and not officers, directors, or employees of any banks. Provision was made for fair representation between the large, medium, and small member banks. Class C directors could not be officers, directors, employees, or stockholders of any bank. The Federal Reserve Board was to designate one Class C director as chairman of the board and as "Federal Reserve Agent", who was required to be a person of tested banking experience and to maintain a local office of the Board on the premises of the Federal Reserve Bank. (38 Stat. 251, sec. 4)

Capital stock of Federal Reserve Banks. - The capital stock of each Federal Reserve Bank was divided into shares of \$100 each and could be increased or decreased from time to time as member banks increased or decreased their capital stock and surplus. Member banks were required to subscribe to the capital stock of each Federal Reserve Bank in amounts equal to six per centum of their paid-up capital stock and surplus. Federal Reserve Banks were required to pay a dividend of six per cent per annum on paid-in capital stock, such dividend to be cumulative. (38 Stat. 251, sec. 4)

Division of earnings. - After the payment of dividends, all net earnings of the Federal Reserve Bank were required to be paid to the United States as a franchise tax, except that one-half of such net earnings were to be paid into a surplus fund until it amounted to 40 per cent of the paid-in capital stock of the Reserve Bank. In the event of liquidation of a Federal Reserve Bank, all surplus remaining, after payment of dividends, debts and par value of its stock, was to be paid to the United States. (38 Stat. 251, sec. 7)

State banks as members. - Provision was made for voluntary membership in the Federal Reserve System by State banks upon approval of applications therefor by the Federal Reserve Board and upon the payment for stock of the Federal Reserve Bank. Such applying bank was required to comply with the reserve and capital requirements and be subject to examination and regulations prescribed by the Federal Reserve Board and was required to have a paid-up and unimpaired capital sufficient to entitle it to become a national bank in the place where it was situated. Such applying bank was also required to conform with the provisions of law imposed on national banks respecting the limitation of liability incurred by any person, the prohibition against purchasing or making loans on stock of banks, the withdrawal or impairment of capital or the payment of unearned dividends and such other rules

and regulations as the Federal Reserve Board may prescribe. Provision was also made for forfeiture of membership after hearing for violations of the Federal Reserve Act or regulations of the Board. (38 Stat. 25, sec. 9)

Federal Reserve Board. - A Board of seven members was provided, consisting of the Secretary of the Treasury and the Comptroller of the Currency as members ex officio, and five members appointed by the President and confirmed by the Senate. In selecting the five appointive members, the President was required to give due regard to fair representation of the different commercial, industrial and geographical divisions of the country; and not more than one such member was to be selected from any one Federal Reserve district and at least two of such members were to be persons experienced in banking or finance. The Act provided that no member of the Board should be an officer, director or stockholder of any bank or trust company. The Board was authorized to levy assessments against the Federal Reserve Banks semiannually in amounts necessary to pay its estimated expenses and salaries. (38 Stat. 251, sec. 10)

Powers of Federal Reserve Board. - The Board was authorized to permit, or on the affirmative vote of at least five members to require, Federal Reserve Banks to rediscount the discounted paper of other Federal Reserve Banks at rates of interest to be fixed by the Board; to suspend within limited periods the reserve requirements specified in the Act; to establish a graduated tax to be paid by Federal Reserve Banks for deficiency in reserves against deposits as well as the gold reserve against Federal Reserve notes; to classify and reclassify reserve and central reserve cities; to exercise general supervision over Federal Reserve Banks; and to examine and require statements and reports from Federal Reserve Banks and member banks. (38 Stat. 251, sec. 11)

Federal Advisory Council. - A Federal Advisory Council was created consisting of one member from each Federal Reserve district selected by the board of directors of the Federal Reserve Bank. This Council was required to meet in Washington at least four times each year (a) for the purpose of conferring directly with the Federal Reserve Board on general business conditions, (b) to make oral or written representations to the Board concerning matters within its jurisdiction and (c) to call for information and make recommendations in regard to discount rates, note issues, reserve conditions, purchase and sale of gold or securities by Reserve Banks, open market operations and the general affairs of the Reserve Banking System. (38 Stat. 251, sec. 12)

Powers of Federal Reserve Banks. - Federal Reserve Banks were authorized to receive from their member banks and from the United States, deposits of current funds, notes and checks, and to discount notes, drafts and bills of exchange arising out of actual commercial transactions, upon the endorsement of a member bank, which may be secured by staple agricultural products or other merchandise. Such notes, drafts and bills were required to have a maturity at the time of discount of not more than ninety days, except that notes, drafts and bills drawn for agricultural purposes or based on livestock could have a maturity not exceeding six months. Federal Reserve Banks were not permitted to discount paper covering merely investments or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities except obligations of the Government. Also, Federal Reserve Banks were authorized to (a) discount acceptances based on the importation or exportation of goods having a maturity at the time of discount of not more than three months and endorsed by a member bank, (b) deal in gold coin and bullion at home or abroad and to make loans thereon, to exchange Federal Reserve notes and gold or gold coin, (c) purchase from member banks and to sell bills of exchange arising out of commercial transactions, (d) establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal Reserve Banks for each class of paper, such rates to be fixed with a view to accommodating commerce and business, and (e) establish accounts with other Federal Reserve Banks for exchange purposes and with the consent of the Federal Reserve Board to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries where it may be deemed best for the purpose of purchasing, selling or collecting bills of exchange. (38 Stat. 251, sec. 13)

Open market operations. - Federal Reserve Banks were authorized under rules and regulations prescribed by the Federal Reserve Board to purchase and sell in the open market at home or abroad cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities made eligible for rediscount with or without the endorsement of a member bank. Also to buy and sell bonds and notes of the United States and tax anticipation securities issued by States, counties and municipalities as well as irrigation and reclamation districts having maturities of not exceeding six months. (38 Stat. 251, sec. 14)

Government deposits. - The Secretary of the Treasury was authorized to deposit in the Federal Reserve Banks moneys held in the general fund of the Treasury, and Federal Reserve Banks when required by the Secretary of the Treasury were authorized to act as fiscal agents of the United States. (38 Stat. 251, sec. 15)

Federal Reserve notes. - Provision was made for the issuance of Federal Reserve notes, at the discretion of the Federal Reserve Board, for the purpose of making advances to Federal Reserve Banks through the Federal Reserve agents. It was provided that they shall be obligations of the United States and redeemed in gold on demand at the Treasury Department or at any Federal Reserve Bank. Collateral for Federal Reserve notes was required to be in an amount equal to the sum of the Federal Reserve notes issued and to consist of notes and bills accepted for rediscount by the Federal Reserve Bank under other provisions of the Act. Each Federal Reserve Bank was required to maintain reserves in gold or lawful money of not less than 35 per centum against its deposits, and reserves in gold of not less than 40 per centum against Federal Reserve notes in actual circulation. It was provided that no Federal Reserve Bank shall pay out notes issued through another Federal Reserve Bank except under a penalty of a tax of 10 per centum upon the face value of notes so paid out. Each Federal Reserve Bank was required to maintain on deposit in the Treasury of the United States a sum of gold sufficient for the redemption of Federal Reserve notes issued by it, but in no event less than 5 per centum. The Federal Reserve Board expressly was given the right to grant or reject, in whole or in part, any application of a Federal Reserve Bank for Federal Reserve notes. Federal Reserve Banks were required to pay such rate of interest on the notes as may be established by the Board. (38 Stat. 251, sec. 16)

Check clearing and collection. - Federal Reserve Banks were authorized to receive on deposit at par from member banks or from Federal Reserve Banks, checks and drafts drawn on any of its depositors. The Federal Reserve Board was authorized to fix the charges to be collected by member banks from its patrons whose checks are cleared through the Federal Reserve Bank and the charge which may be imposed for the service of clearing or collection rendered by a Federal Reserve Bank. The Board was also authorized to make regulations governing the transfer of funds among Federal Reserve Banks and the exercise of the functions of a clearing house for member banks. (38 Stat. 251, sec. 16)

Refunding bonds. - A procedure was set up whereby member banks desiring to retire their circulating notes could file with the Treasurer of the United States an application to sell for their account United States bonds securing circulation to be retired. The Federal Reserve Banks were authorized to purchase such bonds and were then permitted to take out an amount of circulating notes equal to the par value of such bonds. Such notes were to be obligations of the Federal Reserve Bank and were to be issued and redeemed under the same terms and conditions as national bank notes. Provision was made for the issuance and exchange by the Secretary of the Treasury of certain bonds and notes bearing the circulation privilege. (38 Stat. 251, sec. 18)

Reserves of member banks. - A member bank not in a reserve or central reserve city was required to maintain reserves equal to 12 per centum of its demand deposits and 5 per centum of its time deposits; a member bank in a reserve city was required to maintain reserves equal to 15 per centum of its demand deposits and 5 per centum of its time deposits; and a bank in a central reserve city was required to maintain reserves equal to 18 per centum of its demand deposits and 5 per centum of its time deposits. Certain percentages of such reserves for specified periods of time were required to be held in the vaults of the member bank or in the vaults of the Federal Reserve Bank or national banks in reserve or central reserve cities. After three years after the establishment of the Federal Reserve Bank no member bank shall keep on deposit with any nonmember bank a sum in excess of 10 per centum of its own paid-up capital and surplus. In estimating reserves the net balance of amounts due to and from other banks shall be taken as a basis for ascertaining the deposits against which reserves shall be determined. (38 Stat. 251, sec. 19)

Bank examinations. - Every member bank was required to be examined at least twice in each calendar year and the Federal Reserve Board was authorized to accept examinations by State authorities of State member banks and trust companies. The Federal Reserve Board was also required to order an examination of each Federal Reserve Bank at least once each year. (38 Stat. 251, sec. 21)

Loans on farm lands by national banks. - National banks not located in central reserve cities were authorized to make loans secured by improved farm lands situated within the Federal Reserve district. Maturities were limited to five years and the amount loaned limited to 50 per centum of the actual value of the property offered as security. The Federal Reserve Board was authorized to add to the list of cities in which national banks should not be permitted to make real estate loans. (38 Stat. 251, sec. 24)

Foreign branches of national banks. - The Federal Reserve Board was authorized to permit national banks possessing a capital and surplus of \$1 million or more to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States. The Federal Reserve Board was authorized to order special examinations of such foreign branches at such times as it is deemed best. (38 Stat. 251, sec. 25)

Act authorizing national currency associations, etc., extended. - The provisions of the Act of May 20, 1908 (Aldrich-Vreeland Act), authorizing national currency associations, the

issuance of additional national bank circulation, and creating the National Monetary Commission, which would have expired on June 30, 1914, were extended to June 30, 1915. (38 Stat. 251, sec. 27)

Circulating notes of national banks, amended. - Section 5172 of the Revised Statutes, providing for the printing, etc., of national bank notes in certain denominations, etc., was amended to read as such section read prior to the amendment thereto by the Act of May 30, 1908, which Act changed the denominations in which such notes were to be printed. (38 Stat. 251, sec. 27)

Tax on circulation of national banks. - Section 5214 of the Revised Statutes, as amended, relating to taxes on the circulation of national banks, was amended to make certain changes with regard to the rate of tax imposed on these circulating notes. (38 Stat. 251, sec. 27)

Reduction of Capital. - Section 5143 of the Revised Statutes, providing for the reduction of their capital stock by national banks, was reenacted and amended so as to require that any such reduction be approved by the Federal Reserve Board as well as the Comptroller of the Currency. (38 Stat. 251, sec. 28)

ACT OF AUGUST 4, 1914

Issuance of emergency currency. - Section 27 of the Federal Reserve Act was amended so as to add a proviso authorizing the Secretary of the Treasury to suspend the limitations imposed by sections 1, 3 and 5 of the Aldrich-Vreeland Act on the issue of additional national bank notes secured otherwise than by bonds of the United States, and to extend the privileges of the Aldrich-Vreeland Act to all qualified State banks and trust companies which had joined the Federal Reserve System or which might contract to do so within a limited time. (38 Stat. 682)

ACT OF AUGUST 15, 1914

Reserves. - Section 19 of the Federal Reserve Act was amended to permit State member banks, during the three-year transition period provided in the original Federal Reserve Act for changing reserve requirements, to count as reserves held with a national bank in a reserve

or central reserve city, any amounts which the State law permitted them to keep with other State or national banks. Previously such deposits could be so counted only when they were in other State banks and were required by the State law to be kept in this manner, rather than merely permitted. (38 Stat. 691)

ACT OF OCTOBER 15, 1914
(Clayton Act)

Interlocking directorates. - This Act prohibited any person from being, at the same time, a director, officer or employee of more than one bank either of which had capital funds of \$5,000,000 and when either, or both, was organized under Federal law. Also, banks organized under Federal law and located in cities of over 200,000 people were forbidden from having as a director, officer, or employee any person employed in a similar capacity with any other bank in the city, except where the two institutions were owned by the same stockholders. A class A director of a Federal Reserve bank was permitted to be, at the same time, an officer or director of one member bank. The Federal Reserve Board, after hearing, was empowered to issue cease and desist orders in the case of violations; and provisions for court relief and enforcement were provided. (38 Stat. 732-733, 734-736, secs. 8 and 11)

ACT OF MARCH 3, 1915

Acceptances. - Section 13 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board, in its discretion, to increase the amount of acceptances based on the importation or exportation of goods which a member bank of the System might make and which a Federal Reserve Bank might discount. (38 Stat. 958)

ACT OF MAY 15, 1916

Interlocking directorates; Board's permission to serve. - Section 8 of the Act of October 15, 1914 (Clayton Act) was amended by adding a proviso which authorized the Federal Reserve Board to permit interlocking directorates in any case between not more than three banks coming within the provisions of the Clayton Act, provided such banks were not in "substantial competition". (39 Stat. 121)

ACT OF JULY 17, 1916
(Federal Farm Loan Act)

Purchase of Federal Farm Loan obligations. - Member banks were authorized to buy farm loan bonds issued under this Act; and such bonds were made eligible for purchase by the Federal Reserve Banks when they have a maturity not exceeding six months from date of purchase. (39 Stat. 380)

ACT OF SEPTEMBER 7, 1916

Reserves. - Section 11 of the Federal Reserve Act was amended by the addition of a new subsection (m) which authorized the Federal Reserve Board, upon an affirmative vote of not less than five of its members, to permit member banks to carry in the Federal Reserve Banks any portion of their reserves then required to be held in their own vaults. (39 Stat. 752)

Deposits with Federal Reserve Banks. - Section 13 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks to receive on deposit from member banks all checks and drafts payable on presentation, and also, for collection, maturing bills. Prior to this amendment the Federal Reserve Banks were authorized to receive on deposit only those checks and drafts which were drawn upon solvent member banks and other Federal Reserve Banks. The amendment also authorized any Federal Reserve Bank to receive from other Federal Reserve Banks, solely for purposes of exchange or collection, checks and drafts payable upon presentation within its district and maturing bills payable within its district. (39 Stat. 752)

Rediscounts. - Section 13 of the Federal Reserve Act was amended so as to provide that the indorsement by a member bank of notes, drafts, and bills of exchange discounted with its Federal Reserve Bank should be deemed to constitute a waiver of demand, notice and protest by the member bank, as to its own indorsement exclusively. Prior to the amendment member banks were required to execute waivers of demand, notice and protest. Section 13 was further amended so as specifically to provide that certain notes, drafts, and bills of exchange having a maturity of 90 days, exclusive of days of grace, might be admitted to discount. Prior to this amendment the statute was silent on the question as to whether the maturity included days of grace. Section 13 was further amended so as to provide that the discount of notes, drafts, and bills of exchange drawn for agricultural purposes or based on livestock and having a maturity not exceeding six months should be limited to a certain percentage of the total assets of the Federal Reserve Bank. Prior to this amendment, the discount of such paper was limited to a certain percentage of the capital of a Federal Reserve Bank instead of its total assets. By another amendment to section 13, the aggregate of notes, drafts, and bills bearing the signature of any one borrower (other than bills of exchange drawn against actually existing values) discounted for a member bank, was limited to 10 per cent of the unimpaired capital and surplus of the member bank. Prior to this amendment, Federal Reserve Banks were not permitted to discount notes or bills bearing the signature or indorsement

of any one person, company, firm, or corporation to an amount in excess of 10 per cent of the capital and surplus of the member bank, whether such person, firm or corporation was the borrower or not. (39 Stat. 752)

Acceptances. - Section 13 of the Federal Reserve Act was amended so as to broaden greatly the powers of member banks with regard to acceptances. Prior to this amendment, member banks were permitted to accept only such drafts or bills of exchange as grew out of transactions involving the importation or exportation of goods. Under section 13, as so amended, member banks were permitted to accept drafts or bills of exchange (1) arising from transactions which involved the importation or exportation of goods, and the domestic shipment of goods, provided shipping documents conveying or securing title were attached at the time of acceptance, (2) secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples, and (3) drawn (under regulations of the Federal Reserve Board) by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. (39 Stat. 752, 753)

Advances to member banks. - Section 13 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks to make advances to member banks on their promissory notes for a period not exceeding 15 days, such notes being secured by notes, drafts, bills of exchange, or bankers' acceptances eligible for rediscount or for purchase by Federal Reserve Banks, or by bonds or notes of the United States. (39 Stat. 753)

Banking accounts for foreign correspondents. - Section 14(e) of the Federal Reserve Act was amended so as to permit Federal Reserve Banks, with the consent of the Federal Reserve Board, to open and maintain banking accounts for foreign correspondents or agencies. (39 Stat. 754)

Security for Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so as to permit Federal Reserve notes to be secured also by drafts, bills of exchange, or acceptances rediscounted under the provisions of section 13, or bills of exchange indorsed by member banks of any Federal Reserve district and purchased under the provisions of section 14. Prior to this amendment, Federal Reserve notes could be secured only by notes and bills of exchange accepted for rediscount under section 13. (39 Stat. 754)

National bank loans on real estate. - Section 24 of the Federal Reserve Act, which authorized national banks not in central reserve cities to make loans up to five years on farm lands within their Federal Reserve districts, was amended so as to permit such banks also to make loans up to five years on farm lands within a radius of 100 miles, regardless of district lines, and to make loans on other improved and unencumbered real estate within the same 100 mile area, but not for a period exceeding one year. (39 Stat. 754)

Foreign banking business. - Section 25 of the Federal Reserve Act was amended so as to permit national banks, with the approval of the Federal Reserve Board, either to establish branches in foreign countries or dependencies or insular possessions of the United States or to invest an amount not exceeding 10 per cent of their paid-in capital stock and surplus in one or more corporations incorporated under the laws of the United States or of any State, and principally engaged in international or foreign banking. Prior to this amendment national banks were only authorized to establish foreign branches. (39 Stat. 755)

ACT OF APRIL 24, 1917
(First Liberty Bond Act)

Reserves against Government deposits. - Reserve requirements of member banks were made inapplicable to deposits of Government funds. (40 Stat. 37, sec. 7) This was reenacted by the Acts of September 24, 1917 (40 Stat. 291-292, sec. 8) and April 4, 1918 (40 Stat. 504, sec. 5)

ACT OF JUNE 21, 1917

Branches of Federal Reserve Banks. - Section 3 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board to permit or require any Federal Reserve Bank to establish branch banks within its district. (40 Stat. 232)

Membership of State banks and trust companies. - Section 9 of the Federal Reserve Act, relating to the admission of State banks and trust companies into the Federal Reserve System, was amended so as to provide that, subject to the provisions of the Federal Reserve Act and to the regulations of the Federal Reserve Board made pursuant thereto, any State bank or trust company becoming a member of the Federal Reserve System should retain its full charter and statutory rights and might continue to exercise all corporate powers granted to it by the State in which it was created and be entitled to all the privileges of member banks. However, Federal Reserve Banks were prohibited from discounting for any such State member bank any note, draft, or bill of

exchange of any one borrower liable to the member bank for more than 10 per cent of its capital and surplus, excluding bills of exchange drawn against actually existing value and commercial or business paper actually owned.

