

LOANS TO INDUSTRY

MAY 21, 1934.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. PRALL, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 3487]

The Committee on Banking and Currency, to whom was referred the bill (S. 3487) relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill do pass as amended. Said amendment is as follows:

Strike out all after the enacting clause of said bill, S. 3487, and insert in lieu thereof the following:

That (a) section 882 of the Revised Statutes (U.S.C., title 28, sec. 661) is amended to read as follows:

“Sec. 882. (a) Copies of any books, records, papers, or other documents in any of the executive departments, or of any corporation all of the stock of which is beneficially owned by the United States, either directly or indirectly, shall be admitted in evidence equally with the originals thereof, when duly authenticated under the seal of such department or corporation, respectively.

“(b) Books or records of account in whatever form, and minutes (or portions thereof) of proceedings, of any such executive department or corporation, or copies of such books, records, or minutes authenticated under the seal of such department or corporation, shall be admissible as evidence of any act, transaction, occurrence, or event as a memorandum of which such books, records, or minutes were kept or made.

“(c) The seal of any such executive department or corporation shall be judicially noticed.”

(b) Section 4 of the Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, sec. 604), is amended by inserting immediately before the semicolon following the words “corporate seal” a comma and the words “which shall be judicially noticed”.

Sec. 2. Section 1001 of the Revised Statutes, as amended (U.S.C., title 28, sec. 870), is amended by inserting immediately after the word “Government” the following: “or any corporation all the stock of which is beneficially owned by the United States, either directly or indirectly”.

Sec. 3. The Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, ch. 14), is further amended by inserting after section 5a thereof the following new section:

“Sec. 5b. Notwithstanding any other provision of law—

“(1) The maturity of drafts or bills of exchange which may be accepted by the Corporation under section 5a of this Act, and the period for which the Corpora-

tion may make loans or advances under sections 201 (c) and 201 (d) of the Emergency Relief and Construction Act of 1932, as amended, and under section 5 of this Act, may be five years, or any shorter period, from February 1, 1935: *Provided*, That in respect of loans or advances under such section 5 to railroads, railways, and receivers or trustees thereof, the Corporation may require as a condition of making any such loan or advance for a period longer than three years that such arrangements be made for the reduction or amortization of the indebtedness of the railroad or railway, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

"(2) The Corporation may at any time, or from time to time, extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935: *Provided*, That the time of payment of loans or advances to railroads, railways, and receivers or trustees thereof, shall not be so extended except with the prior approval of the Interstate Commerce Commission, and, in the case of a loan to a railroad or railway, with the prior certification of the Interstate Commerce Commission that the railroad or railways is not in need of financial reorganization in the public interest.

"(3) In connection with the reorganization under section 77 of the Federal Bankruptcy Act, approved July 1, 1898, as amended, or with receivership proceedings in a court or courts, of any railroad or railway indebted to the Corporation, or of any railroad or railway the receivers or trustees of which are indebted to the Corporation, the Corporation may, with the prior approval of the Interstate Commerce Commission, adjust or compromise its claim against such railroad or railway, or any such receiver or trustee, by accepting, in connection with any such reorganization or receivership proceedings and in exchange for securities or any part thereof then held, new securities which may have such terms as to interest, maturity, and otherwise as may be approved by the Corporation, or part cash and part new securities so approved: *Provided*, That any such adjustment or compromise shall not be made on less favorable terms than those provided in the reorganization of the railroad or railway for holders of claims of the same class and rank as the claim of the Corporation."

SEC. 4. Section 301 of the National Industrial Recovery Act (U.S.C., Supp. VII, title 40, sec. 412) is amended by inserting before the period at the end thereof a colon and the following: "*Provided further*, That in connection with any loan or contract or any commitment to make a loan entered into by the Reconstruction Finance Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment; and the Corporation may disburse funds to the borrower thereunder, at any time prior to January 23, 1939, notwithstanding any provisions to the contrary contained in this section or in section 201 (h) of the Emergency Relief and Construction Act of 1932, as amended: *Provided further*, That any such further loans shall be made subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, with respect to the loans authorized by section 201 (a) (1) of said Act."

SEC. 5. Notwithstanding any limitations on its power, the Reconstruction Finance Corporation, upon request of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, may adjust the maturities of any obligations of such borrower now held by it, or hereafter acquired by it under lawful commitments, to such periods as may in the discretion of the Reconstruction Finance Corporation be proper, but such adjustment shall not extend any such maturity to more than twenty years from the advancing of the sum or sums evidenced thereby.

SEC. 6. Section 36 of the Emergency Farm Mortgage Act of 1933, as amended (U.S.C., Supp. VII, title 43, sec. 403), is amended as follows:

(1) By striking from the first sentence thereof "\$50,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts" and inserting in lieu thereof "\$125,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations".

(2) By striking from the second sentence thereof "district or political subdivision" and inserting in lieu thereof "district, political subdivision, company, or association".

(3) By amending clause (4) thereof to read as follows:

"(4) the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amounts by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provision for such reasonable reserves as may be approved by the Corporation; and".

(4) By adding at the end thereof the following new paragraph:

"When any loan is authorized pursuant to the provisions of this section and it shall then or thereafter appear that repairs and necessary extensions or improvements to the project of such district, political subdivision, company, or association are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan, and if it shall also appear that such repairs and necessary extensions or improvements are not designed to bring new lands into production, the Corporation, within the limitation as to total amount provided in this section, may make an additional loan or loans to such district, political subdivision, company, or association for such purpose or purposes. When application therefor shall have been made by any such district, political subdivision, company, or association any loan authorized by this section may be made either to such district, political subdivision, company, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateralized by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association."

SEC. 7. (a) Sections 2 and 3 of the Act entitled "An Act to authorize the Reconstruction Finance Corporation to subscribe for preferred stock and purchase the capital notes of insurance companies, and for other purposes", approved June 10, 1933, as amended (U.S.C., Supp. VII, title 15, secs. 605f and 605g), are amended to read as follows:

"SEC. 2. In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than twenty days, or if the insurance company is a mutual organization without capital stock, the Reconstruction Finance Corporation is authorized for the purposes of this Act to purchase the legally-issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

"SEC. 3. The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company, (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: *Provided*, That the Corporation may make loans upon said preferred stock or capital notes, or other forms or forms of indebtedness permitted by the laws of the State under which said applicant is organized, if, in its opinion, such loans will be adequately secured by said stock or capital notes or other form or forms of indebtedness and/or such other forms of security as the Corporation may require, (2) if at the time of such subscription, purchase, or loan any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates, and (3) unless at such time, the insurance company agrees to the satisfaction of the Corporation that while any part of the preferred stock, notes, bonds, or debentures (or, in the case of a mutual insurance company, other form or forms of indebtedness permitted by the laws of the State under which the company is organized) of such insurance company is held by the Corporation, the insurance company, except with the consent of the Corporation, will not (a) increase the compensation received by any of its

officers, directors, or employees from the insurance company and/or any of its affiliates, and in no event increase any such compensation to an amount exceeding \$17,500 per annum, or (b) retire any of its stock, notes, bonds, debentures, or other forms of indebtedness issued for capital purposes. For the purposes of this section, the term 'compensation' includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services."

(b) Section 11 of such Act of June 10 1933, as amended (U.S.C., Supp. VII, title 15, sec. 6051), is amended by adding at the end thereof the following new sentence: "As used in this section and in sections 1, 2, and 3 of this Act, the term 'State' means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia."

Sec. 8. The Reconstruction Finance Corporation is authorized and empowered to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools.

Sec. 9. The Reconstruction Finance Corporation is authorized and empowered to make loans upon adequate security, based on mineral acreage to recognized and established incorporated agencies engaged in the business of mining, milling, or smelting of ores.

Sec. 10. The Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, ch. 14), is amended by inserting before section 6 thereof the following new section:

"Sec. 5c. With the approval of the President, the Corporation is authorized and directed, notwithstanding any other provisions of law, to establish or to utilize export or import trading and banking corporations in which the United States shall own, directly or indirectly, the entire beneficial interest, and to subscribe for and purchase the common and preferred stock and obligations thereof, for the purpose of aiding in financing and facilitating exports and imports between the United States and other nations or the agencies or nationals of either of them."