The amendment took away from the Comptroller of the Currency the power granted by section 21 of the Federal Reserve Act to examine State member banks and trust companies, but provided that such banks should be subject to examinations by direction of the Federal Reserve Board or of the Federal Reserve Bank by examiners selected or approved by the Federal Reserve Board. Examinations by State authorities, when approved by the directors of the Federal Reserve Bank, could be accepted in lieu of examinations by examiners approved by the Federal Reserve Board. Reports of condition and of dividend payments were required to be made to the Federal Reserve Bank instead of the Comptroller of the Currency. State member banks and trust companies were authorized to withdraw from the Federal Reserve System after six months' written notice. (40 Stat. 232-234, sec. 3)

Clearing and collection for nonmember banks. - Section 13 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks, solely for the purposes of collection or exchange, to receive deposits of currency, checks, drafts, and maturing notes or bills from any nonmember bank or trust company maintaining with the Federal Reserve Bank a balance sufficient to offset the items in transit held for its account by the Federal Reserve Bank. Section 13, as amended, also authorized any member bank to make reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, for the collection or payment of checks and drafts and remission therefor by exchange or otherwise. It was provided, however, that no such charges should be made against the Federal Reserve Banks. (40 Stat. 234-235, sec. 4)

Acceptances by member banks. - Section 13 of the Federal Reserve Act was further amended so as to restore that provision authorizing the Federal Reserve Board to permit member banks to accept drafts and bills of exchange drawn against foreign and domestic shipments of goods or against warehouse receipts covering readily marketable staples up to 100 per cent of the capital and surplus of the accepting bank. (40 Stat. 235, sec. 4) (This provision had been inadvertently omitted from section 13 by the amendment of September 7, 1916)

Foreign agencies of Federal Reserve Banks. - Section 14(e) of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board to permit or require Federal Reserve Banks to open and maintain accounts in foreign countries, etc., and also to provide for participation accounts by other Federal Reserve Banks. (40 Stat. 235, sec. 6)

Issue of Federal Reserve notes against gold. - Section 16 of the Federal Reserve Act was amended so as to authorize the issue of Federal Reserve notes upon the security of gold or gold certificates and so as to provide that gold or gold certificates held by Federal Reserve agents as collateral security should be counted as part of the gold reserve required of Federal Reserve Banks against these circulating notes. As so amended, this section also authorized the issue of Federal Reserve notes upon the security of 15-day notes of member banks secured by eligible commercial paper or by bonds or notes of the United States. (40 Stat. 236-238, sec. 7)

Deposits of gold for settlement fund. - Section 16 of the Federal Reserve Act was further amended so as to authorize the Treasurer of the United States or any Assistant to receive deposits of gold or gold certificates when tendered by any Federal Reserve Bank or Federal Reserve agent for credit to its or his account with the Federal Reserve Board, thus facilitating the establishment of a settlement fund by which balances between different parts of the country may be settled by bookkeeping entries without the physical shipment of funds. (40 Stat. 238, sec. 8)

Deposits of Government bonds with the Treasurer. - Section 17 of the Federal Reserve Act was amended so as to repeal any provision of law requiring any national bank to maintain a minimum deposit of bonds with the Treasurer of the United States. (40 Stat. 239, sec. 9)

Reserves of member banks. - Section 19 of the Federal Reserve Act was amended so as to require the immediate transfer of all reserves of member banks to Federal Reserve Banks. Section 11(m), which permitted member banks to carry a portion of their vault reserves in a Federal Reserve Bank, was rendered obsolete as member banks were no longer required to maintain any reserves in their own vaults. The percentages of required reserves were reduced from 12 to 7 per cent against demand deposits in country banks; from 15 to 10 per cent against demand deposits in reserve city banks; from 18 to 13 per cent against demand deposits in central reserve city banks; and from 5 to 3 per cent against time deposits in all three classes of banks. (40 Stat. 239, sec. 10)

Balances with nonmember banks. - Section 19 of the Federal Reserve Act formerly provided that no member bank should keep on deposit with "any nonmember bank" any sum in excess of 10 per cent of its own capital and surplus. That restriction necessarily applied to balances with foreign banks as well as to balances with nonmember State banks and trust companies. Such provision was amended so as to

apply only to deposits with "any state bank or trust company" not a member bank. (40 Stat. 239, sec. 10.)

Membership of banks beyond the United States. - Section 19 of the Federal Reserve Act was amended to repeal the prohibition against national banks located in the Philippine Islands becoming member banks, and also to permit banks organized under local law in any of the dependencies or possessions to become member banks. (40 Stat. 240, sec. 10.)

Salaries or fees of directors, officers, or employees. - Section 22 of the Federal Reserve Act was amended by the addition of provisos to the effect that directors, officers, employees, or attorneys should not be prohibited from receiving the same rates of interest paid to other depositors of the bank, and that notes, drafts, bills, or other evidences of debt executed or indorsed by directors or attorneys of the bank might be discounted with such bank on the same terms and conditions as other notes, drafts, bills or other evidences of debt upon the affirmative vote or written assent of a majority of the members of the board of directors of such member bank. (40 Stat. 240, sec. 11.)

ACT OF OCTOBER 5, 1917

Denominations of circulating notes. - The prohibitions against national banks receiving notes of less denomination than \$5 and placing in circulation more than one-third of their circulating notes in the denomination of \$5, were repealed. After the passage of this Act, national banks were entitled to receive and circulate, in any proportions, notes in denominations of \$1, \$2, \$5, \$10, \$20, \$50, and \$100, except that no bank could have more than \$25,000 in \$1's and \$2's at any one time. (40 Stat. 342-343, Ch. 74.)

ACT OF OCTOBER 6, 1917
(Trading with the Enemy Act)

Presidential power to regulate foreign exchange, transfers of credit, etc. - Section 5(b) of this Act, among other things, authorized the President, by means of licenses or otherwise, to prescribe such rules and regulations as he may deem necessary to investigate, regulate, or prohibit any transactions in foreign exchange, export or earmarking of gold or silver coin or bullion or currency, and transfers of credit in any form (other than credit relating solely to transactions to be executed wholly within the United States). Section 16 of this Act provided that whoever willfully violated any provision of the Act or of any license, rule, or regulation issued thereunder, shall be fined not more than \$10,000 or imprisoned for not more than 10 years, or both. (40 Stat. 415) (Pursuant to this authority, the President suspended all banking transactions within the United States by Presidential Proclamation of March 6, 1933.)

ACT OF APRIL 5, 1918
(War Finance Corporation Act)

War Finance Corporation. - This Act set up the War Finance Corporation which was empowered to make advances, under certain conditions, to banks and trust companies which facilitated the prosecution of the war. The Federal Reserve Banks were authorized to discount obligations of member banks secured by the Corporation's bonds and to rediscount eligible paper so secured and endorsed by member banks; and the Federal Reserve Banks, pursuant to the approval of the Federal Reserve Board, were authorized to use any obligation or paper so acquired for any purpose for which they had authority to use obligations or paper secured by obligations of the United States not bearing the circulation privilege. (40 Stat. 506, 508, 510, secs. 1, 7, and 13)

Exception to limitation on indebtedness of a national bank. - Section 5202 of the Revised Statutes, which was made a part of section 13 of the Federal Reserve Act and which limits the total indebtedness of a national bank, was amended to provide that liabilities incurred under the provisions of the War Finance Corporation Act should be exempt from such limitation. (40 Stat. 512, sec. 20)

ACT OF APRIL 23, 1918
(The Pittman Act)

Federal Reserve Bank notes to replace silver certificates retired. - This Act, among other things, authorized the melting of a maximum of 350,000,000 silver dollars to be sold as bullion, fixed a minimum price for the sale of silver, and made provisions for the purchase of native silver to replace the coin sold. The Act also provided that the sales of silver bullion may be made for the purpose of conserving the existing stock of gold, of facilitating settlement in silver of adverse foreign trade balances, and of providing silver for subsidiary coinage and for commercial use. In order to prevent contraction of the currency, the Federal Reserve Board was authorized to permit or require Federal Reserve Banks to issue Federal Reserve Bank notes aggregating not exceeding the amount of silver dollars melted up and sold as bullion upon the deposit with the Treasurer of United States certificates or one-year gold notes as security therefor. When silver dollars were coined out of native bullion purchased, Federal Reserve Bank notes issued under this Act were to be retired in an amount equal to the amount of silver dollars so coined.

ACT OF SEPTEMBER 24, 1918

Limitation on liabilities of one obligor. - Section 5200 of the Revised Statutes, prescribing the limitation on the total indebtedness of one obligor to a national bank, was amended by including among the transactions excepted from the 10 per cent unimpaired capital funds limitation the purchase or discount of any notes secured by not less than an equal amount of United States bonds issued since April 24, 1917 (date of First Liberty Bond Act) or certificates of indebtedness of the United States; but the total liability in any such case could exceed such 10 per cent limitation only with the permission of the Comptroller of the Currency and the Secretary of the Treasury. The provision of the old law specifying that the total of such liabilities to a national bank should, in no event, exceed 30 per cent of its capital stock, was eliminated. (40 Stat. 967, sec. 6)

ACT OF SEPTEMBER 26, 1918

Election of Federal Reserve Bank officers. - Section 4 of the Federal Reserve Act was amended so as to leave to the discretion of the Federal Reserve Board the grouping of the member banks in each district into three general groups or divisions, without the former requirement that each group should contain, as nearly as possible,

one-third of the aggregate number of the banks in the district. Section 4 was further amended so as to permit each member bank, by a resolution of its board of directors or by an amendment to its by-laws, to authorize its president, cashier, or some other officer to cast its vote in elections of Federal Reserve Bank directors in place of the former method of electing by ballot a district Reserve elector at a regularly called meeting of the board of directors of each member bank in the district to cast its vote at a particular time. A provision was added to prevent any officer or director of a member bank from serving as a class A director unless nominated and elected by member banks of the same group as his member bank, and to prevent any director or officer or more than one member bank from being eligible for nomination as a class A director except by banks in the same group as his largest bank. (40 Stat. 967, sec. 1)

Issuance of Federal Reserve Notes. - Section 16 of the Federal Reserve Act was amended to make certain changes with regard to the various denominations of Federal Reserve notes that the Federal Reserve Banks are authorized to issue. (40 Stat. 969 - 970, sec. 3)

Reserves of member banks in outlying districts. - Section 19 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board, upon the affirmative vote of five members, to permit member banks located in outlying districts of a reserve city or in territory added to such city by the extension of its corporate charter, to maintain only such reserves as required of country banks; and to permit member banks similarly located in central Reserve cities, or in territory similarly added to such cities, to maintain only such reserves as required of country banks or banks in Reserve cities. (40 Stat. 970, sec. 4)

Commissions for obtaining loans. - Section 22(c) of the Federal Reserve Act was amended so as to prohibit any officer, director, employee or attorney of a member bank from receiving a commission or other thing of value for procuring loans, for purchases or discount of any commercial paper or similar obligations. (40 Stat. 971, sec. 5)

Purchases from, and sales to, directors. - Section 22(d) of the Federal Reserve Act was amended so as to prescribe the conditions under which a member bank may contract for, or purchase or sell, securities or other property where a director of such bank is the other party in interest in the transaction. (40 Stat. 971)

Interest on deposits of officers, directors, or employees. - Section 22(e) of the Federal Reserve Act was amended so as to prohibit the payment of a greater rate of interest to any officer, director, employee or attorney than that paid to any other depositor. (40 Stat. 971, sec. 5)

ACT OF NOVEMBER 7, 1918

Consolidation of national banks. - Any two or more national banks located in the same county, city, or village, after a two-thirds vote of the shareholders thereof and with the approval of the Comptroller of the Currency, were authorized to consolidate into one association under the charter of either bank. The consolidated institution's capital stock was required to be not less than that required under the law for the organization of a national bank in the same locality; and shareholders dissenting from any such consolidation were required to be paid the value of their shares as determined by a committee to be named for that purpose or, upon its failure to agree, by the Comptroller of the Currency. The consolidating banks could not be required to deposit money for their outstanding circulation; but the consolidated association was required to report the assets and liabilities of the former institutions, the rights, franchises, property, etc., of which passed to the consolidated institution by operation of the statute. (40 Stat. 1043-1044)

ACT OF MARCH 3, 1919

Earnings of Federal Reserve Banks. - Section 7 of the Federal Reserve Act was amended so as to permit Federal Reserve Banks to accumulate a surplus of 100 per cent of their subscribed capital, instead of 40 per cent of their paid-in capital as previously provided, before paying the excess of such net earnings to the United States as a franchise tax. (40 Stat. 1314, sec. 1)

Rediscount of loans in excess of 10 per cent secured by Government bonds or notes. - The provision of section 11(m), made obsolete by the Act of June 21, 1917 (See summary of Act of June 21, 1917, page 19 of this memorandum,) was removed and there was substituted a new section 11(m) which authorized the Federal Reserve Board, upon the affirmative vote of not less than five of its members, to permit Federal Reserve Banks to discount for member banks paper bearing the signature or endorsement of any one borrower in excess of the 10 per cent amount allowed under section 9 and section 13, but in no case to exceed 20 per cent, of the member bank's capital and surplus, provided that all such paper was secured by a like face amount of bonds or notes of the United States issued since April 24, 1917. In effect, sections 9 and 13 were amended; but the provision was to lapse after December 31, 1920. (40 Stat. 1315, sec. 3)

ACT OF SEPTEMBER 17, 1919

Investments by national banks in foreign banking corporations. - Section 25 of the Federal Reserve Act was amended so as to authorize any national bank, until January 1, 1921, subject to the approval of the Federal Reserve Board but without regard to the amount of its capital

and surplus, to invest not exceeding 5 per cent of its capital and surplus in the stock of one or more corporations chartered under Federal or State law and principally engaged in phases of international or foreign financial operations necessary to facilitate exports from the United States. (41 Stat. 285)

ACT OF OCTOBER 22, 1919

Exception to limitation on indebtedness of a national bank. - Section 5202 of the Revised Statutes, made a part of section 13 of the Federal Reserve Act, and limiting the total indebtedness of a national bank, was amended so as to exempt from such limitation liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad. (41 Stat. 297, sec. 2)

Limitation on liabilities of one obligor. - Section 5200 of the Revised Statutes, relating to the limitation on the indebtedness of one obligor to a national bank, was amended so as to exempt the discount of (1) drafts and bills of exchange secured by shipping documents conveying or securing title, (2) demand obligations secured by documents covering commodities in shipment, (3) bankers' acceptances as described in section 13 of the Federal Reserve Act, and (4) notes (for not more than 6 consecutive months in any one year) secured by shipping documents, warehouse receipts, etc., conveying or securing title to insured readily marketable nonperishable staples, including livestock, should the actual value of the security be not less than 115 per cent of the value of the paper. It was also provided, however, that the total liabilities to any national bank of any person, firm, etc., on notes of the kinds described in clause (4) above, should never exceed 25 per cent of the amount of the bank's unimpaired capital funds. (41 Stat. 296-297)

ACT OF DECEMBER 24, 1919

"Edge corporations". - Section 25(a) was added to the Federal Reserve Act, providing for the Federal incorporation of institutions to engage in international or foreign banking or other financial operations. (41 Stat. 378)

ACT OF APRIL 13, 1920
("Phelan Act")

Graduated discount rates. - Section 14 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks, subject to the approval, review, and determination of the Federal Reserve Board,

to establish discount rates graduated or progressed on the basis of the amount of the advances and discount accommodations extended by the Federal Reserve Bank to the borrowing bank. (41 Stat. 550)

ACT OF MAY 26, 1920

Interlocking directorates. - Section 8 of the Act of October 15, 1914 (Clayton Act) was amended to add private bankers to the classes of persons to whom the Federal Reserve Board was authorized to grant permits, in certain circumstances, permitting them to serve a limited number of banks within the prohibitions of the section. (41 Stat. 626)

ACT OF MAY 29, 1920

Performance of subtreasury functions by Reserve Banks. - The laws authorizing the establishment or maintenance of offices of assistant treasurers or of subtreasuries of the United States were repealed and the Secretary of the Treasury was authorized to transfer their duties and functions to the Treasurer of the United States or the United States mints, or to utilize the Federal Reserve Banks for this purpose. With respect to deposits of certain Treasury trust funds or special funds, the Reserve Banks were required to segregate such deposits from their assets and to hold them in joint custody with the Federal Reserve agent. The Secretary was authorized to assign rooms, vaults, etc. in the buildings used by the subtreasuries to any Federal Reserve Bank acting as fiscal agent of the United States. (41 Stat. 654, 655)

ACTS OF FEBRUARY 27, 1921

Edge corporations. - Section 25(a) of the Federal Reserve Act was amended by adding to the first paragraph thereof a proviso to the effect that nothing in said section should be construed to deny the right of the Secretary of the Treasury to use any corporation organized thereunder as a depository in the Panama Canal Zone, the Philippine Islands, and other insular possessions and dependencies of the United States. (41 Stat. 1145)

Rediscount for member banks of paper of any one borrower secured by United States bonds. - This Act reenacted, with a slight modification, the provisions of section 11(m) of the Federal Reserve Act, which had expired by limitation on December 31, 1920, and extended them to October 31, 1921. These provisions authorized the Federal Reserve Board to permit Federal Reserve Banks to discount for any member bank

the paper of a single borrower up to 20 per cent of the member bank's capital and surplus, provided that all such paper in excess of 10 per cent was secured by Liberty bonds, Victory notes, or United States certificates of indebtedness. This amendment further required that security consisting of Liberty bonds and Victory notes should be offered by the original subscriber thereto in order to permit rediscounts in excess of 10 per cent. (41 Stat. 1146.)