Sec. 11. The Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, ch. 14), is amended by inserting before section 6 thereof the following new section:

"Sec. 5d. For the purpose of maintaining and increasing the employment of labor when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks or the Federal Reserve bank of the district in which the applicant is located, the Corporation is authorized and empowered to make loans to any industrial or commercial business established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed \$100,000.

"The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date."

Sec. 12. The Federal Reserve Act, as amended, is amended by adding after section 13a thereof a new section reading as follows:

"Sec. 13b. When it appears to the satisfaction of a Federal Reserve bank that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Federal Reserve bank, pursuant to authority granted by the Federal Reserve Board, may make loans to, or purchase obligations of, such business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with capital, but no obligation shall be acquired or commitment made hereunder with a maturity exceeding five years.

"Each Federal Reserve bank shall also have power to discount for, or purchase from, any bank, trust company, mortgage company, credit corporation for

industry, or other financing institution operating in its district, obligations having maturities not exceeding five years, entered into for the purpose of obtaining capital for any such established industrial or commercial business; to make loans or advances direct to any such financing institution on the security of such obligations; and to make commitments with regard to such discount or purchase of obligations or with respect to such loans or advances on the security thereof, including commitments made in advance of the actual undertaking of such obligations. Each such financing institution shall obligate itself to the satisfaction of the Federal Reserve bank for at least 20 per centum of any loss which may be sustained by such bank upon any of the obligations acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with regulations of the Federal Reserve Board: *Provided*, That in lieu of such obligation against loss any such financing institution may advance at least 20 per centum of such capital for any established industrial or commercial business without obligating itself to the Federal Reserve bank against loss on the amount advanced by the Federal Reserve bank: *Provided, however*, That such advances by the financing institution and the Federal Reserve bank shall be considered as one advance, and repayment shall be made pro rata under such regulations as the Federal Reserve Board may prescribe.

"The aggregate amount of loans, advances, and commitments of the Federal Reserve banks outstanding under this section at any one time, plus the amount of purchases and discounts under this section held at the same time, shall not exceed the combined surplus of the Federal Reserve banks as of July 1, 1934, and all operations of the Federal Reserve banks under this section shall be subject to such regulations as the Federal Reserve Board may prescribe.

"For the purpose of aiding the Federal Reserve banks in carrying out the provisions of this section, there is hereby established in each Federal Reserve district an industrial advisory committee, to be appointed by the Federal Reserve bank subject to the approval and regulations of the Federal Reserve Board, and to be composed of not less than three nor more than five members as determined by the Federal Reserve Board. Each member of such committee shall be actively engaged in some industrial pursuit within the Federal Reserve district in which the committee is established, and each such member shall serve without compensation but shall be entitled to receive from the Federal Reserve bank of such district his necessary expenses while engaged in the business of the committee, or a per diem allowance in lieu thereof to be fixed by the Federal Reserve Board. Each application for any such loan, advance, purchase, discount, or commitment shall be submitted to the appropriate committee and, after an examination by it of the business with respect to which the application is made, the application shall be transmitted to the Federal Reserve bank, together with the recommendation of the committee."

Sec. 13. Section 5202 of the Revised Statutes of the United States, as amended, is hereby amended by adding at the end thereof the following new paragraph: "Tenth. Liabilities incurred under the provisions of section 13b of the Federal Reserve Act."

Sec. 14. Section 22 of the Federal Reserve Act is amended by adding at the end thereof the following new paragraphs:

"(h) Whoever makes any material statement, knowing it to be false, or whoever willfully overvalues any security, for the purpose of influencing in any way the action of a Federal Reserve bank upon any application, commitment, advance, discount, purchase, or loan, or any extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

"(i) Whoever, being connected in any capacity with a Federal Reserve bank (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged or otherwise entrusted to it, or (2) with intent to defraud any Federal Reserve bank, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to a Federal Reserve bank, or, without being duly authorized, draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

"(j) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States, insofar as applicable, are extended to apply to contracts or agreements of any Federal Reserve bank under this Act, which, for the

purposes hereof, shall be held to include advances, loans, discounts, purchase, and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