ACT OF MAY 27, 1921

Values for conversion of foreign money. - This Act provided that should it be necessary to convert foreign currency into United States currency in the assessment and collection of duties on imports, such conversion, in the absence of a declaration of value by the Secretary of the Treasury or if the value so declared should vary over 5 per cent from the New York market value, should be made at the "buying rate" for cable transfers as determined by the Federal Reserve Bank of New York. (42 Stat. 17, Sec. 403.)

ACT OF JUNE 14, 1921

Edge corporations. - Section 25(a) of the Federal Reserve Act was further amended so as to provide that a corporation organized thereunder with an authorized capital in excess of \$2,000,000 and with paid-in capital of \$2,000,000 may, with the consent of the Federal Reserve Board, have its unpaid capital paid in on call of the corporation's board of directors; but in all events 25 per cent of the total authorized capital was required to be paid in before the corporation commenced business. (42 Stat. 28.)

ACT OF JUNE 3, 1922

Personnel of Federal Reserve Board. - Section 10 of the Federal Reserve Act was amended by increasing the number of appointive members of the Federal Reserve Board from five to six and providing that, in their selection, the President "shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests, and geographical divisions of the country", instead of considering merely "a fair representation of the different commercial, industrial and geographical divisions of the country", as this section formerly provided. The amendment also eliminated the requirement that at least two of the appointive members had to be persons experienced in banking or finance. (42 Stat. 620.)

ACT OF JULY 1, 1922

Rediscounts for State member banks of paper of any one borrower. - Section 9 of the Federal Reserve Act was amended so as to prohibit Federal Reserve banks from discounting for a State member bank the paper of any one borrower who had borrowed from such bank an amount greater than could be lawfully borrowed therefrom under the provisions of section 5200 of the Revised Statutes if it were a national bank. Previously such an amount, with some exceptions, could not be greater than 10 per cent of the capital and surplus of such State bank or trust company. This amendment put State member banks upon a basis of substantial equality with national banks in this regard. (42 Stat. 821.)

ACT OF MARCH 4, 1923
(Agricultural Credits Act of 1923)

Purchase of stock by member banks of agricultural credit corporations. - This Act, in addition to providing for the establishment of agricultural credit corporations under the jurisdiction of the Office of the Comptroller of the Currency and providing other credit facilities to agriculture, also provided that member banks, with the approval of the Comptroller of the Currency, may invest not to exceed 10 per cent of their "paid-in capital stock and surplus" in the stock of any such corporations. (42 Stat. 1454, 1466-1469.)

Capital requirements of member banks. - Section 9 of the Federal Reserve Act was amended so as to permit banks to become member banks with a capital of 60 per cent of the amount previously required, with the proviso that such banks should increase their capital to the full amount previously required for membership within the time and under conditions prescribed by the Federal Reserve Board, but in all cases such banks should set aside annually at least 20 per cent of their net income for the preceding year as a fund to be devoted exclusively to such increase of capital. (42 Stat. 1478, sec. 401.)

Discount of factors' paper. - Section 13 of the Federal Reserve Act was amended to make notes, drafts, and bills of exchange of factors, issued for the purpose of making advances exclusively to producers of staple agricultural products in their raw state, eligible for discount by Federal Reserve banks. (42 Stat. 1478, sec. 402.)

Sight and demand bills of exchange. - Section 13 of the Federal Reserve Act was further amended to provide for the discount and purchase by Federal Reserve banks of sight and demand bills of exchange drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products, and secured by satisfactory shipping

documents. The amendment required that such bills be forwarded promptly for collection and forbade a Federal Reserve bank in any event to hold such bills for a period in excess of 90 days. (42 Stat. 1478, sec. 402.)

Maturity of acceptances. - Section 13 of the Federal Reserve Act was further amended so that the maturity of acceptances eligible for discount, formerly described as "three months' sight", was changed to read "90 days' sight". (42 Stat. 1479, sec. 403.)

Six months' agricultural acceptances. - Section 13 of the Federal Reserve Act was also amended so as to broaden further the power of Federal Reserve banks to discount acceptances by authorizing the discount of acceptances with maturities up to six months when drawn for an agricultural purpose and secured at the time of acceptance by documents of title covering readily marketable staples. (42 Stat. 1479, sec. 403.)

Nine months' agricultural paper. - Section 13a of the Federal Reserve Act which was added, extended the maturity of agricultural paper eligible for discount from six to nine months. It provided further, however, that such paper having maturities in excess of six months would not be eligible as a basis for the issuance of Federal Reserve notes unless secured by negotiable warehouse receipts or similar documents covering readily marketable staple agricultural products or by chattel mortgage upon livestock being fattened for market. This provision in effect, therefore, amended that portion of section 16, relating to collateral security for Federal Reserve notes. (42 Stat. 1479, sec. 404.)

Discounts for Federal intermediate credit banks. - Section 13a of the Federal Reserve Act also authorized Federal Reserve banks to discount eligible agricultural paper for Federal intermediate credit banks, which latter corporations were one class of the credit institutions established by other provisions of the Act. However, the Reserve banks were not authorized to discount such paper which bears the endorsement of a nonmember bank which is eligible for membership. (42 Stat. 1480, sec. 404.)

Purchase and sale of debentures issued by Federal intermediate credit banks and national agricultural credit corporations. - Section 13a of the Federal Reserve Act further authorized the Federal Reserve banks to buy and sell debentures and other similar obligations issued by Federal intermediate credit banks and national agricultural credit corporations, such transactions, however, to be subject to the same limitations as those upon the purchase and sale of farm loan bonds, and State, county, and municipal bonds and warrants. (42 Stat. 1480, sec. 404.)

Paper of cooperative marketing associations. - Section 13a of the Federal Reserve Act prescribed when paper of cooperative marketing associations could be deemed to be issued or drawn for an agricultural purpose. Such paper would thus be classified as agricultural paper when (a) the proceeds thereof were advanced by the association to its members for an agricultural purpose, (b) the proceeds were used by the association in making payments to members for agricultural products delivered by the members, or (c) such proceeds were used by the association to pay for grading, processing, packing, or marketing any agricultural products handled by the association for its members. This section also contained a proviso that the express enumeration of certain classes of paper of cooperative marketing associations as eligible for discount, should not be construed as rendering ineligible any other class of such paper which was otherwise eligible for discount. (42 Stat. 1480, sec. 404.)

Limitation of amount of paper which Federal Reserve banks may discount. - Section 13a of the Federal Reserve Act also authorized the Federal Reserve Board to limit to a percentage of the assets of a Federal Reserve bank the amount of six months' paper and the amount of nine months' paper which such bank may discount. (42 Stat. 1480, sec. 404.)

Open-market dealings in acceptances of Federal intermediate credit banks and national agricultural credit corporations. - Section 14 of the Federal Reserve Act was amended by adding a new subsection (f) which authorized Federal Reserve banks to purchase and sell in the open market acceptances of Federal intermediate credit banks and national agricultural credit corporations, whenever the Federal Reserve Board declares that the public interest so requires. (42 Stat. 1480, sec. 405.)

Federal Reserve banks as depositories and fiscal agents. - Section 15 of the Federal Reserve Act was amended by adding a new paragraph which authorized Federal Reserve banks to act as depositories for, and fiscal agents of, any national agricultural credit corporation or Federal intermediate credit bank. (42 Stat. 1480, sec. 406.)

Repeal of progressive discount rate. - Section 14(d) of the Federal Reserve Act was in effect amended by the repeal of the "Phelan Act", approved April 13, 1920, which provided for progressive discount rates. (42 Stat. 1480, sec. 407.)

Exceptions to limitations on indebtedness of a national bank. - This Act amended "section 502 of the Revised Statutes, as amended" (incorporated as a part of section 13) so as to add another exception to the limitation on the indebtedness of national banks, i.e., liabilities

incurred under the provisions of the Federal Farm Loan Act, approved July 17, 1916. (Instead of "section 502 of the Revised Statutes", the Act obviously meant section 5202 of such Statutes, for only section 5202 contains the matters intended to be amended.) (42 Stat. 1481, sec. 504.)

ACT OF FEBRUARY 25, 1927
("McFadden Act")

Consolidation of State and national banks. - The Act of November 7, 1918, was amended so as to permit the consolidation of any State bank with a national bank under the charter of the latter (provided the two banks were located in the same county, city or village), under substantially the same conditions as those prevailing in the case of the consolidation of two national banks. (44 Stat. 1224-1226, sec. 1.)

Charters of national banks; investment securities; safe deposit business. - Section 5136 of the Revised Statutes was amended so as to authorize them to buy and sell "investment securities", as defined by the Comptroller of the Currency. The total amount of such securities of any one obligor held by a bank could not exceed 25 per cent of its unimpaired capital funds and national banks were permitted to invest not more than 15 per cent of their unimpaired capital funds in the stock of State corporations conducting a safe-deposit business. (44 Stat. 1226-1227, sec. 2.)

Capital requirements for banks in outlying districts. - Section 5138 of the Revised Statutes was amended so that in the outlying districts of cities over 50,000 where State banks could be organized with capital of \$100,000 or less, the minimum capital requirements for national banks should be \$100,000 instead of the \$200,000 regularly applicable for cities of this size. (44 Stat. 1227, sec. 4.)

Branches of national banks. - Section 5155 of the Revised Statutes, providing for the retention of its branches by a State bank converting into a national bank, was amended to provide for (1) the retention and operation of any branches by a national bank which were in lawful operation on February 25, 1927, (2) the retention and operation by a national bank of not more than one branch continuously maintained for over 25 years immediately preceding February 25, 1927, and (3) the operation of the branches of converting or consolidating banks (State or national) by a national bank if such branches were lawfully operated on February 25, 1927.

It was also provided that after February 25, 1927, national banks could establish and operate new branches in the head-office city or town if State banks in such location were permitted to do so by State law, but the population of any such municipal unit was required to be at least 25,000; if such population should not exceed 50,000, not more than one branch could be established; and, if such population should not exceed 100,000, not more than two branches could be established. In larger municipal units, the number of branches established was made to depend upon the discretion of the Comptroller of the Currency. Branches of national banks could not be established or moved without the approval of the Comptroller of the Currency; and a branch was defined as any additional office at which deposits were received, checks paid, or money lent. Also, section 5190 of the Revised Statutes, requiring a national bank to transact its business at the place designated in its charter, was amended so as to include branches lawfully established. (44 Stat. 1228-1229, secs. 7 and 8.)

Conditions of membership for State banks. -- Section 9 of the Federal Reserve Act was amended so as to require that the conditions imposed by the Federal Reserve Board upon State banks admitted to membership in the Federal Reserve System shall be pursuant to the Federal Reserve Act. (44 Stat. 1229, sec. 9.)

Branches of State member banks. -- Section 9 of the Federal Reserve Act was further amended so as to provide that no State bank could become a member of the Federal Reserve System or remain a member of the Federal Reserve System except upon relinquishing any branch or branches established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank was located. On the other hand, this section also provided that any State bank which on February 25, 1927, had established and was operating a branch or branches in conformity with the State law could retain and operate such branch or branches while remaining, or upon becoming, a member of the Federal Reserve System. (44 Stat. 1229, sec. 9.)

Limitation on liabilities of one obligor. -- Section 5200 of the Revised Statutes, relating to the limitation on the total liabilities of any one obligor to a national bank, was amended in certain particulars, many of a technical nature. The old law limited "The total liabilities to any association of any person or of any company, corporation, or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof * * *." This Act limited "The total obligations to any national banking association of any person, copartnership, association, or corporation * * *." The term "obligations" was defined to mean "the direct liability of the maker or acceptor of paper discounted with or sold to such association and the liability of the indorser, drawer, or guarantor who obtains a loan from or discounts paper with or sells paper under his guaranty to such association and shall include in the case of obligations of a copartnership or association the obligations of the several members thereof". The new law, like the old, made the basic limitation

10 per cent of a national bank's unimpaired capital funds, with numerous exceptions thereto. However, the exception covering obligations of any person, etc., in the form of notes, etc., secured by shipping documents, etc., transferring or securing title covering insured readily marketable nonperishable staples, was made subject to graduated limitations, depending on the market value of the underlying security, up to 45 per cent of the bank's capital funds. (44 Stat. 1229-1230, sec. 10.)

Exception to limitation on indebtedness of a national bank. - Section 5202 of the Revised Statutes made a part of section 13 of the Federal Reserve Act, and limiting the total indebtedness of a national bank, was amended by this Act to provide that liabilities incurred under the provisions of section 202 of Title II of the Farm Loan Act, as amended by the Agricultural Credits Act of 1923, were to be exempt from such limitation. National banks could thus rediscount with, or sell to, Federal intermediate credit banks without limitation the classes of agricultural or livestock paper covered in the section referred to. (44 Stat. 1231, sec. 11.) (This amendment was contained in the Agricultural Credits Act of 1923 but was erroneously cited; and this section of the Act of February 25, 1927, was merely intended to correct that mistake.)

Real estate loans by national banks; interest on time deposits. - Section 24 of the Federal Reserve Act relative to loans by national banks upon the security of real estate and farm lands was materially changed. The more important of these changes were as follows: National banks in central Reserve cities were authorized to make real estate loans; loans on city real estate were placed upon the same basis as to time and territorial limits as loans on farm lands; a loan on real estate was defined so as to require that the entire amount of the obligation be made or sold to the national bank; and the permissible aggregate of real estate loans was changed from 25 per cent of the bank's capital and surplus or one-third of its "time deposits" to 25 per cent of capital and surplus or one-half of "savings deposits". National banks were authorized to continue to receive time and savings deposits, but were forbidden to pay interest on such deposits at a greater rate than that permitted by law for State banks in the same State. (44 Stat. 1232, sec. 16.)

Discontinuance of Federal Reserve branch banks. - Section 3 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board to require any Federal Reserve bank at any time to discontinue any of its branches. (44 Stat. 1234, sec. 19.)

ACT OF MARCH 9, 1928

Interlocking directorates. - The last proviso of section 8 of the Act of October 15, 1914 (Clayton Act), was amended so that the Federal Reserve Board was authorized to grant permits for interlocking directorates when the permitted relationships are "not incompatible with the public interest", rather than when the banks affected are "not in substantial competition". The Board also was authorized to grant permits covering certain interlocking directorates (such as those between a joint-stock land bank and a nonmember State bank), which were subject to the Act but which had been excluded from the Board's power to issue permits due to the peculiar wording of the proviso. (45 Stat. 253.)

ACT OF MAY 7, 1928

State member banks as depositaries of public money. - Section 9 of the Federal Reserve Act was amended by adding a new paragraph providing that State banks and trust companies which are members of the Federal Reserve System may be depositaries of public money, when designated for that purpose by the Secretary of the Treasury, and may be employed as financial agents of the Government. Satisfactory security must be required of such banks and trust companies for the proper performance of their duties in these respects. (45 Stat. 492.)

ACT OF MAY 29, 1928

Purchase or discount of sight or demand bills. - The provision of section 13 of the Federal Reserve Act authorizing Federal Reserve Banks to discount or purchase bills of exchange payable at sight or on demand, was materially broadened. Under the statute as it previously existed a Federal Reserve Bank was authorized, subject to certain prescribed conditions, to discount or purchase sight or demand bills drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products when secured by bills of lading or other shipping documents conveying or securing title. Under the law as amended a Federal Reserve Bank was authorized to purchase or discount sight or demand bills which grow out of the exportation, as well as the domestic shipment, of nonperishable, readily marketable staples, whether or not such staples are of an agricultural character. (45 Stat. 975.)

ACT OF MARCH 2, 1929

Interlocking directorates. - The first proviso to section 8 of the Act of October 15, 1914 (Clayton Act), exempting mutual savings banks from the prohibition against interlocking directorates, was amended to exempt also joint stock land banks and other banks doing noncommercial business. (45 Stat. 1536.)

ACT OF JUNE 17, 1929

Treasury bills and certificates of indebtedness. - The Secretary of the Treasury was authorized to issue a new form of Treasury obligation to be known as "Treasury bills", and the Act provided that wherever the words "bonds and notes of the United States" or certain similar phrases were used in the Federal Reserve Act they "shall be held to include" such Treasury bills and also certificates of indebtedness. This, in effect, amended sections 13 and 14, and authorized Federal Reserve Banks to rediscount notes secured by Treasury bills or certificates of indebtedness; to make short-term advances to member banks on their promissory notes so secured; and to purchase in the open market Treasury bills and certificates of indebtedness. Prior to this enactment, certificates of indebtedness of the United States were considered eligible for the purposes stated and in this respect the new law was merely a specific statutory confirmation of the existing practice. (46 Stat. 19.)

ACT OF APRIL 12, 1930

Limitations upon rediscounts for one borrower. - Section 13 of the Federal Reserve Act was amended so as to make the limitations therein on the amount of eligible paper of any one borrower which could be rediscounted by a Federal Reserve Bank for a member bank conform to the limitations of section 5200 of the Revised Statutes, as amended, with regard to the amount which a national bank could lend to a single borrower. (46 Stat. 162.)

ACT OF JUNE 17, 1930

Values for conversion of foreign money. - Section 522 of this Act made certain technical changes in the Act of May 27, 1921, relating to the authority of the Federal Reserve Bank of New York to determine the "buying rate" in connection with the conversion of foreign currency in the matter of import duties. (46 Stat. 739-740.)

ACT OF JANUARY 22, 1932
(Reconstruction Finance Corporation Act)

Loans to banks, etc. - This Act created the Reconstruction Finance Corporation, the management of which was vested in a board of directors consisting, among others, of the Governor of the Federal Reserve Board. The Corporation was authorized during a limited period which later was several times extended, to make loans, in accordance with specified conditions, to any bank, building and loan association, etc., to aid the financing of agriculture, commerce,

industry, etc.; but not more than \$200,000,000 could be used for the relief of closed or liquidating banks. (47 Stat. 5-8.)

Exceptions to limitation on indebtedness of a national bank. - Section 5202 of the Revised Statutes, made a part of section 13 of the Federal Reserve Act, provided that no national bank should be indebted or liable in an amount exceeding its capital stock, with certain exceptions, one of which was liabilities incurred under the provisions of the War Finance Corporation Act. This Act struck this exception from the law and in lieu thereof made an exception in favor of liabilities incurred under the provisions of the Reconstruction Finance Corporation Act. (47 Stat. 8, sec. 6.)

ACT OF FEBRUARY 27, 1932
("Glass-Steagall Act")

Advances to member banks on ineligible paper. - Sections 10(a) and 10(b) of the Federal Reserve Act were added, under the provisions of which, in unusual circumstances, member banks that were without adequate amounts of eligible and acceptable assets to enable them to obtain sufficient credit accommodations from the Federal Reserve Banks, through rediscounting or other methods provided by the Federal Reserve Act, could receive assistance under certain conditions on the basis of other security satisfactory to the Federal Reserve banks. Under section 10(a), which was permanent legislation, a Federal Reserve Bank could make advances upon such security to a group of its member banks for distribution to such bank or banks within the group as were in need of assistance, and under section 10(b) the Federal Reserve Banks were authorized, until March 3, 1933, to make advances upon such security to individual member banks having a capital stock of not more than \$5,000,000. (47 Stat. 56.)

United States obligations as collateral for Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board until March 3, 1933, to permit the use of United States Government obligations as specific collateral for Federal Reserve notes, (47 Stat. 57, sec. 3.)

ACT OF MAY 19, 1932

Security for 15-day advances to member banks. - Section 13 of the Federal Reserve Act was amended so as to enlarge the classes of security which could be used as collateral for advances to member banks for periods not exceeding 15 days, to include debentures or other such obligations of Federal intermediate credit banks which were eligible for

purchase by Federal Reserve Banks. (47 Stat. 160, sec. 6.)

Discount for Federal intermediate credit banks. - Section 13a of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks to discount notes payable to and bearing the indorsement of any Federal intermediate credit bank, covering loans or advances made by such bank direct to any national or State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank or cooperative credit or marketing association of agricultural producers, or to any other Federal intermediate credit bank, when such notes had maturities at the time of discount of not more than 9 months and were secured by paper eligible for rediscount by Federal Reserve banks. (47 Stat. 160, sec. 5.)

ACT OF JULY 21, 1932
(Emergency Relief and Construction Act)

Loans to individuals, partnerships, and corporations. - Section 13 of the Federal Reserve Act was amended so that the Federal Reserve Board, in unusual and exigent circumstances and by the affirmative vote of not less than five members, could authorize any Federal Reserve Bank, during such periods as the Federal Reserve Board might prescribe, to discount for any individual, partnership, or corporation, which was unable to secure adequate credit accommodations from other banking institutions, notes, drafts, and bills of exchange of the kinds and maturities eligible for discount for member banks, when such paper was indorsed and otherwise secured to the satisfaction of the Reserve Banks. (47 Stat. 715, sec. 210.)

ACT OF JULY 22, 1932

Security for national bank circulation. - All outstanding bonds of the United States which paid interest at a rate not exceeding 3-3/8 per cent were made acceptable, subject to certain conditions, as security for the issuance of circulating notes to national banks for a period of three years. (47 Stat. 740, sec. 29.)

ACT OF FEBRUARY 3, 1933

Advances to member banks on ineligible paper. - Section 10(b) of the Federal Reserve Act was amended so as to extend until March 3, 1934, the time within which Federal Reserve Banks might make advances to individual member banks having a capital not exceeding \$5,000,000 which lacked sufficient eligible and acceptable assets to enable them to obtain adequate credit accommodations from the Federal Reserve Banks by the customary methods. (47 Stat. 794)

United States obligations as collateral for Federal Reserve notes. - Section 16 was amended so as to extend until March 3, 1934, the authority of the Federal Reserve Board to permit the use of direct obligations of the United States as collateral security for Federal Reserve notes. (47 Stat. 794)

ACT OF FEBRUARY 25, 1933

Powers of State banking authorities vested in Comptroller of the Currency. - The Comptroller of the Currency, with the approval of the Secretary of the Treasury was authorized to exercise with respect to national banks any powers of the State banking authorities over State banks in the States of location of such national banks. The establishment of branches and consolidations were excepted from the foregoing grant of authority; and such authority was stated to expire in six months unless extended for an additional six months by a Presidential proclamation. (47 Stat. 907-908)

ACT OF MARCH 9, 1933
(Emergency Banking Act of 1933)

Expansion of Presidential Power to Regulate "Transfers of Credit" During National Emergency. - This Act confirms the President's banking holiday proclamation of March 6, 1933, issued pursuant to section 5(b) of the Trading with the Enemy Act and amended such section 5(b) to make it applicable to any war or any other period of national emergency declared by the President. It further amended section 5(b) to give greater power to the President by authorizing him to regulate, among other things, any "transfers of credit between or payments by banking institutions as defined by the President". (48 Stat. 1, sec. 2)

Recapture of gold. - Section 11 of the Federal Reserve Act was amended by adding at the end thereof subsection (n) which authorized the Secretary of the Treasury when, in his discretion, such action was necessary

to protect the currency system of the United States, to require all individuals, partnerships, associations, and corporations to deliver to the Treasurer of the United States all gold coin, gold bullion, and gold certificates owned by them. The Secretary of the Treasury was required to pay therefor an equivalent amount of other forms of coin or currency, together with all costs of transportation. Failure to comply with this provision was made subject to a penalty of twice the value of the gold or gold certificates in respect to which such failure occurred. (48 Stat. 1-2, secs. 1-3)

Transaction of banking business in emergencies. - This Act prohibited a member bank, during such emergency period as the President of the United States might prescribe, from transacting any banking business except in accordance with regulations, limitations, and restrictions prescribed by the Secretary of the Treasury with the approval of the President, and penalties were provided for violations of this prohibition. (48 Stat. 2, sec. 4.)

Issuance of Federal Reserve bank notes. - Section 18 of the Federal Reserve Act was amended so as to authorize the issuance, under certain prescribed conditions, of circulating notes to Federal Reserve Banks, usually known as Federal Reserve bank notes, upon the security of direct obligations of the United States in amounts equal to the face value of such obligations, or upon the security of any notes, drafts, bills of exchange, or bankers' acceptances acquired by Federal Reserve banks under the Federal Reserve Act in amounts equal to not more than 90 per cent of the estimated value of such collateral security. Prior to the passage of the Act of March 9, 1933, it had been possible under the law to issue Federal Reserve bank notes only against the security of United States bonds which were eligible as security for national bank notes; and it was provided that no Federal Reserve bank notes could be issued after the President declared that the emergency recognized by him in his proclamation of March 6, 1933, had terminated, unless they were secured by bonds of the United States bearing the circulation privilege. (48 Stat. 6, sec. 401.)

Advances to member banks in exceptional circumstances. - Section 10(b) of the Federal Reserve Act, which authorized advances by Federal Reserve Banks in exceptional and exigent circumstances to individual member banks without sufficient eligible and acceptable assets to enable them to obtain adequate credit accommodations from the Federal Reserve Banks through other methods provided by the law, was further amended by this Act by the elimination of the requirement for action by the Federal Reserve Board with respect to such advances and the limitation of \$5,000,000 upon the capital of member banks receiving such advances and also by providing that no such advances could be made after March 3, 1934, or after the expiration of such additional period, not exceeding 1 year, as the President might prescribe. (48 Stat. 7, sec. 402.)

Advances to individuals, partnerships, or corporations on the security of obligations of the United States. - Section 13 of the Federal Reserve Act was amended so as to add thereto a new paragraph authorizing a Federal Reserve Bank, under such regulations as the Federal Reserve Board might prescribe, to make advances for periods not exceeding 90 days to any individual, partnership, or corporation on promissory notes secured by direct obligations of the United States. (48 Stat. 7, sec. 403.)

Conservators of national banks, etc. - This Act authorized the Comptroller of the Currency, in order to conserve the assets of national banks, to appoint a conservator for any such bank. Such conservator, under the Comptroller's direction, was required to take possession of any such bank's assets and act in a capacity similar to that of a receiver of an insolvent national bank, except that he could permit the bank to transact a limited banking business pending reopening, reorganization or liquidation. After investigation, the Comptroller of the Currency was authorized, in his discretion, to terminate the conservatorship and he could permit any such bank to operate on a restricted basis. Federal Reserve Banks were authorized to maintain separate deposits of segregated, current deposits (not subject to restrictions) of national banks under a conservator and of State banks in similar circumstances. Provision was also made relating to the reorganization of national banks and turning the affairs of such banks under conservators back to the directors. (48 Stat. 1, secs. 201-211.)

Preferred stock of national banks. - With the approval of two-thirds of their shareholders and the Comptroller of the Currency, national banks were authorized to issue preferred stock carrying no double liability in such amounts as the Comptroller might approve. With the approval of the President and upon the request of the Secretary of the Treasury, the Reconstruction Finance Corporation was authorized to subscribe to such preferred shares. (48 Stat. 1, secs. 301-304.)

ACT OF MARCH 24, 1933

Loans to nonmember banks. - The Act of March 9, 1933, was amended by adding thereto a new section which authorized Federal Reserve Banks under certain conditions to make loans to any State bank or trust company not a member of the Federal Reserve System upon security approved by such Federal Reserve Bank and after a thorough examination of the borrowing institution. During the time that such borrowing bank or trust company was indebted to a Federal Reserve Bank it was required to comply in all respects with the provisions of the Federal Reserve Act applicable to State member banks and the regulations of the Federal Reserve Board issued thereunder, including the maintenance of the reserve balance required under

section 19 of the Federal Reserve Act, but was not required to subscribe to stock in the Federal Reserve Bank. Notes representing such loans were eligible as security for Federal Reserve Bank notes issued to Federal Reserve Banks under the conditions prescribed in section 18 of the Federal Reserve Act. Loans could be made under this section during the existing emergency in banking or until the section was declared no longer operative by proclamation of the President, but in no event after March 24, 1934. (48 Stat. 20, Ch. 8.)

ACT OF MAY 12, 1933
(Thomas Amendment)

Purchase of obligations of the United States by the Federal Reserve Banks. - Section 43 of Title III of this Act, known as the Thomas amendment, authorized the President in his discretion, whenever he found that any one of certain stated conditions existed, to direct the Secretary of the Treasury to enter into agreements with the Federal Reserve Banks and the Federal Reserve Board under which such banks were to agree to conduct open market operations, pursuant to existing law, in obligations of the United States or of corporations in which the United States was the majority stockholder and to purchase and hold for an agreed period of time Treasury bills or other obligations of the United States in an aggregate sum of \$3,000,000,000 in addition to those held on May 12, 1933. It was also provided that no suspension of reserve requirements of the Federal Reserve Banks necessitated by reason of operations in accordance with such authority was to require the imposition of a graduated tax upon deficiencies in such reserves nor an automatic increase in rates of interest or discount charged by any Federal Reserve Bank, which were provided for in section 11(c) of the Federal Reserve Act. (48 Stat. 51, sec. 43.)

Prevention of undue credit expansion. - This Act provided that "The Federal Reserve Board, with the approval of the Secretary of the Treasury, may require the Federal Reserve Banks to take such action as may be necessary, in the judgment of the Board and of the Secretary of the Treasury, to prevent undue credit expansion". (48 Stat. 52, sec. 43.)

Security for advances to member banks. - Section 13 of the Federal Reserve Act was amended so as to authorize the use of farm loan bonds, issued by Federal land banks for certain purposes under section 21 of the Farm Loan Act, as security for advances by Federal Reserve Banks to member banks for periods not exceeding 15 days. (48 Stat. 46, sec. 28.)

Change in Reserve requirements. - Section 19 of the Federal Reserve Act was amended so as to authorize the Federal Reserve Board, upon the affirmative vote of not less than five of its members and with the approval of the President, to declare that an emergency exists by reason of credit expansion and during such emergency to increase or decrease the reserve balances required to be maintained against demand or time deposits by member banks. (48 Stat. 54, sec. 46.)

Authority to President to regulate the weight of gold. -
This Act eliminated the words "twenty-five and eight-tenths grains" appearing in the Act of March 14, 1900 and authorized the President by proclamation to fix the weight of the gold dollar in grains nine-tenths fine at such amounts as he finds necessary from his investigations to stabilize domestic prices or to protect our foreign commerce against adverse effect of depreciated foreign currencies. The weight of gold when so fixed by the President was to be the standard of value, maintained at parity with this value by the Secretary of the Treasury. The weight of gold could not be fixed so as to reduce its weight at that time by more than 50 per centum. (48 Stat. 51, sec. 43.)

Issuance of United States notes authorized. - This Act authorized the President, if the agreements authorized in this section proved inadequate or for other reasons, to direct the Secretary of the Treasury to issue United States notes, as provided in Act of February 25, 1862, not to exceed the aggregate amount of \$3,000,000,000. This paragraph also provided that all such notes and all coins and currency (which included Federal Reserve notes and circulating notes of Federal Reserve Banks and national banking associations) shall be legal tender for all debts public and private. The provisions of this paragraph were made retroactive to include all outstanding coins and currency as well as coins and currency coined or issued after the date of this Act. (48 Stat. 51, sec. 43.)

Acceptance of silver as payment of foreign indebtedness. -
This Act authorized the President to accept silver from any foreign government in payment of any indebtedness due within six months after the date of this Act. The aggregate amount of silver so accepted could not exceed \$200,000,000 and the price of such silver not to exceed 50 cents an ounce. The Secretary of the Treasury was authorized to issue silver certificates in such denominations as he deemed advisable to the total number of dollars for which such silver was acceptable in payment of debts. These silver certificates were to be used to pay any obligation of the United States. Any such certificates were redeemable in standard silver dollars. (48 Stat. 51, sec. 45.)

ACT OF MAY 20, 1933

Exceptions to limitation on indebtedness of a national bank. -
Section 5202 of the Revised Statutes, made a part of section 13 of the Federal Reserve Act and limiting, with certain exceptions, the total indebtedness of a national bank, was amended to exempt from such limitation all liabilities incurred on account of loans made to banks or agents in charge of their properties with the express approval of the Comptroller of the Currency under paragraph (9) of section 5200 of the Revised Statutes. (48 Stat. 73.)

Obligations of one obligor. - Section 5200 of the Revised Statutes, limiting the total obligations to any national bank of any person, etc., was amended by adding a new exception to such limitation, i.e., obligations representing loans to banks, or agents in charge of the properties thereof, approved by the Comptroller of the Currency. (48 Stat. 72.)

JOINT RESOLUTION OF JUNE 5, 1933.

Discontinuance of gold payments. - Because of the existing emergency and the desire to stabilize the value of money, this Joint Resolution repealed any provision of any law authorizing obligations to be discharged by payment in gold or a particular kind of coin or currency. After the passage of this Act any obligation would be discharged upon payment in coin or currency which at the time of payment was legal tender for public or private debts. The term "coin or currency" included Federal Reserve notes and circulating notes of Federal Reserve Banks and National banking associations. (48 Stat. 112)

ACT OF JUNE 13, 1933

Redemption of bank notes. - This Act provided for the redemption by the United States Treasurer, and destruction by the Comptroller of the Currency, of any national bank notes, Federal Reserve Bank notes, or Federal Reserve notes presented to the Treasurer for redemption and incapable of identification as to the bank of issue or through which issued. Provision was made for charging such redeemed national bank and Federal Reserve Bank notes against redemption deposits, and charging such redeemed Federal Reserve notes against the twelve Federal Reserve Banks in certain proportions and ultimately against the gold-redemption fund of such Federal Reserve Banks. (48 Stat. 127.)

ACT OF JUNE 16, 1933
(Banking Act of 1933)

Insurance of deposits. - This Act added section 12B to the Federal Reserve Act which provided for the insurance of bank deposits. For this purpose it established a new agency, the Federal Deposit Insurance Corporation, with three directors. The Comptroller of the Currency was made an ex-officio director; and the section provided for two other directors appointed by the President, and confirmed by the Senate, for six-year terms. The section provided that "one of the appointive members shall be chairman of the board of directors".

The Secretary of the Treasury was directed to subscribe for \$150,000,000 of stock in the corporation and the Reserve banks were required to purchase stock in the corporation in an amount equal to one-half their surplus, such stock purchase by the Reserve banks amounting to about \$139,000,000. The Treasury stock was to bear 6 per cent dividends, but the Reserve bank stock was given no voting rights and excluded from all dividends.

The section provided for a Temporary Insurance Fund which would operate from January 1, 1934 until July 1, 1934, and a permanent plan of deposit insurance that was to operate on and after July 1, 1934.

The Temporary Fund required each insured bank to pay to the Federal Deposit Insurance Corporation an amount equal to one-half of 1 per cent of its total deposits, and the bank was liable for an additional call of the same amount if required by the Fund, but it had no further liability. Any surplus remaining in the Fund was to be returned to the insured banks upon the liquidation of the Temporary Fund. Insurance of the deposits of any one depositor was limited to \$2,500 under the Temporary Fund. Under the permanent plan specified in the section each insured bank was to subscribe for stock in the Federal Deposit Insurance Corporation to an amount equal to one-half of 1 per cent of its deposits. This stock was to bear 6 per cent dividends, but the insured banks were subject to assessment on the stock whenever the permanent insurance fund was impaired by a certain amount. The insurance of any one depositor under the permanent plan was to be 100 per cent up to not exceeding \$10,000, 75 per cent for amounts exceeding \$10,000 but not exceeding \$50,000, and 50 per cent for amounts exceeding \$50,000.