"(k) It shall be unlawful for any person to stipulate for or give or receive, or consent or agree to give or receive, any fee, commission, bonus, or thing of value for procuring or endeavoring to procure from any Federal Reserve bank any advance, loan, or extension of credit or discount or purchase of any obligation or commitment with respect thereto, either directly from such Federal Reserve bank or indirectly through any financing institution, unless such fee, commission, bonus, or thing of value and all material facts with respect to the arrangement or understanding therefor shall be disclosed in writing in the application or request for such advance, loan, extension of credit, discount, purchase, or commitment. Any violation of the provisions of this paragraph shall be punishable by imprisonment for not more than one year or by a fine of not exceeding \$5,000, or both. If a director, officer, employee, or agent of any Federal Reserve bank shall knowingly violate this paragraph, he shall be held liable in his personal and individual capacity for any loss or damage sustained by such Federal Reserve bank in consequence of such violation."

PROVISIONS OF THE HOUSE AMENDMENT—THE RECONSTRUCTION FINANCE CORPORATION

Section 1 gives the right to corporations wholly owned by the United States, already possessed by the executive departments, to introduce their records in evidence when authenticated under their seals, and amends the Reconstruction Finance Corporation Act to provide for judicial notice of its seal.

Section 2 relieves the Reconstruction Finance Corporation from the requirement of executing appeal bonds in Federal courts.

Section 3 permits the Reconstruction Finance Corporation to make loans or renewals to mature not later than 5 years from January 31, 1935; and provides for acceptance of securities of railroads in reorganization under the Railroad Bankruptcy Act, or in receiverships, of a class different from the securities which the Reconstruction Finance Corporation now holds. This will enable the Reconstruction Finance Corporation to cooperate with other creditors in such reorganization.

Section 4 enables the Reconstruction Finance Corporation to make additional loans to complete and enlarge self-liquidating projects upon which it has already made loans.

Section 5 enables the Reconstruction Finance Corporation, upon request of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, to adjust the maturities of the obligations of such borrower up to 20 years from the date the sums evidenced by such obligations were advanced.

Section 6 increases the amount of funds which may be used for reorganizing drainage and irrigation districts from \$50,000,000 to \$125,000,000; provides certain powers for protecting investments in case of damage to such projects, changes mechanics of loans, and extends the benefits of section 36 of the Emergency Farm Mortgage Act of 1933, as amended (relating to loans to agricultural improvement districts), so as to include "mutual nonprofit companies and incorporated water users' associations", and in addition provides for loans for repairs or improvements by districts, companies, or associations, etc.

Section 7 amends the act authorizing the Reconstruction Finance Corporation to subscribe for preferred stock and purchase capital notes of insurance companies to enable it more readily to perform the same service for mutual insurance companies, and amends a provision

that forbids an insurance company to which the Reconstruction Finance Corporation makes loans or in which the Reconstruction Finance Corporation owns stock to increase the salary of any employee during the term of this indebtedness. The maximum limitation of \$17,500 is retained. At the present time no company can increase the salary of a clerk so long as the Reconstruction Finance Corporation owns stock.

Section 8 authorizes the Reconstruction Finance Corporation to make loans upon full and adequate security to defray the cost of organizing farmers' cooperative mineral-rights pools not engaged in drilling or mining operations.

Section 9 authorizes the Reconstruction Finance Corporation to make loans, upon adequate security, to established incorporated agencies engaged in mining, smelting, or milling of ores.

Section 10 is designed to permit the Reconstruction Finance Corporation to aid in financing and to facilitate exports and imports and the exchange of commodities between this and other nations by the establishment and financing of necessary trading agencies or banking corporations wholly owned by the United States.

LOANS TO INDUSTRY BY THE RECONSTRUCTION FINANCE CORPORATION

Section 11 authorizes the Reconstruction Finance Corporation to make loans to any industrial or commercial business established prior to January 1, 1934, when credit at prevailing bank rates for loans of such type is not available at banks or the Federal Reserve bank of the district of the applicant. Such loans may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed 5 years, and shall not exceed \$300,000,000 in aggregate amount. The aggregate amount of loans to any one borrower shall not exceed \$100,000. The authority to make such loans ends January 31, 1935, or on such earlier date as the President shall by proclamation fix.