All member banks were required to have their deposits insured under both the Temporary and the permanent plans. Nonmember banks were to be admitted to the Temporary Fund if approved by the Federal Deposit Insurance Corporation and to the permanent plan until July 1, 1936 if so approved, but after that date no nonmember bank could have its deposits insured. (48 Stat. 168-180 sec. 12B)

Control of Federal Reserve bank credit by Federal Reserve Board. - Section 4 of the Federal Reserve Act which provided that the board of directors of each Federal Reserve bank "shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and shall, subject to the provisions of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks" was amended by changing "shall extend" to "may extend" and adding the words "the maintenance of sound credit conditions, and the accommodation of commerce, industry, and agriculture." The amendment further provided that each Federal Reserve Bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for any purpose inconsistent with sound credit conditions, and is to give consideration to such information in determining whether to make advances to such member banks. Undue use of bank credit must be reported to the Federal Reserve Board by the chairman of the Federal Reserve Bank, and the Board may suspend a member bank from the use of the credit facilities of the system if, in its judgment, the bank is making such undue use of bank credit. (48 Stat. 163, sec.3(a).)

Voting by groups or chains in elections of Federal Reserve Bank directors. - Section 4 of the Federal Reserve Act was amended to provide that when two or more member banks are affiliated with the same holding company affiliate only one of such banks, which may be designated by such affiliate, may participate in the nomination or election of Federal Reserve Bank directors. (48 Stat. 163, sec. 3(b).)

Distribution of earnings of Federal Reserve Banks. - Section 7 of the Federal Reserve Act was amended to provide that all net earnings of a Federal Reserve Bank, after payment of expenses and dividend claims, shall be paid into the surplus fund of the bank. Prior to this Act the Federal Reserve Banks were required to pay all their net earnings above dividend requirements into surplus until such surplus amounted to 100 per cent of the subscribed capital, and thereafter 10 per cent of the earnings would go to surplus and the remaining 90 per cent would be paid to the Government as a franchise tax. As a matter of practical operation the repeal of the franchise tax provision made little difference in the disposition of the banks' earnings, in view of the fact that the investment of \$139,000,000 of their surplus in the stock of the Federal Deposit Insurance Corporation, as required by this Act, reduced the surplus to a point where it would have taken a considerable number of years to bring that surplus up to 100 per cent of the subscribed capital. During that period the Federal Reserve Banks would not in any case have to pay franchise tax. The law provides that in case of liquidation, the surplus of the Reserve Banks, after the payment of all debts, dividends, and the par value of the stock shall become the property of the United States. (48 Stat. 163-4, sec. 4.)

Branches of national banks. - Section 5155 of the Revised Statutes was amended so as to permit national banks to establish branches at any point within the State of location if the local law authorized State banks to do so, and subject to the restrictions as to locations imposed by such law on State banks. To establish branches beyond the head-office city or town, however, a national bank was required to have an unimpaired capital stock of at least \$500,000; but a smaller capital stock was permitted where the population of the State of location, and the cities therein, was below specified numbers, \$100,000 capital stock being the minimum. It was also provided that the aggregate capital of a national bank and its branches should not be less than the aggregate minimum required by law for the establishment of an equal number of banks in the locations of such bank and its branches. (48 Stat. 189-190, sec. 23.)

Branches of State member banks. - Section 9 of the Federal Reserve Act was amended so as to provide that nothing therein contained shall prevent State member banks from establishing branches either in the United States or elsewhere upon the same terms and conditions as those applicable to the establishment of branches by national banks. (48 Stat. 164, sec. 5(b).)

Membership of mutual savings banks and other banking institutions without capital stock. - Section 9 of the Federal Reserve Act was amended so as to make eligible for membership in the Federal Reserve System mutual savings banks having no capital stock and other banking institutions the capital of which consists of time deposits which are segregated from other deposits and regarded as capital stock for purposes of taxation and dividends. (48 Stat. 164, sec. 5(c).)

Dealings in stock and investment securities by national banks. - Section 5136 of the Revised Statutes was amended so as to provide, in effect, that after one year from the passage of this Act, dealings in investment securities by national banks, with certain limited exceptions, should be restricted to the purchase and sale of such securities, without recourse, solely upon the order and for the account of customers, except that a bank might purchase for its own account investment securities under limitations and restrictions prescribed by regulations of the Comptroller of the Currency. National banks were prohibited from purchasing stock of other corporations except as permitted by law. (48 Stat. 184-185, sec. 16.)

Dealings in stocks and investment securities by State member banks. - Section 9 of the Federal Reserve Act was amended so as to provide that State member banks shall be subject to the same limitations and conditions as national banks with respect to the purchase, sale, underwriting, and holding of investment securities and stock. (48 Stat. 165, sec. 5(c).)

Stock certificates of national banks. - Section 5139 of the Revised Statutes was amended to provide that no stock certificate of a national bank should represent the stock of any other corporation except a corporation engaged solely in holding the premises of such bank; and the ownership, sale, etc., of any such certificate was prohibited from being conditioned upon the ownership, sale, etc., of the stock of any other corporation except a member bank. (48 Stat. 186, sec. 18.)

Divorce of stock of State member bank from stock of other corporations. - Section 9 of the Federal Reserve Act was amended so as to provide that, after 1 year from the passage of the Banking Act of 1933, no certificate of stock of a state member bank shall represent the stock of any other corporation, except a member bank or a corporation existing when the provision took effect engaged solely in holding the bank premises of such State member bank; nor shall the ownership or transfer of the stock certificate of such a bank be conditioned upon the ownership or transfer of a certificate of stock of another corporation except a member bank. (48 Stat. 165, sec. 5(c).)

Election of directors; holding company affiliates, etc. - Section 5114 of the Revised Statutes was amended to provide for cumulative voting for directors of national banks. Provision was also made relating to the voting of shares of stock held in trust. National bank shares controlled by holding company affiliates of such banks were prohibited from being voted unless a voting permit was obtained from the Federal Reserve Board, which was authorized to grant such permits after considering the financial condition of the holding company, the general character of its management and the probable effect of granting such a permit upon the affairs of any such bank. In this connection, provision was made relating to (1) the examination of holding company affiliates, (2) the subjection of officers, employees, etc., of holding company affiliates to the provisions of section 5209 of the Revised Statutes, and (3) the divorcement of any securities company from any such holding company affiliate. The Board was authorized to revoke voting permits for violations of law; and, in the Board's discretion, the franchise of a national bank might be forfeited should the voting permit of its holding company affiliate be revoked. (48 Stat. 186-188, sec. 19.)

Right of an affiliate of a State member bank to vote stock held by it in such bank. - Section 9 of the Federal Reserve Act was amended so as to require that each State member bank affiliated with a holding company affiliate obtain from such affiliate, within a period prescribed by the Federal Reserve Board, an agreement that the affiliate shall be subject to the same conditions and limitations with respect to voting stock in the bank, obtaining a voting permit from the Board, etc., as are applicable in the case of holding company affiliates of national banks; and the penalty for failure so to do was made forfeiture of

the membership of the State bank in the Federal Reserve System. If the Board revokes the voting permit of any holding company affiliate, the membership of any State member bank affiliated with it may be forfeited. (48 Stat. 165, sec. 5(c).)

Capital requirements of national banks. - Section 5138 of the Revised Statutes, prescribing the capital requirements for the organization of national banks, was amended by eliminating the provision permitting such banks to organize with a capital of \$25,000 if located in a place not exceeding 3,000 people. (48 Stat. 185, sec. 17 (a).)

Capital requirements of State member banks. - Section 9 of the Federal Reserve Act was amended so as to eliminate the provision of law under which a State bank was permitted to become a member of the Federal Reserve System with a capital equal to only 60 per cent of the amount required for the organization of a national bank in the place in which it is situated. The capital of State member banks thereafter admitted to the System, therefore, is required in all cases to be equal to that required of national banks located in places of like size, except that the Act contained a proviso which permitted a State bank, organized when that proviso became effective, with a capital of not less than \$25,000 and located in a place of not more than 3,000 inhabitants, to become a member of the System, and which also permitted a State bank, which was located in such a place and increased its capital to \$25,000 while entitled to the insurance benefits of the Act, to become a member. (48 Stat. 185, sec. 17(b).)

Loans by member banks on stock or bond collateral. - Section 11(m) of the Federal Reserve Act (an obsolete provision which had expired by its terms on December 31, 1920) was replaced by a new provision providing that, upon the affirmative vote of six members, the Federal Reserve Board may fix the percentage of individual bank capital and surplus in each Federal Reserve district which may be represented by loans secured by stock or bond collateral made by member banks in such district. No such loan could be made by a member bank to any person in an amount in excess of 10 per cent of its unimpaired capital and surplus. Such percentages, which may be changed from time to time upon 10 days' notice, are to be fixed with a view to preventing the undue use of bank loans for the speculative carrying of securities. The Federal Reserve Board may direct any member bank to refrain from increasing such loans, for one year or less, under penalty of suspension of rediscount privileges. (48 Stat. 167, sec. 7.)

Federal Open Market Committee. - Section 12A of the Federal Reserve Act was added, creating a Federal Open Market Committee consisting of 12 members, one being appointed by each Federal Reserve Bank. Their meetings, held at least four times a year, could be attended by the members of the Federal Reserve Board. No Federal Reserve Bank could engage in the open market operations except in accordance with regulations of the Federal Reserve Board, which would be transmitted to the Committee and to the Federal Reserve Banks. Open Market operations

were required to be governed with a view to accommodating commerce and business and with regard to their bearing on the general credit situation. If a Federal Reserve Bank decided not to participate in open market operations recommended and approved as provided in this section, it was to notify the Committee and the Federal Reserve Board. (48 Stat. 168, sec. 8.)

Loans on member banks' collateral notes. - Section 13 of the Federal Reserve Act was amended so as to increase the maximum maturity of advances to member banks on their promissory notes secured by paper eligible for rediscount or for purchase by Federal Reserve Banks from 15 to 90 days. The maximum maturity of 15 days on advances on member banks' notes secured by Government bonds or obligations of Federal intermediate credit banks was not changed. If a member bank, while indebted to a Federal Reserve Bank on such a 15-day or 90-day collateral note and despite a warning of the Federal Reserve Bank or the Federal Reserve Board, increases its outstanding collateral loans or loans to securities dealers for the purpose of purchasing or carrying stocks or investment securities (except obligations of the United States), its note will become immediately due and payable and the member bank will become ineligible to borrow on such a 15-day or 90-day note for a period determined by the Federal Reserve Board. (48 Stat. 180, sec. 9.)

Farm loan bonds as security for member banks' promissory notes. - Section 13 of the Federal Reserve Act was further amended by the omission of the authority contained in the Act of May 12, 1933, permitting the use of farm loan bonds, issued by Federal land banks for certain purposes under section 21 of the Farm Loan Act, as security for advances by Federal Reserve Banks to member banks. (48 Stat. 180, sec. 9.)

Foreign transactions of Federal Reserve Banks. - Section 14 of the Federal Reserve Act was amended to provide that all relationships and transactions by Federal Reserve Banks with foreign bankers shall be subject to special supervision and regulation by the Federal Reserve Board; that negotiations with foreign bankers may not be conducted without the permission of the Federal Reserve Board; that the Federal Reserve Board may be represented in any such negotiations; and that a full report of all such negotiations must be made to the Federal Reserve Board in writing. (48 Stat. 181, sec. 10.)

Member banks as mediums in making loans on collateral. - Section 19 of the Federal Reserve Act was amended so as to forbid a member bank to act as the medium or agent of any nonbanking corporation, partnership, or individual in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in such securities, and a fine was provided for violation. (48 Stat. 181, sec. 11(a).)

Interest on deposits of member banks. - Section 19 of the Federal Reserve Act was amended so as to provide that no member bank shall pay interest on any demand deposit, except in accordance with then existing contracts; but this prohibition was not applied to a deposit which is payable only at an office of the bank located in a foreign country. Exceptions also were made for deposits made by mutual savings banks and deposits of public funds made by any State, county, municipality, or school district or other subdivision, with respect to which payment of interest is required under State law. The Federal Reserve Board was directed to limit the rate of interest to be paid by member banks on time deposits. No member bank may pay any time deposit before its maturity, or waive a requirement of notice before payment of a savings deposit except when such requirement is waived as to all savings deposits subject thereto. (48 Stat. 181, sec. 11(b).)

Loans by member banks to executive officers. - Section 22 of the Federal Reserve Act was amended by adding subsection (g) forbidding a member bank to loan to its executive officers and forbidding them to borrow from the bank; but loans of this kind theretofore made could be renewed or extended not more than 2 years from June 16, 1933. An executive officer of a bank who borrows from any other bank is also required to make a written report thereof to the chairman of the board of directors of this bank. Violation of this provision was made a misdemeanor, subject to fine or imprisonment. (48 Stat. 182, sec. 12.)

Loans to or investments in stock of affiliates. - Section 23A was added to the Federal Reserve Act, providing that no member bank could make any loan or extension of credit to, or purchase securities under repurchase agreements from, any of its affiliates, or invest in the stock or obligations of such affiliates, or accept such stock or obligations as security for advances, if the aggregate amount thereof, in the case of any one affiliate, exceeds 10 per cent of the capital stock and surplus of the member bank, or if, in the case of all such affiliates, the aggregate amount thereof exceeds 20 per cent of the capital stock and surplus of such member bank. Each loan or extension of credit to an affiliate must be secured by collateral, in the form of stocks, bonds, debentures, or other such obligations, having a market value of at least 20 per cent more than the amount of the loan or extension of credit or at least 10 per cent more than the amount thereof if secured by State or municipal obligations. Loans or extensions of credit secured by obligations of the United States, Federal intermediate credit banks, Federal land banks, Federal home loan banks, the Home Owners' Loan Corporation, or paper eligible for rediscount by Federal Reserve Banks were excepted from the requirement as to marginal collateral. The provisions of this section do not apply to certain limited classes of affiliates. (48 Stat. 183, sec. 13.)

Limitation on investment in bank premises. - Section 24A was added to the Federal Reserve Act, providing that no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Federal Reserve Board, may invest in bank premises, or in stock or obligations of, or make loans to or upon the security of the stock of, any corporation holding its bank premises, in an aggregate sum exceeding the amount of the bank's capital stock. (48 Stat. 184, sec. 14.)

Consolidation of national banks. - Consolidations were permitted to be State-wide rather than limited to the county or town. Provision was also made governing in more complete detail the statutory transfer of rights and interests of constituent banks to the consolidated institution. (48 Stat. 190, sec. 24.)

Limitation on obligations of one obligor. - Section 5200 of the Revised Statutes, providing the limitations on the total obligations of one obligor to a national bank, was amended so that the obligations of a corporation to any such bank, after June 16, 1933, should include all obligations of its subsidiaries. (48 Stat. 191, sec. 26.)

Relationships between member banks and securities dealers. - Section 20 of the Banking Act of 1933 provided that, after one year from the date of enactment, no member bank shall be affiliated with a securities corporation in the manner described in the Act. Violations subject member banks to a penalty of \$1,000 a day, in the discretion of the Federal Reserve Board, and if the violations are continued for 6 months after warning from the Federal Reserve Board, the banks' franchises may be forfeited, if national banks, or their membership in the Federal Reserve System may be forfeited, if State banks. (48 Stat. 188, sec. 20.)

Receipt of deposits by securities companies and other institutions. - Section 21 of the Banking Act of 1933 prohibited any person, firm, corporation, etc., engaged in the business of issuing, underwriting, selling or distributing securities to engage at the same time in the business of receiving deposits, but excepted banks or other financial institutions dealing in investment securities to the extent permitted by section 5136 of the Revised Statutes. The section also prohibited any person, firm, corporation, etc., from engaging in the business of receiving deposits unless incorporated and authorized to engage in such business by the laws of the United States or any State or permitted by a State to engage in such business and subject to examination and regulation by such authority. (48 Stat. 189, sec. 21)

Removal of bank directors or officers from office. - Section 30 of the Banking Act of 1933 provided a procedure for the removal of a director or officer of a member bank who continues to violate the law or continues unsafe or unsound practices in conducting the business of the bank with which he is connected, after being warned by the Comptroller of the Currency (as to a national bank) or the Federal Reserve agent of his district (as to a State member bank) to discontinue such violations or such practices. (48 Stat. 193, sec.30.)

Relations of member banks with securities companies. - Section 32 of the Banking Act of 1933 provided that, after January 1, 1934, no officer or director of a member bank may be an officer, director or manager of an organization engaged primarily in the securities business and correspondent relationships between member banks and securities organizations were prohibited, except when authorized by a permit therefor issued by the Federal Reserve Board. The Federal Reserve Board could issue such a permit if not incompatible with the public interest, and could revoke such permit if the public interest required. (48 Stat. 194, sec. 32.)

Interlocking directorates. - The Clayton Act was amended by adding section 8A, to provide that after January 1, 1934, no officer, director, or employee of any bank organized or operating under the laws of the United States may be an officer, director, or employee of a corporation (other than a mutual savings bank) or member of a partnership which made loans on stocks or bonds except to its own subsidiaries. The provision was subject to the general authority of the Federal Reserve Board to issue permits permitting a limited number of interlocking relations under the Clayton Act. (48 Stat. 194, sec. 33.)

ACT OF JANUARY 30, 1934
(Gold Reserve Act of 1934)

Transfer of gold of Federal Reserve Banks to the United States. - This Act vested in the United States all right, title, and interest and every claim of the Federal Reserve Board, the Federal Reserve Banks, and the Federal Reserve agents to all gold coin and bullion. In payment for this gold the Act established credits in the Treasury in equivalent amounts in dollars, these credits being payable in gold certificates. Gold in the possession of the Federal Reserve Board, the Federal Reserve Banks, and Federal Reserve agents was required to be held in custody for the United States and delivered upon order of the Secretary of the Treasury. (48 Stat. 337, sec. 2(a).)