The Reconstruction Finance Corporation has been endeavoring for several months to assist small industries through loans to community-mortgage companies, without marked success. Because of the distress of many industries which are seeking loans, and the belief that they could be of assistance in the recovery program by providing and continuing employment, and because there are crippled industries of the smaller- and medium-sized type that will need nursing for several years, some of which are risks that commercial banks should not take, though ultimately good, many of such industries deserve a chance to reestablish themselves, and society generally will be better for it. Banks ultimately will meet most credit requirements for business and industry, but the hearings before your committee show that there is need of supplementary and emergency credit for such business and industry. This section calls for no additional appropriation, the thought being that the Reconstruction Finance Corporation can allocate funds for these loans that it may save from other items in its present budget and from repayments over and above those estimated.

From the evidence presented to your committee it appears that the \$300,000,000 for capital loans authorized by this section, together with the capital loans authorized to be made by the Federal Reserve

banks under the following section, to be limited to the amount of their combined surpluses, will be sufficient to care for the need for credits for capital funds supplementary to the usual or normal bank credits. It is believed that such extension of credit for capital funds to established commercial and industrial firms will maintain and increase employment, and that the temporary loaning powers of the Reconstruction Finance Corporation under this section and the permanent loaning powers of the Federal Reserve banks under the following section will supplement each other in relieving the distress of industry and business.

LOANS TO INDUSTRY BY THE FEDERAL RESERVE BANKS

Section 12 authorizes any Federal Reserve bank, when it appears that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, to make loans to, or purchase obligations of, such business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with capital, but no obligation shall be acquired or commitment made hereunder with a maturity exceeding 5 years.

Federal Reserve banks are also empowered to discount, purchase, or make loans on obligations with maturities not exceeding 5 years executed by established industrial or commercial businesses, to obtain capital funds from banks, mortgage companies, credit corporations, or other financing institutions in its district. The financing institution must agree to bear not less than 20 percent of any loss which may be sustained upon any such obligation, or in lieu of such agreement to bear part of any loss, it may advance not less than 20 percent of the capital funds advanced on the obligation. The aggregate amount of credit extended under this section is limited to the combined surpluses of the Federal Reserve banks as of July 1, 1934. Extensions of credit are subject to the approval of industrial advisory committees to be appointed by the Federal Reserve banks in each district.

Section 13 provides that liabilities incurred by any national banking association in loans made pursuant to the preceding section of this bill shall not be counted as part of its indebtedness, which under section 5202 of the Revised Statutes is limited to an amount equal to the amount of its capital stock paid in.

Section 14 amends section 22 of the Federal Reserve Act to extend the protection of certain provisions of the Criminal Code to operations of the Federal Reserve banks under section 12 of the bill and includes penalties for making false statements in connection with applications for credit under such section, and for taking any fee for procuring any credit from any Federal Reserve bank through any financing institution, unless the arrangement for a fee is disclosed in the application.

In conformity with 2a of rule XIII of the House Rules, there is herewith printed in full the several provisions of existing law amended by the bill with showing the part stricken out enclosed in black brackets and the proposed new matter in italics, as follows:

Revised statutes, section 882; United States Code, title 28, section 661:

[Sec. 882. Copies of any books, records, papers, or documents in any of the executive departments authenticated under the seals of such departments, respectively, shall be admitted in evidence equally with the originals thereof.]

SEC. 882. (a) *Copies of any books, records, papers, or other documents in any of the executive departments, or of any corporation all of the stock of which is beneficially owned by the United States, either directly or indirectly, shall be admitted in evidence equally with the originals thereof, when duly authenticated under the seal of such department or corporation respectively.*

(b) *Books or records of account in whatever form, and minutes (or portions thereof) of proceedings, of any such executive department or corporation, or copies of such books, records, or minutes authenticated under the seal of such department or corporation, shall be admissible as evidence of any act, transaction, occurrence, or event as a memorandum of which such books, records, or minutes were kept or made.*

(c) *The seal of any such executive department or corporation shall be judicially noticed.*

Section 4, Reconstruction Finance Corporation Act; United States Code, Supplement VII, title 15, section 604:

SEC. 4. The Corporation shall have succession for a period of ten years from the date of the enactment hereof, unless it is sooner dissolved by an Act of Congress. It shall have power to adopt, alter, and use a corporate seal *which shall be judicially noticed*; to make contracts; to lease such real estate as may be necessary for the transaction of its business; to sue and be sued, to complain and to defend, in any court of competent jurisdiction, State or Federal; to select, employ, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary for the transaction of the business of the Corporation, without regard to the provisions of other laws applicable to the employment and compensation of officers or employees of the United States; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, bylaws, rules, and regulations governing the manner in which its general business may be conducted and the powers granted to it by law may be exercised and enjoyed, including the selection of its chairman and vice chairman, together with provision for such committees and the functions thereof as the board of directors may deem necessary for facilitating its business under this Act. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this Act.