Amendments relating to Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so as to make Federal Reserve notes redeemable only in lawful money; to eliminate the authority for the use of gold (but not gold certificates) as collateral for Federal Reserve notes; to require that reserves against Federal Reserve notes be maintained in gold certificates instead of in gold and that reserves against deposits of Federal Reserve Banks be maintained in gold certificates or lawful money instead of in gold or lawful money; to require the redemption fund of each Federal Reserve Bank maintained on deposit at the Treasury of the United States to be in gold certificates instead of in gold; to make deposits of Federal Reserve Banks and Federal Reserve agents with the Treasurer of the United States repayable in gold certificates only and not in gold coin; and to make other corresponding amendments in other provisions of section 16. (48 Stat. 337-340, sec. 2(b).)

Regulations Governing Use of Gold. - The Secretary of the Treasury was authorized to prescribe regulations governing the use of gold for industrial, professional or artistic purposes, by the Federal Reserve Banks for the purpose of settling international balances, and other purposes. (48 Stat. 337, sec. 3.)

Withdrawal of Gold Coin From Circulation, Redemption. - All gold coins were withdrawn from circulation by the provisions of this Act and, together with all other United States gold, formed into bars. Thereafter, no currency of the United States was redeemable in gold. Provisions were made that the reserve for U. S. notes and for Treasury notes of 1890, and the security for gold certificates would be maintained in gold bullion equal to dollar amounts required by law. (48 Stat. 337, secs. 4 -6.)

Effect of Devaluation of Dollar. - Provisions were made that in the event the weight of the gold dollar was reduced, the resulting increase in value of the gold held in reserve would be covered into the Treasury as a miscellaneous receipt; in event of a decrease in the value of gold held in reserve, the compensation would be made by transfers of gold bullion from the general fund. The Secretary of the Treasury was authorized to purchase or sell gold and deal in foreign exchange as he deemed it advantageous to the public interest and to stabilize the exchange rate of the dollar. (48 Stat. 337, secs. 7-10(a).)

Establishment of Stabilization Fund. - A stabilization fund of \$2,000,000,000 was established which would be available for expenditure for any purpose in connection with carrying out the provisions of this Act. Such expenditures were under the direct control of the President and the Secretary of the Treasury. A two year expiration date was established for the termination of the Fund, but the President could extend the date an additional year by recognizing the continuance of the emergency. (48 Stat. 337, sec. 10(b).)

Authority of President to fix Weight of Gold Dollar. - Section 43 of the Act of May 12, 1933 was amended by providing that the President could not fix the weight of the gold dollar at more than 60 per centum of its weight as established at the time of that Act. This specific authority would terminate at the end of two years, but the President could extend such period for an additional year. (48 Stat. 337, sec. 12.) [By Presidential Proclamation of January 31, 1934 [2072] the weight of gold was fixed at 15 5/21 grains of gold nine tenths fine.]

Issuance of Silver Certificates, Etc. - Section 43 of the Act of May 12, 1933 was also amended by providing, among other things, that the President, in addition to the authority to provide for unlimited coinage of silver at a fixed ratio, was authorized to issue silver certificates in lieu of silver dollars, to issue silver certificates against any silver reserve in the Treasury, and to prescribe different terms, conditions and seigniorage charges, at his discretion, for the coinage of silver of foreign production than for the coinage of silver produced in the United States. The Act also provided that the silver certificates so issued would have all the legal tender characteristics of existing silver certificates in circulation. The President was authorized, in addition to the other powers, to reduce the weight of the standard silver dollar in the same percentage that he reduced the weight of the gold dollar. (48 Stat. 337, sec. 12.)

Issue of Gold Certificates Authorized. - The Secretary of the Treasury was authorized to issue gold certificates against any gold held by the Treasurer, except the gold fund held as a reserve for any United States notes and Treasury notes of 1890. The amount of gold certificates issued could not exceed the value of the gold so held against gold certificates. (48 Stat. 337, sec. 14.)

ACT OF JANUARY 31, 1934
(Federal Farm Mortgage Corporation Act)

Security for 15-day advances by Federal Reserve Banks. -
Section 13 of the Federal Reserve Act was amended so as to authorize Federal Farm Mortgage Corporation bonds issued under this Act to be used as security for advances by Federal Reserve Banks to their member banks for periods not exceeding 15 days. (48 Stat. 348, sec. 16(a).)

Obligations eligible for purchase by Federal Reserve Banks. -
Section 14 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks to buy and sell bonds of the Federal Farm Mortgage Corporation having maturities from date of purchase of not exceeding 6 months. (48 Stat. 348, sec. 16(b).)

ACT OF MARCH 6, 1934

United States obligations as security for Federal Reserve notes. - Under section 16 of the Federal Reserve Act the authority of the Federal Reserve Board to permit the use of direct obligations of the United States as collateral security for Federal Reserve notes, which would otherwise have expired on March 3, 1934, was extended until March 3, 1935, or until the expiration of such additional period not exceeding 2 years as the President might prescribe. (48 Stat. 398.)

ACT OF APRIL 27, 1934

Security for 15-day advances by Federal Reserve Banks. -
Section 13 of the Federal Reserve Act was amended so as to authorize bonds issued under the provisions of section 4(c) of the Home Owners Loan Act of 1933 to be used as security for advances by Federal Reserve Banks to their member banks for periods not exceeding 15 days. (48 Stat. 646, sec. 7(a).)

Obligations eligible for purchase by Federal Reserve Banks. -
Section 14 of the Federal Reserve Act was amended so as to authorize Federal Reserve Banks to buy and sell bonds issued under the provisions of section 4(c) of the Home Owners Loan Act of 1933 having maturities from date of purchase of not exceeding 6 months. (48 Stat. 646, sec. 7(b).)

ACT OF JUNE 6, 1934
(Securities Exchange Act of 1934)

Margin requirements. - This Act, in addition to providing for the regulation of national securities exchanges, placed certain

regulatory powers in the Federal Reserve Board. Section 7 of such Act directed the Federal Reserve Board, for the purpose of preventing the excessive use of credit for the purchase or carrying of securities, to regulate the amount of credit extended or maintained by brokers, dealers, and members of national securities exchanges, on any security (other than an "exempted security") registered on a national securities exchange. Members, brokers, and dealers were forbidden by the law to extend or maintain credit without collateral or on collateral other than registered or exempted securities except in accordance with the rules or regulations which the Federal Reserve Board might prescribe to permit such extension or maintenance of credit in certain cases. The Act also authorized the Federal Reserve Board to regulate the extension or maintenance of credit for the purpose of purchasing or carrying registered securities by persons other than members, brokers or dealers. (48 Stat. 886, sec. 7.)

Brokers' borrowings. - Members, brokers and dealers were forbidden to borrow on registered, nonexempted securities in the ordinary course of business except (1) from a member bank, (2) from a nonmember bank having filed with the Federal Reserve Board a specified agreement, or (3) in accordance with such rules or regulations as the Federal Reserve Board may prescribe to permit loans between members, brokers, and dealers, or to meet emergencies. The agreement specified for nonmember banks from which members, brokers, or dealers might borrow, must be an undertaking to comply with all provisions of the Securities Exchange Act of 1934, the Federal Reserve Act, and the Banking Act of 1933, which are applicable to member banks and which relate to the use of credit to finance transactions in securities, and with rules or regulations prescribed pursuant to such provisions. (48 Stat. 888, sec. 8(a).)

ACT OF JUNE 16, 1934

Capital requirements for membership in the Federal Reserve System. - Section 9 of the Federal Reserve Act was amended so as to provide that, for the purposes of membership of a State bank applying for membership in the Federal Reserve System, the terms "capital" and "capital stock" shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation. (48 Stat. 971, sec. 2.)

Insurance of bank deposits. - Section 12B of the Federal Reserve Act was amended so as to extend for a period of 1 year after June 30, 1934, the temporary plan for insurance of bank deposits and so as to increase from \$2,500 to \$5,000 the amount of the deposits of any depositor in one bank which were insured under the temporary plan

(except deposits of mutual savings banks in certain circumstances.) The section also was amended to extend for an additional year, i.e. from July 1, 1936 to July 1, 1937, the period during which nonmember banks were permitted to have their deposits insured. The Act contained certain other miscellaneous amendments to section 12B with regard to the insurance of bank deposits. (48 Stat. 969, sec. 1.)

ACT OF JUNE 19, 1934

Industrial advances by Federal Reserve Banks. - Section 13b was added to the Federal Reserve Act under which, in exceptional circumstances and pursuant to authority granted by the Federal Reserve Board, a Federal Reserve Bank may, on a reasonable and sound basis, make loans to or purchase obligations of an established industrial or commercial business unable to obtain requisite financial assistance from the usual sources, for the purpose of providing such business with working capital, and may make commitments with respect to such loans or purchases, subject to a limitation of 5 years upon the maturity of any such obligation or commitment. Federal Reserve Banks were also authorized by this Act to acquire such working capital obligations of such businesses from banks or financing institutions by discount or purchase, to make loans on the security of such obligations, and to make commitments with respect to such discounts, purchases, or loans. Under the law each such financing institution was required to obligate itself to the Federal Reserve Bank for at least 20 per cent of any loss sustained upon any such obligation or, in lieu thereof, furnish at least 20 per cent of the working capital advanced to such established industrial or commercial business.

The law established in each Federal Reserve district an industrial advisory committee consisting of not less than 3 nor more than 5 members actively engaged in some industrial pursuit and appointed by the Federal Reserve Bank subject to the approval of the Federal Reserve Board; and each application for a loan, advance, purchase, discount, or commitment under authority of section 13b must be submitted to the appropriate committee which, after consideration of the application, transmits it to the Federal Reserve Bank with its recommendation.

In order to enable the Federal Reserve Banks to make the industrial advances described, the Secretary of the Treasury was authorized by the law to pay to each Federal Reserve Bank a sum equal to an amount not in excess of the par value of its holdings of stock in the Federal Deposit Insurance Corporation, upon agreement by the Federal Reserve Bank to hold such stock unencumbered and to pay to the United States all proceeds thereof. In addition, each Federal Reserve Bank was required to agree that if the proceeds of such stock in any calendar year does not aggregate 2 per cent of the total payment made to it by the Secretary, it will pay to the United States such further amount, if any, up to 2 per cent

of such total payment as should be covered by the net earnings of the bank for the year, derived from the use of the sum so paid by the Secretary.

The aggregate amount of discounts, purchases, loans, advances, and commitments of the Federal Reserve Banks outstanding under the authority of section 13b at any one time may not exceed the surplus of the banks as of July 1, 1934, plus all amounts paid to the banks by the Secretary of the Treasury as above described. (48 Stat. 1105, sec. 1.)

Exceptions to limitation on indebtedness of a national bank. - Section 5202 of the Revised Statutes, made a part of section 13 of the Federal Reserve Act and limiting, with certain exceptions, the total indebtedness of a national bank, was amended by providing that liabilities incurred under the provisions of section 13b of the Federal Reserve Act should be exempt from such limitation. (48 Stat. 1105, sec. 2.)

ACT OF JUNE 19, 1934
(Silver Purchase Act of 1934)

Policy Declaration. - It is hereby declared to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver. (48 Stat. 1178, sec. 2.)

Purchase and Sale of Silver by Secretary of Treasury. - Whenever the proportion of the silver was less than one-fourth of the value of the monetary stocks, the Secretary of the Treasury was authorized to purchase silver upon complying with certain conditions. If the value of silver stocks exceed one-fourth of the value of the monetary stocks, the Secretary of the Treasury was authorized to sell any silver at reasonable rates. (48 Stat. 1178, secs. 3, 4.)

Issuance of Silver Certificates against Silver Purchased. - The Secretary of the Treasury was directed to issue and place into circulation silver certificates not less than the cost of all silver purchased under this Act. All silver certificates were declared to be legal tender and were redeemable upon demand in standard silver dollars. (48 Stat. 1178, sec. 5.)

Regulation of transactions in silver. - This Act authorized the Secretary of the Treasury, with the President's approval, to investigate, regulate, or prohibit the acquisition, importation,

exportation, etc., of silver. (48 Stat. 1178, sec. 6.)

Delivery of silver to Treasury. - This Act authorized the President to require the delivery to the United States mints of all silver to be coined into standard silver dollars or added to the monetary stock, and paid for in standard silver dollars or any other coin or currency of the United States. (48 Stat. 1178, sec. 7.)

ACT OF JUNE 27, 1934
(National Housing Act)

Applicability of restrictions on real estate loans to loans under the Housing Act. - Section 24 of the Federal Reserve Act was amended so as to provide that a loan made by a national bank secured by real estate and insured under the provisions of title II of the National Housing Act shall not be subject to the restriction of that section as to the amount of the loan in relation to the actual value of the real estate or to the limitation of 5 years upon the term of a real estate loan. It also provided that loans made to finance the construction of residential or farm buildings with maturities of not more than 6 months, whether or not secured by a lien on real estate, shall not be considered loans secured by real estate within the meaning of section 24, but that no national bank shall invest in or be liable on any such loans in excess of 50 per cent of its paid-in and unimpaired capital. (48 Stat. 1263, sec. 505.)

Eligibility for rediscount of construction loans. - Section 24 of the Federal Reserve Act was also amended so as to make notes representing loans to finance the construction of residential or farm buildings eligible for rediscount at Federal Reserve Banks for member banks within the terms of the applicable provisions of the Federal Reserve Act relating to rediscounts, if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building, entered into by a person acceptable to the discounting Federal Reserve Bank. (48 Stat. 1263, sec. 505.)

JOINT RESOLUTION OF JUNE 14, 1935

Loans by member banks to executive officers. - Section 22(g) of the Federal Reserve Act was amended to provide that loans made to executive officers prior to June 16, 1933, may be renewed or extended for not more than 5 years from such last-mentioned date where the board of directors of the member bank shall have satisfied themselves that it is in the best interest of the bank and that the officers indebted have made reasonable efforts to reduce their obligations, these findings to be evidenced by resolutions of the board of directors. (49 Stat. 375,)

JOINT RESOLUTION OF JUNE 28, 1935

Extension of time for temporary insurance of bank deposits. - Section 12B of the Federal Reserve Act was amended so as to provide for the extension from July 1, 1935, to August 31, 1935, of the insurance of bank deposits under the Temporary Federal Deposit Insurance Fund. (49 Stat. 435.)

ACT OF AUGUST 23, 1935
(Banking Act of 1935)

Federal deposit insurance. - Section 12B of the Federal Reserve Act relating to insurance of bank deposits by the Federal Deposit Insurance Corporation was completely revised. At the time this act was passed, bank deposits were insured under the provisions of a temporary plan of insurance and, although the law had contained provisions for a permanent plan of insurance, this had not come into effect. This Act set up a new permanent plan of insurance, effective immediately, superseding the existing temporary plan. The supervisory powers of the Federal Deposit Insurance Corporation were increased. Only a few of the most important provisions of this section as revised are noted here. (49 Stat. 684-703.)

Maximum insurance. - In lieu of the previous provisions of the permanent plan of deposit insurance, under which there would have been insured 100 per cent of deposits up to \$10,000, 75 per cent of deposits between \$10,000 and \$50,000, and 50 per cent of deposits above \$50,000, the Act provided that \$5,000 shall be the maximum amount insured for one depositor, conforming in this respect to the amount of deposits insured under the temporary plan of insurance which existed at the time this Act was passed. (49 Stat. 694, subsection (1).) Under the amended law deposits of trust funds were insured to the extent of \$5,000 for each trust estate in addition to the insurance of other deposits owed the trust beneficiary. (49 Stat. 690, subsection (h)(9).)

Assessments. - In lieu of the assessments aggregating not more than 1 per cent of insured deposits to which banks insured under the temporary insurance plan were subject, and of the requirement that banks which were to be insured under the permanent plan purchase stock in the Federal Deposit Insurance Corporation and then be liable for unlimited assessments, insured banks under the plan set up in the Act were subjected to an annual assessment of one-twelfth of 1 per cent of their deposits payable semiannually. (49 Stat. 688, subsection (h)(1).) It was provided that a separate insurance fund for mutual savings banks might be established by the Corporation and for

such separate fund a lower rate of assessment might be provided. (49 Stat. 688 and 694, subsections (h)(1) and (l)(1).)

Payment of interest on deposits, etc. - The Federal Deposit Insurance Corporation was directed to prohibit by regulation the "payment of interest on demand deposits in insured nonmember banks." For that purpose the directors were authorized to define the term "demand deposits"; but such exceptions had to be made to the prohibition as had been made for member banks. The Corporation directors also were required to "limit by regulation the rates of interest or dividends which" might be paid "by insured nonmember banks on time and savings deposits." The directors were required to define "time and savings deposits in an insured nonmember bank" and "prescribe different rates for such payment on time and savings deposits having different maturities, or subject to different conditions respecting withdrawal or repayment, or subject to different conditions by reason of different locations, or according to the varying discount rates of member banks in the several Federal Reserve districts." The regulations must prohibit the payment of any time deposit before maturity, except upon conditions prescribed by the directors, and prohibit the waiving of any requirement of notice before payment of a savings deposit except as to all savings deposits having the same requirement. A penalty of \$100, recoverable by the Corporation, was provided for any violation. (49 Stat. 702, subsection (v)(8).)

Insurance of nonmember banks. - Any nonmember bank of the Federal Reserve System was authorized, under certain conditions, to become an insured bank. (49 Stat. 687, subsection (f)(2).) The insured status of a member bank terminates when it ceases to be a member bank; but for 2 years thereafter the bank remains liable for assessments and retains the insurance on insured deposits held by it when it ceased to be a member bank, less subsequent withdrawals. (49 Stat. 691, subsection (i)(1).) In lieu of the former provisions which would have terminated the insurance of all nonmember banks on July 1, 1937, it was provided that no State bank which during the calendar year 1941 or any succeeding calendar year had average deposits of \$1,000,000 or more should be an insured bank or have any part of its deposits insured after July 1 following the calendar year in which it had such deposits, unless such bank was a member of the Federal Reserve System; but the restriction was made inapplicable to a savings bank, mutual savings bank, Morris Plan bank, or trust company doing no commercial banking business, or to a bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands. (49 Stat. 703, subsection (y)(1).)

Capital requirements of national banks; surplus. - Section 5138 of the Revised Statutes, relating to the capital requirements for the organization of national banks, was amended so as to require such banks, as a condition precedent to beginning business, to have a paid-in surplus equal to 20 per cent of their capital. Provision was made whereby the Comptroller of the Currency was authorized to waive such surplus requirement in the case of a State bank converting into a national bank; but any such converting bank could not declare a dividend until such surplus was acquired. There was also added a provision relating to the retirement of preferred shares by converting State banks. (49. Stat. 709-710, sec. 309.)

Requirements for admission to Federal Reserve System. - A new paragraph was added to section 9 of the Federal Reserve Act so that, in order to facilitate the admission to membership of any State bank which was required to become a member bank in order to be an insured bank, the Board of Governors of the Federal Reserve System might waive in whole or in part the requirements of section 9 relating to the admission of such bank to membership. If such a bank were admitted with capital less than that required for the organization of a national bank in the same place and its capital and surplus were not, in the Board's judgment, adequate in relation to the bank's liabilities to depositors and other creditors, the Board might require such bank to increase its capital and surplus to such amount as the Board might deem necessary within such period as the Board might deem reasonable; but no such bank should be required to increase its capital beyond that required for the organization of a national bank in the same place.

Separation of member bank shares from those of other corporations. - Section 5139 of the Revised Statutes, providing that the stock certificates of national banks should not "represent the stock" of any other corporation except a corporation "engaged solely in holding the bank premises", etc., was changed so that any such certificate should not "bear any statement purporting to represent the stocks" of any other corporation, except a member bank or a corporation "engaged on June 16, 1934, in holding the bank premises"; and the ownership, transfer, etc., of any such certificate was prohibited from being conditioned upon the ownership, transfer, etc., of stock of any corporation, except a member bank or a corporation "engaged on June 16, 1934, in holding the bank premises". The foregoing provisions do not prohibit the ownership, transfer, etc., of the stock of any other corporation being conditioned upon the ownership, transfer, etc., of a member bank stock certificate. The provisions of section 9 of the Federal Reserve Act regarding the stock certificates of State member banks was also amended so as to provide for the separation of the stock of such banks from the stock of other corporations. (49 Stat. 710, sec. 310.)

Federal Reserve Board changed in name and reorganized. - The name of the Federal Reserve Board was changed to "Board of Governors of the Federal Reserve System" and the Board was reorganized to consist of seven members with the Secretary of the Treasury and the Comptroller of the Currency eliminated. The terms were fixed at fourteen years with one expiring every two years. (49 Stat. 704, sec. 203.)

Advances to member banks. - Section 10(b) of the Federal Reserve Act which, prior to its expiration on March 3, 1935, authorized any Federal Reserve Bank, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, to make advances to any member bank on its time or demand notes secured to the satisfaction of such Federal Reserve Bank, was reenacted as permanent law and amended in certain respects. The requirements that such advances be made only "in exceptional and exigent circumstances" and when the member bank could not obtain adequate credit accommodations under other provisions of the Federal Reserve Act were eliminated; and the requirement that such note must bear interest at a rate not less than 1 per cent per annum higher than the highest discount rate in effect at such Federal Reserve Bank on the date of such note was changed to a requirement that the rate of interest must be not less than one-half per cent per annum higher. A provision was added which requires the notes of the member bank to have maturities of not more than 4 months. (49 Stat. 705, sec. 204.)

Regulations relating to investment securities. - Paragraph "Seventh" of section 5136 of the Revised Statutes was amended by eliminating the prohibition against a national bank purchasing and holding more than 10 per cent of a particular issue of investment securities, but the total obligations of one obligor which might be purchased and held by any such bank was reduced from 15 per cent of the bank's paid-in and unimpaired capital and 25 per cent of its unimpaired surplus, to

10 per cent of each. This section was also amended to make it clear that national banks might purchase and sell stocks for the accounts of their customers but not for their own accounts. A further amendment included within the group of securities exempt from the restrictions of such section, obligations insured under section 207 of the National Housing Act if the debentures to be issued in payment of such insured obligations were guaranteed as to principal and interest by the United States. (49 Stat. 709, sec. 308.)

Limitation on loans by member banks on Government obligations. - Section 11(m) of the Federal Reserve Act was amended to place State member banks on a parity with national banks in lending on the security of bonds or notes of the United States issued since April 24, 1917, certificates of indebtedness of the United States, Treasury bills of the United States, or obligations guaranteed as to principal and interest by the United States, by changing the limitation on loans to one individual on such security, from 10 per cent of the bank's unimpaired capital and surplus to 25 per cent thereof, as provided for national banks in section 5200 of the Revised Statutes. (49 Stat. 713, sec. 321.)

Open market operations. - Section 12A of the Federal Reserve Act was amended, effective March 1, 1936, so that instead of the Federal Open Market Committee consisting of one member from each Federal Reserve district, it consists of the seven members of the Board of Governors of the Federal Reserve System and five annually-elected representatives of the Federal Reserve Banks. One of the five Reserve Bank representatives is elected by the directors of the Federal Reserve Banks of Boston and New York; one by the directors of the Federal Reserve Banks of Philadelphia and Cleveland; one by the directors of the Federal Reserve Banks of Chicago and St. Louis; one by the directors of the Federal Reserve Banks of Richmond, Atlanta, and Dallas; and one by the directors of the Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco. An alternate for each representative is elected in the same manner as the representative. The Committee is required to "consider, adopt, and transmit to the several Federal Reserve Banks, regulations relating to the open-market transactions of such banks." Not only were Federal Reserve Banks forbidden to engage in open market operations except in accordance with such regulations, but they also were forbidden to "decline to engage" in such operations except in accordance with the direction of and regulations adopted by the Committee. (49 Stat. 705, sec. 205.)

Indorsement or other security sufficient for Reserve Bank discounts for individuals. - The third paragraph of section 13 of the Federal Reserve Act was amended to require either indorsement or other security, rather than both, for paper discounted by Federal Reserve Banks for individuals or corporations unable to secure adequate credit accommodations from other banks. (49 Stat. 714, sec. 322.)

Purchase and sale of Government obligations and Government guaranteed obligations. - Section 14(b) of the Federal Reserve Act was amended to provide that obligations of the United States and those fully guaranteed as to principal and interest by the United States may be bought and sold without regard to maturities, but only in the open market. (49 Stat. 706, sec. 206(a).)

Discount rates of Reserve Banks. - Section 14(d) of the Federal Reserve Act which provided that Federal Reserve Banks may from time to time establish discount rates, subject to review and determination of the Board of Governors of the Federal Reserve System, was amended to require that each such bank must "establish such rates every 14 days, or oftener if deemed necessary by the Board." (49 Stat. 706, sec. 206(b).)

Reserve requirements of member banks. - Section 19 of the Federal Reserve Act was amended to permit the Board of Governors of the Federal Reserve System to change the reserve requirements of member banks "in order to prevent injurious credit expansion or contraction"; and to eliminate the necessity for first having a declaration, upon the affirmative vote of five Board members and the approval of the President, that "an emergency exists by reason of credit expansion." Reserve requirements may be changed for member banks located in Reserve and central Reserve cities, for member banks not in Reserve or central Reserve cities, or for all member banks; but the affirmative vote of not less than four Board members is required for such a change, and the reserves required of a member bank as a result of such a change may not be less than the requirements on the date of enactment of this Act nor more than twice such requirements. (49 Stat. 706, sec. 207.)

Definition by Board of Governors of various classes of deposits. - The definitions of "demand deposits" and "time deposits" were stricken from section 19 of the Federal Reserve Act and the Board of Governors of the Federal Reserve System was authorized to define for the purposes of the section the terms, "demand deposits", "gross demand deposits", "deposits payable on demand", "time deposits", "savings deposits", and

"trust funds", to determine what is to be deemed a payment of interest and to prescribe regulations to effectuate the purposes of the section; but the term "time deposits" continues to include "savings deposits" for the purposes of the provisions regarding member bank reserve requirements. (49 Stat. 714, sec. 324(a).)

Deduction of "amounts due from banks" in computing reserve requirements. - Section 19 of the Federal Reserve Act was amended so that, for purposes of computing member bank reserves, amounts due from other banks (except Federal Reserve Banks and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States may be deducted from gross demand deposits rather than merely from amounts due to other banks. (49 Stat. 714, sec. 324(b).)

Payment of deposits and interest thereon by member banks. - Section 19 of the Federal Reserve Act was amended to add to the exemptions from the prohibition against the payment of interest by member banks on demand deposits: (1) contracts existing when a bank joins the System, and (2) deposits payable outside the States of the United States and the District of Columbia (rather than merely those payable in foreign countries). The exemption of deposits made on behalf of any State or subdivision thereof as to which interest was required by State law and of deposits made by mutual savings banks, was terminated under the amended law, 2 years after the date of the enactment of this Act; and during this 2-year period there were added to those exemptions deposits made by savings banks and deposits of trust funds on which interest was required by State law. So much of existing law as required the payment of interest on funds deposited by the United States or any territory or possession thereof as was inconsistent with the provisions of section 19 was repealed. The provision authorizing the Board, in limiting the rate of interest which might be paid by member banks on time and savings deposits, to prescribe different rates in different circumstances, was changed to a provision that the Board "shall prescribe different rates for such payment on time and savings deposits having different maturities, or subject to different conditions respecting withdrawal or repayment, or subject to different conditions by reason of different locations, or according to the varying discount rates of member banks in the several Federal Reserve districts." The absolute prohibition against the payment of time deposits before maturity was relaxed to permit such payments under conditions prescribed by the Board; and deposits payable only at offices of member banks located outside the States of the United States and the District of Columbia were exempted from all restrictions on payment before maturity and all restrictions on interest rates. (49 Stat. 714, sec. 324(c).)

Reserves required against Government deposits. - At the end of section 19 of the Federal Reserve Act a new paragraph was added requiring member banks to keep the same reserves against deposits of the United States as against other deposits, thus repealing the contrary provisions of the Liberty Bond Acts. (49 Stat. 715, sec. 324(d).)

Borrowings by executive officers of member banks; elimination of criminal penalty. - Section 22(g) forbidding executive officers of member banks to borrow from their banks was amended by adding a provision giving the Board of Governors of the Federal Reserve System power to remove such officers for violations, in lieu of the provision subjecting such officers to fine or imprisonment. The \$10,000 fine on the bank was eliminated. Such loans as were outstanding on June 16, 1933, might, under the amended law, be extended or renewed until June 16, 1938, if a finding by the bank directors that such renewal was in the bank's interest and that the officer had made reasonable effort to reduce his obligation was spread on the bank's minute book. With the prior approval of a majority of the bank's directors, loans not exceeding \$2,500 from a member bank to an executive officer were permitted. Borrowing by a partnership in which one or more executive officers have individually or collectively a majority interest were specifically included within the prohibition. It was made clear that executive officers may, for the protection of the bank, indorse paper previously taken by it in good faith or may incur indebtedness to the bank for the purpose of protecting the bank against loss or giving financial assistance to it. The Board was given power to define terms used in the section and prescribe regulations to effect its purposes. (49 Stat. 716, sec. 326(c).)

Restrictions on loans to affiliates relaxed. - The exemptions from the limitations of section 23A of the Federal Reserve Act on member banks' loans to affiliates and loans on and investments in the securities of affiliates were broadened so as to include among such exemptions (1) affiliates "engaged on June 16, 1934", in holding the bank premises (the old law required them to be "solely" so engaged) or in maintaining and operating properties acquired for banking purposes prior to that date; (2) wholly owned subsidiaries of foreign banking corporations organized under the Federal Reserve Act; (3) wholly owned subsidiaries of similar corporations in which national banks were authorized to invest under section 25 of the Federal Reserve Act; (4) affiliates engaged solely in holding obligations of, or fully guaranteed as to principal and interest by, the United States (the previous exemption applied only to affiliates holding such direct obligations); (5) affiliates which became such through a bona fide previous debt; and (6) affiliates which are such because their shares are held by the bank as fiduciary (except when the beneficiaries are a majority of the bank's stockholders). The section also was

made inapplicable to affiliate indebtedness arising from the unpaid balance due on assets purchased from the bank, and to loans secured by, or extensions of credit against obligations of, or fully guaranteed as to principal and interest by, the United States. (49 Stat. 717, sec. 327.)

Real estate loans by national banks. - Section 24 of the Federal Reserve Act relating to real estate loans by national banks, was amended to eliminate the requirement that the real estate upon which such loans are made must be located in the bank's Federal Reserve district or within 100 miles of the place in which the bank is located. The requirement that the bank take the entire amount of an obligation secured by real estate was retained as to such an obligation purchased by the bank. The limitation to 50 per cent of the actual value of the property was changed to 50 per cent of the appraised value; and in addition to retaining the exemption of mortgages insured under title II of the National Housing Act from the 5-year limitation on maturities and 50 per cent limitation on appraised values, the amendment permits amortized loans to be made in amounts not exceeding 60 per cent of the appraised value of the real estate and for terms not longer than 10 years if installment payments are sufficient to amortize at least 40 per cent of the principal within 10 years. The permissible aggregate of real estate loans of a national bank was changed from 25 per cent of the bank's paid-in and unimpaired capital and surplus or 50 per cent of its savings deposits, whichever is greater, to 100 per cent of its paid-in and unimpaired capital and surplus or 60 per cent of its time and savings deposits, whichever is greater. (49 Stat, 706, sec. 208.)

Limitation on obligations of one obligor. - Section 5200 of the Revised Statutes, prescribing the limitation on the obligations of one person, etc., to a national bank, was amended so as to make Treasury bills and obligations fully guaranteed both as to principal and interest by the United States, subject to the provisions of the exception from the aforementioned limitation applicable to certificates of indebtedness of the United States. (49 Stat. 713, sec. 321(b).)

Industrial loans relieved of real estate restrictions. - Section 24 of the Federal Reserve Act was amended to exempt from the restrictions of that section on real estate loans, all "working capital" loans to industry in which the Reconstruction Finance Corporation or a Federal Reserve Bank participates or makes a commitment, or which it has discounted, loaned upon, or purchased. (49 Stat. 717, sec. 328.)

Interlocking directorates. - Certain provisions of sections 25 and 25(b) of the Federal Reserve Act regarding interlocking relations between member banks and foreign banking corporations organized under the Federal Reserve Act or in which national banks were authorized to invest under section 25, were repealed. (49 Stat. 717, sec. 329.)

"Accidental" holding company affiliates eliminated. - Section 2(c) of the Banking Act of 1933 was amended to eliminate from all the provisions regarding "holding company affiliates" (except section 23A of the Federal Reserve Act, which deals with a member bank's loans to such affiliates and investments in and loans on the securities of such affiliates), any corporation all the stock of which is owned by the United States or any organization which is "determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies." (49 Stat. 707, sec. 301.)

Cumulative voting clarified; limited voting permits. - Section 5144 of the Revised Statutes was further amended to make it clear that holding company affiliates of national banks which had obtained voting permits were entitled to the right of cumulative voting given other shareholders of such banks by such section, and also to make it clear that the Board might issue limited voting permits (for special purposes) and was not confined to the issuance of general voting permits (for all purposes). (49 Stat. 711, sec. 311(b).)

Interlocking relationships between member banks and securities companies. - Section 32 of the Banking Act of 1933 was rewritten, effective January 1, 1936, to make the prohibitions against interlocking relationships between member banks and securities companies extend to the employees of both such organizations in addition to their officers and directors; and individuals engaged in the securities business were subjected to the same prohibitions as officers, directors, and employees of companies and members of partnerships so engaged. Permission of the Board of Governors of the Federal Reserve System for such interlocking relationships may be given "in limited classes of cases" and by "general regulations" rather than by individual permit. Such relationships may be permitted when they "would not unduly influence the investment policies of such member bank or the advice it gives its customers regarding investments", rather than when they would be "not incompatible with the public interest." The description of the securities businesses in question was changed from those "engaged primarily in the business of purchasing, selling, or negotiating securities" to those "primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate

participation, of stocks, bonds, or other similar securities." The prohibition against correspondent relationships between member banks and securities companies were eliminated. (49 Stat. 709, sec. 307.)

Interlocking bank directorates. - Section 8 of the Clayton Act relating to interlocking bank directorates were rewritten to provide that "no private banker or director, officer, or employee of any member bank of the Federal Reserve System or any branch thereof shall be at the same time a director, officer, or employee of any other bank, banking association, savings bank, or trust company organized under the National Bank Act or organized under laws of any State or of the District of Columbia, or any branch thereof, except that the Board of Governors of the Federal Reserve System may by regulation permit such service as a director, officer, or employee of not more than one other such institution or branch thereof." The authority of the Board to issue permits for interlocking directorates in individual cases was repealed.

However, the prohibition was made inapplicable in the case of (1) a bank of which more than 90 per cent of the stock is owned by the United States or by any corporation of which the United States owns more than 90 per cent of the stock; (2) a bank formally in liquidation or receivership; (3) a corporation principally engaged in foreign banking which has entered into an agreement with the Board pursuant to section 25 of the Federal Reserve Act; (4) a bank of which more than 50 per cent of the common stock is owned by persons who own more than 50 per cent of the common stock of the member banks; (5) a bank not located and having no branch in the same place where the member bank or branch thereof is located, or in a place contiguous or adjacent thereto; (6) a bank not engaged in a class or classes of business in which the member bank is engaged; and (7) a mutual savings bank having no capital stock. Until February 1, 1939, the amended section was not to affect the service of any director, officer, or employee of any member bank or branch thereof who was lawfully serving on the date the amendment was enacted.

Section 8A of the Clayton Act, which had been added by the Banking Act of 1933 and which restricted interlocking relationships between banks organized or operating under Federal law and institutions which "make loans secured by stock or bond collateral", was repealed. (49 Stat. 718, sec. 329.)

JOINT RESOLUTION OF APRIL 21, 1936

Loans by Federal Deposit Insurance Corporation upon assets of insured banks. - Section 12B of the Federal Reserve Act was amended to extend until July 1, 1938, the period in which the Federal Deposit Insurance Corporation might make loans, under certain conditions, upon the assets of an open or closed insured bank, purchase such assets, or guarantee any other insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an insured bank. Such action might be taken if in the judgment of the Corporation it would reduce the risk or avert a threatened loss to the Corporation and would facilitate a merger or consolidation of an insured bank with another insured bank, or would facilitate the sale of the assets of an insured bank to and assumption of its liabilities by another insured bank. (49 Stat. 1237, Ch. 244.)