Section 1001, Revised Statutes; United States Code, title 28, section 870:

SEC. 1001. Whenever a writ of error, appeal, or other process in law, admiralty, or equity, issues from or is brought up to the Supreme Court, or a circuit court of appeals, either by the United States or by direction of any Department of the Government or *any corporation all the stock of which is beneficially owned by the United States, either directly or indirectly*, no bond, obligation, or security shall be required from the United States, or from any party acting under the direction aforesaid, either to prosecute said suit, or to answer in damages or costs. In case of an adverse decision, such costs as by law are taxable against the United States, or against the party acting by direction as aforesaid, shall be paid out of the contingent fund of the Department under whose directions the proceedings were instituted.

Section 5a, Reconstruction Finance Corporation Act; United States Code, Supplement VII, title 15, chapter 14:

SEC. 5a. The corporation is authorized and empowered to accept drafts and bills of exchange drawn upon it which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment hereof and in process of shipment to buyers in foreign countries: *Provided*, That the corporation shall not make any acceptances growing out of transactions involving the sale or shipment of

armaments, munitions, or other war materials, or the sale or shipment into countries which are at war of any merchandise or commodities except food and supplies for the actual use of noncombatants. No bill of exchange or draft shall be eligible for acceptance if such bill shall have at time of acceptance a maturity of more than twelve months. All drafts and bills of exchange accepted under this section shall be in terms payable in the United States, in currency of the United States, and in addition to the draft or bill of exchange shall at all times be fully secured by American securities deposited as collateral or shall be guaranteed by a bank or trust company of undoubted solvency organized under the laws of the United States or any State, Territory, or insular possession thereof: *Provided*, That such securities shall not include goods stored or in process of shipment in foreign countries or the obligation of any foreign government, corporation, firm, or person.

Sec. 5b. Notwithstanding any other provision of law—

(1) *The maturity of drafts or bills of exchange which may be accepted by the Corporation under section 5a of this Act, and the period for which the Corporation may make loans or advances under sections 201 (c) and 201 (d) of the Emergency Relief and Construction Act of 1932, as amended, and under section 5 of this Act, may be five years, or any shorter period, from February 1, 1935: Provided, That in respect of loans or advances under such section 5 to railroads, railways, and receivers or trustees thereof, the Corporation may require as a condition of making any such loan or advance for a period longer than three years that such arrangements be made for the reduction or amortization of the indebtedness of the railroad or railway, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.*

(2) *The Corporation may at any time, or from time to time, extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935: Provided, That the time of payment of loans or advances to railroads, railways, and receivers or trustees thereof, shall not be so extended except with the prior approval of the Interstate Commerce Commission, and, in the case of a loan to a railroad or railway, with the prior certification of the Interstate Commerce Commission that the railroad or railway is not in need of financial reorganization in the public interest.*

(3) *In connection with the reorganization under section 77 of the Federal Bankruptcy Act, approved July 1, 1898, as amended, or with receivership proceedings in a court or courts, of any railroad or railway indebted to the Corporation, or of any railroad or railway the receivers or trustees of which are indebted to the Corporation, the Corporation may, with the prior approval of the Interstate Commerce Commission, adjust or compromise its claim against such railroad or railway, or any such receiver or trustee, by accepting, in connection with any such reorganization or receivership proceedings and in exchange for securities or any part thereof then held, new securities which may have such terms as to interest, maturity, and otherwise as may be approved by the Corporation, or part cash and part new securities so approved: Provided, That any such adjustment or compromise shall not be made on less favorable terms than those provided in the reorganization of the railroad or railway for holders of claims of the same class and rank as the claim of the Corporation.*

Sec. 5c. With the approval of the President, the Corporation is authorized and directed, notwithstanding any other provisions of law, to establish or to utilize export or import trading and banking corporations in which the United States shall own, directly or indirectly, the entire beneficial interest, and to subscribe for and purchase the common and preferred stock and obligations thereof, for the purpose of aiding in financing and facilitating exports and imports between the United States and other nations or the agencies or nationals of either of them.