ACT OF MARCH 1, 1937

United States obligations as security for Federal Reserve notes. - Under section 16 of the Federal Reserve Act the authority of the Board of Governors of the Federal Reserve System to permit the use of direct obligations of the United States as collateral security for Federal Reserve notes, which would have expired on March 3, 1937, was extended until June 30, 1939. (50 Stat. 23, Ch. 20.)

ACT OF FEBRUARY 3, 1938

National mortgage association obligations. - Section 5136 of the Revised Statutes was amended so as to include among the obligations excepted from the limitations relating to dealing in securities by banks, obligations of national mortgage associations. (52 Stat. 26, sec. 13.)

ACT OF APRIL 25, 1938

Loans to executive officers. - Section 22(g) of the Federal Reserve Act was amended by striking out the word "five" in the first sentence thereof and inserting the word "six" in its place. Under this amendment, loans made to an executive officer of a member bank prior to June 16, 1933, might be renewed or extended for periods expiring not later than June 16, 1939, subject to the other conditions stated in the law. (52 Stat. 223, Ch. 173.)

JOINT RESOLUTION OF JUNE 16, 1938

Loans and purchases by Federal Deposit Insurance Corporation. - Section 12B of the Federal Reserve Act was amended so as to make permanent the authority of the Federal Deposit Insurance Corporation to make loans to, or purchase assets from insured banks in order to facilitate mergers or consolidations and reduce or avert threatened losses to the Corporation. (52 Stat. 767, Ch. 489.)

ACT OF JUNE 20, 1939

Membership in Federal Reserve System of insured banks. - Section 12B(y)(1) of the Federal Reserve Act was repealed. The effect of this amendment was to remove the requirement that all State banks having average deposits of \$1,000,000 or more during the calendar year 1941 or any succeeding calendar year must be members of the Federal Reserve System in order to have their deposits insured by the Federal Deposit Insurance Corporation. (53 Stat. 842)

Loans to executive officers. - Section 22(g) of the Federal Reserve Act was amended by extending for five years from June 16, 1939, the period within which loans made to executive officers of member banks prior to June 16, 1933, may be renewed or extended subject to the other conditions named in the law. (53 Stat. 842)

ACT OF JUNE 30, 1939

Obligations of the United States as collateral for Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so as to extend until June 30, 1941, the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes. (53 Stat. 991)

ACT OF JULY 6, 1939

Coinage and sale of silver. - This Act provided that any silver submitted to any United States mint must be received for coinage if it has been mined subsequent to July 1, 1939, from natural deposits in the United States. The Director of the Mint shall deduct 45 per cent as seigniorage and coin the balance into silver dollars to be delivered to the owner. The deducted 45 per cent shall be retained as bullion or coined into silver dollars. (53 Stat. 998, sec. 4.)

ACT OF MAY 7, 1940

Expansion of Presidential power to investigate, regulate or prohibit "transfers of credit". - Certain technical and qualifying amendments were made to section 5(b) of the Trading With the Enemy Act of October 6, 1917, as amended. This amendment was for the purpose of clarifying the President's authority to regulate transactions and funds or other property in which foreign countries or their nationals have an interest. (Pursuant to the authority given him by section 5(b) of this Act, as amended, the President, having declared that a national emergency existed on May 27, 1941, by Executive Order 8843 issued on August 9, 1941, authorized the Board of Governors of the Federal Reserve System to regulate consumer credit.) (54 Stat. 179.)

ACT OF MARCH 28, 1941

National bank real estate loans secured by defense housing insured mortgages. - Section 24 of the Federal Reserve Act was amended so as to exempt defense housing insured mortgages from the limitations of that section on the amounts and maturities of real estate loans which may be made by national banks. (55 Stat. 55, 62.)

ACT OF APRIL 7, 1941

Foreign accounts in Federal Reserve Banks. - Section 14(e) of the Federal Reserve Act was amended so as to make it clear that Federal Reserve Banks may open and maintain banking accounts for foreign banks or bankers or for foreign governments without having to establish accounts with such foreign banks, bankers, or governments, or to appoint them as the correspondents or agents of the Federal Reserve Banks. (55 Stat. 131.)

ACT OF JUNE 30, 1941

Government obligations as collateral for Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so that the authority of the Board of Governors of the Federal Reserve System to permit direct obligations of the United States to be used as collateral for Federal Reserve notes, which would have expired on June 30, 1941, was extended until June 30, 1943. (55 Stat. 395)

ACT OF DECEMBER 18, 1941

Expansion of Presidential power to investigate, regulate or prohibit "transfers of credit". Certain technical and clarifying changes were made in the language of section 5(b) of the Trading with the Enemy Act of October 6, 1917, as amended. (55 Stat. 839)

ACT OF MARCH 27, 1942
(Second War Powers Act)

Purchases of Government obligations by Reserve Banks directly from United States. - Section 14(b) of the Federal Reserve Act was amended so as to authorize the purchase or sale by the Federal Reserve Banks either in the open market or directly from or to the United States, of bonds, notes, or other obligations which are direct obligations of the United States, or which are fully guaranteed by the United States as to principal and interest, but limited the aggregate amount acquired directly from the United States and held at any one time by the twelve Reserve Banks to an amount not exceeding 5 billion dollars. (During World War I and until 1935, Federal Reserve Banks had authority to make purchases of Government securities directly from the Government. In 1935, the purchase of Government securities was restricted to the open market. This amendment again authorized the Federal Reserve Banks to purchase securities directly from the Government instead of limiting such purchases to the open market, but limited such direct purchases to 5 billion dollars.) December 31, 1944, or such earlier date as the President or Congress by concurrent resolution may designate, was fixed as the expiration date for this authority. (56 Stat. 180)

ACT OF JUNE 11, 1942

Nonmember banks as depositaries of United States. - The provision of section 15 of the Federal Reserve Act, which provides that Government funds shall not be deposited in any bank not belonging to the Federal Reserve System, was in effect amended by authorizing the Secretary of the Treasury to designate any insured bank as a depositary of public money and repealing all acts in conflict therewith. (56 Stat. 351, 356)

ACT OF JULY 7, 1942

Membership of Federal Open Market Committee. - Section 12A of the Federal Reserve Act was amended to provide for a regrouping of the Federal Reserve Banks for the purpose of electing representative members of the Federal Open Market Committee (which is composed of the members of the Board of Governors and five representatives of the Federal Reserve Banks). (56 Stat. 647)

Reserves required of member banks. - Section 19 of the Federal Reserve Act was amended so as to authorize the Board of Governors of the Federal Reserve System to change the reserve requirements of member banks in central reserve cities, within the limitations of the law, without necessarily making a change in reserve requirements of member banks in reserve cities. (56 Stat. 647)

Loans or dividends while reserves deficient. - Section 19 of the Federal Reserve Act was amended by repealing the provision which prohibits member banks from making new loans or paying dividends while their reserves are deficient. (56 Stat. 647)

ACT OF APRIL 13, 1943

War loan deposit accounts. - Section 12B of the Federal Reserve Act was amended so as to make it unnecessary for insured banks, until six months after the cessation of hostilities, to pay deposit insurance assessments on balances to the credit of the United States Treasury arising solely as a result of subscriptions for United States securities issued under the Second Liberty Bond Act, as amended. Section 19 of the Federal Reserve Act was also amended so as to exempt member banks for the same period from the necessity of maintaining reserves with the Federal Reserve Banks against deposits payable to the United States arising solely as a result of subscriptions for such securities. (57 Stat. 65)

ACT OF APRIL 29, 1943

Stabilization Fund. - The time within which the President may exercise his powers relating to the Stabilization Fund under the Gold Reserve Act of 1934, which would have expired on June 30, 1943, was extended until June 30, 1945, and a new provision was added which, according to the report of the Committee on Coinage, Weights and Measures of the House of Representatives "will carry out the view expressed by the Secretary of the Treasury that the Stabilization Fund should not be included in any international fund without the approval of the Congress." (57 Stat. 68)

ACT OF MAY 25, 1943

Government obligations as collateral for Federal Reserve notes.- Section 16 of the Federal Reserve Act was amended so that the authority of the Board of Governors of the Federal Reserve System to permit direct obligations of the United States to be used as collateral for Federal Reserve notes, which would have expired on June 30, 1943, was extended until June 30, 1945. (57 Stat. 65.)

ACT OF DECEMBER 20, 1944

Purchase of Government obligations directly from the United States. - The authority of the Federal Reserve Banks under section 14(b) of the Federal Reserve Act, to purchase United States obligations directly from the United States, which would have expired on December 31, 1944, was extended until December 31, 1945. (58 Stat. 827.)

ACT OF JUNE 12, 1945

Reserves of Federal Reserve Banks. - Section 16 of the Federal Reserve Act was amended so as to reduce the reserve requirements of the Federal Reserve Banks from 35 per centum against its deposit liabilities and 40 per centum against its Federal Reserve notes in actual circulation to a uniform amount of 25 per cent in gold certificates. Section 11(c) of the Federal Reserve Act was amended so as to reduce correspondingly the graduated tax to be prescribed by the Board whenever reserves against Federal Reserve notes fall below the statutory limitation. (59 Stat. 237.)

Government obligations as collateral for Federal Reserve notes. - Section 16 of the Federal Reserve Act was amended so as to extend indefinitely the authority of the Board of Governors of the Federal Reserve System to permit direct obligations of the United States to be used as collateral for Federal Reserve notes. (59 Stat. 237.)

Termination of authority to issue Federal Reserve Bank notes. - All power and authority with respect to the issuance of Federal Reserve Bank notes under section 18 of the Federal Reserve Act was terminated on the date of enactment of this Act. (59 Stat. 237.)

Termination of authority to issue United States notes. - All power and authority of the President and the Secretary of the Treasury under the Act of May 12, 1933 with respect to the issuance of United States notes terminated on the date of enactment of this Act. (59 Stat. 237.)

ACTS OF DECEMBER 28, 1945

Veterans' guaranteed real estate loans by national banks. - Certain limitations contained in section 24 of the Federal Reserve Act upon real estate loans by national banks were, in effect, set aside by this Act insofar as they relate to loans to veterans guaranteed under the Servicemen's Readjustment Act of 1944. (59 Stat. 626.)

Purchase of Government obligations directly from the United States. - The authority of the Federal Reserve Banks under section 14(b) of the Federal Reserve Act, to purchase United States obligations directly from the United States, which would have expired on December 31, 1945, was extended until June 30, 1946. (59 Stat. 658.)

ACT OF JUNE 29, 1946

Purchase of Government obligations directly from the United States. - The authority of the Federal Reserve Banks under section 14(b) of the Federal Reserve Act to purchase United States obligations directly from the United States, which would have expired on June 30, 1946, was extended until March 31, 1947. (60 Stat. 345.)

ACT OF JULY 31, 1946

Industrial use of silver held or owned by United States. - The Secretary of the Treasury was authorized to sell or lease for manufacturing or industrial use to any person any silver owned by the United States at not less than 90.5 cents per fine troy ounce. The Secretary of the Treasury must maintain an amount of silver equal to the value of all outstanding silver certificates issued by him under this arrangement. (60 Stat. 750)

Seigniorage changed. - The Mints were directed to deduct 30 per cent instead of 45 per cent as seigniorage on silver mined after July 1, 1946. (60 Stat. 750.)

ACT OF AUGUST 14, 1946

National bank real estate loans secured by farm tenant insured mortgages. - Section 24 of the Federal Reserve Act was amended so as to exempt loans for the purpose of enabling farm tenants to acquire farms when such loans are insured under the Bankhead-Jones Farm Tenant Act, from the limitations with respect to the amounts and maturities of real estate loans which may be made by national banks. (60 Stat. 1079.)

ACT OF APRIL 28, 1947

Purchase of Government obligations directly from the United States. - The authority of the Federal Reserve Banks under section 14(b) of the Federal Reserve Act to purchase United States obligations directly from the United States, which had expired on March 31, 1947, was extended until July 1, 1950. (61 Stat. 56.)

JOINT RESOLUTION OF AUGUST 8, 1947

Consumer Credit. - The authority of the Board of Governors of the Federal Reserve System to exercise regulatory control of consumer credit pursuant to Executive Order No. 8843 was continued for a temporary period, but such control shall not be exercised after November 1, 1947, except during the time of war beginning after the enactment of the joint resolution or a national emergency subsequently declared by the President. (60 Stat. 921.)

ACT OF MAY 25, 1948

National bank real estate loans in which Reconstruction Finance Corporation participates. - Section 24 of the Federal Reserve Act was amended so as to exempt loans made to established industrial or commercial businesses in which the RFC cooperates or purchases a participation, from the limitations with respect to the amounts and maturities of real estate loans which may be made by national banks. The purpose of this amendment was to continue in effect a similar exception previously provided in the law which had been eliminated when the Reconstruction Finance Corporation Act was completely revised. (62 Stat. 265.)

JOINT RESOLUTION OF AUGUST 16, 1948

Consumer instalment credit. - The authority of the Board of Governors of the Federal Reserve System to regulate consumer credit, in accordance with Executive Order No. 8843, which had terminated on November 1, 1947, was extended for a period ending June 30, 1949, insofar as it relates to instalment credit. (62 Stat. 1291.)

Reserves of member banks. - Section 19 of the Federal Reserve Act was amended to authorize the Board of Governors of the Federal Reserve System to increase the reserves required to be maintained by member banks, during a period ending June 30, 1949, to a maximum of 7-1/2 per cent against time deposits, and to not more than 30 per cent for central reserve city banks, 24 per cent for reserve city banks, and 18 per cent for other member banks, against demand deposits. (62 Stat. 1291.)

ACT OF JUNE 29, 1949

Dealings in international bank obligations. - Section 5136 of the Revised Statutes of the United States was amended so as to remove restrictions upon national banks and state member banks with respect to dealing in and underwriting obligations issued by the International Bank for Reconstruction and Development, subject to the limitation that a bank's holding of such obligations shall not exceed 10 per cent of its capital and surplus. (63 Stat. 298.)

ACT OF JULY 15, 1949
(Housing Act of 1949)

Dealings in housing obligations. - Section 5136 of the Revised Statutes of the United States was amended so as to remove restrictions upon national banks and State member banks with respect to dealing in, underwriting, and purchasing for their own accounts certain obligations

of local public agencies and public housing agencies secured by agreements with Federal Housing authorities. Section 5200 of the Revised Statutes was also amended to provide that the limitations upon loans by a national bank to any one borrower shall not apply to similar obligations of such agencies. (63 Stat. 439.)

ACT OF OCTOBER 25, 1949

National bank real estate loans on long-term leaseholds. - Section 24 of the Federal Reserve Act, relating to real estate loans by national banks, was amended to permit such banks to make loans on certain types of long-term leaseholds under rules and regulations prescribed by the Comptroller of the Currency, and also to permit them to finance the construction of military rental housing under Title VIII of the National Housing Act. (63 Stat. 906.)

ACT OF APRIL 20, 1950
(Housing Act of 1950)

National bank real estate loans for low cost housing. - Section 24 of the Federal Reserve Act was amended so as to exempt loans for low cost homes which are insured under the National Housing Act from the limitations with respect to the amounts and maturities of real estate loans which may be made by national banks. (Pub. Law 475, 81st Cong.)

ACT OF JUNE 30, 1950

Purchase of Government obligations directly from the United States. - The authority of the Federal Reserve Banks under section 14(b) of the Federal Reserve Act to purchase United States obligations directly from the United States which would have expired on June 30, 1950, was extended until June 30, 1952. (Pub. Law 589, 81st Cong.)

ACT OF AUGUST 17, 1950

Conversion of national banks. - National banking associations were authorized to convert into, and to merge or consolidate with, State banks. (Pub. Law 706, 81st Cong.)

Reductions in capital or surplus of converting or merging banks. - Section 12B of the Federal Reserve Act was amended to provide that when an insured bank converts into, or consolidates or merges with, an insured State bank, the prior written consent of the appropriate Federal supervisory banking agency must be obtained if the capital stock or surplus of the resulting bank will be less than that of the converting bank or less than the aggregate capital stock or surplus, respectively, of the consolidating or merging banks. (Pub. Law 706, 81st Cong.)

ACT OF SEPTEMBER 8, 1950
(Defense Production Act of 1950)

Guarantees of Defense Production Loans. - This Act provided authority for guarantees of defense production loans by the Military Departments and certain other procurement agencies of the Government designated by the President. Pursuant thereto, the President by Executive Order 10161 of September 9, 1950, authorized the Federal Reserve Banks to act as fiscal agents on behalf of the guaranteeing agencies under the supervision of the Board of Governors of the Federal Reserve System, and delegated to the Board authority to prescribe regulations, fix rates and fees, and prescribe forms and procedures to be followed in connection with such guarantees. (Pub. Law 774, 81st Cong., sec. 301)

Voluntary credit restraint. - This Act authorized the President to encourage financial institutions to enter into voluntary agreements and programs to restrain credit, which will further the objectives of the Act. No action under such an agreement or program shall be construed to be within the prohibitions of the antitrust laws. By Executive Order 10161 of September 9, 1950, the President delegated to the Board of Governors his authority with respect to financing under this section of the Act. (Pub Law 774, 81st Cong., sec. 708)

Consumer credit control - This Act authorized the Board of Governors to exercise, until June 30, 1951, consumer credit controls in accordance with and to carry out the provisions of Executive Order 8843 of August 9, 1941. (Pub. Law 774, 81st Cong., sec. 601)

Real estate credit control. - This Act authorized the President to prescribe regulations with respect to the kinds of real estate construction credit which may be extended in order to prevent or reduce excessive or untimely use of or fluctuations in such credit. In carrying out this provision, the President was authorized to utilize the Federal Reserve System and, pursuant thereto, by Executive Order No. 10161 of September 9, 1950, designated the Board of Governors as the administrative agency. (Pub. Law 774, 81st. Cong., sec. 602)

ACT OF SEPTEMBER 21, 1950
(Federal Deposit Insurance Corporation Act)

By this Act the law pertaining to the insurance of bank deposits, which was originally section 12B of the Federal Reserve Act, was withdrawn and made the Federal Deposit Insurance Act. This Act modified the insurance program in two principal ways: it increased the deposit insurance coverage from \$5,000 to \$10,000 and it reduced the net cost of deposit insurance to the insured banks. It also simplified the manner in which the assessment liability is computed. In addition to these major features, the Act provided for a number of minor and technical changes in deposit insurance law. (Pub. Law 797, 81st. Cong.)