Sec. 5d. For the purpose of maintaining and increasing the employment of labor, when credit is not otherwise available, the Corporation is authorized and empowered to make loans to any industrial or commercial business established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation

may determine. The aggregate amount of loans to any one borrower under this section shall not exceed \$100,000.

The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date.

Section 301, National Industrial Recovery Act, United States Code, Supplement VII, title 40, section 412:

SEC. 301. After the expiration of ten days after the date upon which the Administrator has qualified and taken office, (1) no application shall be approved by the Reconstruction Finance Corporation under the provisions of subsection (a) of section 201 of the Emergency Relief and Construction Act of 1932, as amended, and (2) the Administrator shall have access to all applications, files, and records of the Reconstruction Finance Corporation relating to loans and contracts and the administration of funds under such subsection: *Provided*, That the Reconstruction Finance Corporation may issue funds to a borrower under such subsection (a) prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination, under this section, of the power of the Reconstruction Finance Corporation to approve applications [.] *Provided further*, That in connection with any loan or contract or any commitment to make a loan entered into by the Reconstruction Finance Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment; and the Corporation may disburse funds to the borrower thereunder, at any time prior to January 23, 1939, notwithstanding any provisions to the contrary contained in this section or in section 201 (h) of the Emergency Relief and Construction Act of 1932, as amended: *Provided further*, That any such further loans shall be made subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, with respect to the loans authorized by section 201 (a) (1) of said Act.

Section 36, Emergency Farm Mortgage Act of 1933, United States Code, Supplement VII, title 43, section 403:

SEC. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding [\$50,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts] \$125,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to the date of enactment of this Act have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such [district or political subdivision] district, political subdivision, company, or association (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects, and shall be subject to the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed forty years; (2) each such loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; [(4) the borrower shall agree, insofar as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount

equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the cost of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and] (4) *the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amounts by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provision for such reasonable reserves as may be approved by the Corporation; and (5) the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (a) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (b) has determined that the project of the applicant is economically sound, and (c) has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.*

When any loan is authorized pursuant to the provisions of this section and it shall then or thereafter appear that repairs and necessary extensions or improvements to the project of such district, political subdivision, company, or association are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan, and if it shall also appear that such repairs and necessary extensions or improvements are not designed to bring new lands into production, the Corporation, within the limitation as to total amount provided in this section, may make an additional loan or loans to such district, political subdivision, company, or association for such purpose or purposes. When application therefor shall have been made by any such district, political subdivision, company or association any loan authorized by this section may be made either to such district, political subdivision, company, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateralized by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association.

Sections 2 and 3, Act of June 10, 1933; United States Code, Supplement VII, title 15, sections 605f and 605g:

[**Sec. 2.** In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than twenty days, the Reconstruction Finance Corporation is authorized for the purposes of this Act to purchase the legally issued capital notes of such insurance company or to make loans secured by such notes as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

Sec. 3. The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company, (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital stock, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: *Provided:* That the Corporation may make loans upon said preferred stock or capital notes, if, in its opinion, such loans will be adequately secured by said stock or capital notes, and/or such other forms of security as the Corporation may require; (2) if at the time of such subscription, purchase, or loan any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and (3) unless at such time the applicant

agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, and not to retire any of its stock, notes, bonds, or debentures issued for capital purposes, while any part of the preferred stock, notes, bonds, or debentures of such company is held by the Corporation. For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.]

Sec. 2. In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment of additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than twenty days, or if the insurance company is a mutual organization without capital stock, the Reconstruction Finance Corporation is authorized for the purposes of this Act to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

SEC. 3. The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: Provided, That the Corporation may make loans upon said preferred stock or capital notes, or other form or forms of indebtedness permitted by the laws of the State under which said applicant is organized, if, in its opinion, such loans will be adequately secured by said stock or capital notes or other form or forms of indebtedness and/or such other forms of security as the Corporation may require, (2) if at the time of such subscription, purchase, or loan any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates, and (3) unless at such time, the insurance company agrees to the satisfaction of the Corporation that while any part of the preferred stock, notes, bonds or debentures (or, in the case of a mutual insurance company, other form or forms of indebtedness permitted by the laws of the State under which the company is organized) of such insurance company is held by the Corporation, the insurance company, except with the consent of the Corporation, will not (a) increase the compensation received by any of its officers, directors, or employees from the insurance company and/or any of its affiliates, and in no event increase any such compensation to an amount exceeding \$17,500 per annum, or (b) retire any of its stock, notes, bonds, debentures, or other forms of indebtedness issued for capital purposes. For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

Section 11, act of June 10, 1933; United States Code, Supplement VII, title 15, section 605i.

SEC. 11. As used in this Act the term "insurance company" shall include any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States. As used in this section and in sections 1, 2, and 3 of this Act, the term "State" means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

Section 13a, Federal Reserve Act, as amended:

SEC. 13a. Upon the endorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own endorsement exclusively, any Federal Reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose, or based upon livestock, and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months, and such notes, drafts, and bills of exchange may be offered as collateral security for the issuance of Federal Reserve notes under the provisions of section 16 of this Act: Provided, That notes, drafts, and

bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal Reserve notes unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon livestock which is being fattened for market.

That any Federal Reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, rediscount such notes, drafts, and bills for any Federal Intermediate Credit Bank, except that no Federal Reserve bank shall rediscount for a Federal Intermediate Credit Bank any such note or obligation which bears the endorsement of a nonmember State bank or trust company which is eligible for membership in the Federal Reserve System, in accordance with section 9 of this Act. •

Any Federal Reserve bank may also, subject to regulations and limitations to be prescribed by the Federal Reserve Board, discount notes payable to and bearing the endorsement of any Federal Intermediate Credit Bank, covering loans or advances made by such bank pursuant to the provisions of section 202 (a) of Title II of the Federal Farm Loan Act, as amended (U.S.C., title 12, ch. 8, sec. 1031), which have maturities at the time of discount of not more than nine months, exclusive of days of grace, and which are secured by notes, drafts, or bills of exchange eligible for rediscount by Federal Reserve banks.

Any Federal Reserve bank may also buy and sell debentures and other such obligations issued by a Federal Intermediate Credit Bank or by a National Agricultural Credit Corporation, but only to the same extent as and subject to the same limitations as those upon which it may buy and sell bonds issued under Title I of the Federal Farm Loan Act.

Notes, drafts, bills of exchange or acceptances issued or drawn by cooperative marketing associations composed of producers of agricultural products shall be deemed to have been issued or drawn for an agricultural purpose, within the meaning of this section, if the proceeds thereof have been or are to be advanced by such association to any members thereof for an agricultural purpose, or have been or are to be used by such association in making payments to any members thereof on account of agricultural products delivered by such members to the association, or if such proceeds have been or are to be used by such association to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members: *Provided*, That the express enumeration in this paragraph of certain classes of paper of cooperative marketing associations as eligible for rediscount shall not be construed as rendering ineligible any other class of paper of such associations which is now eligible for rediscount.

The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal Reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be rediscounted by such bank.

SEC. 13b. When it appears to the satisfaction of a Federal Reserve bank that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Federal Reserve bank, pursuant to authority granted by the Federal Reserve Board, may make loans to, or purchase obligations of, such business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with capital, but no obligation shall be acquired or commitment made hereunder with a maturity exceeding five years.

Each Federal Reserve bank shall also have power to discount for, or purchase from, any bank, trust company, mortgage company, credit corporation for industry, or other financing institution operating in its district, obligations having maturities not exceeding five years, entered into for the purpose of obtaining capital for any such established industrial or commercial business; to make loans or advances direct to any such financing institution on the security of such obligations; and to make commitments with regard to such discount or purchase of obligations or with respect to such loans or advances on the security thereof, including commitments made in advance of the actual undertaking of such obligations. Each such financing institution shall obligate itself to the satisfaction of the Federal Reserve bank for at least 20 per centum of any loss which may be sustained by such bank upon any of the obligations acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with regulations of the Federal Reserve

Board; Provided, That in lieu of such obligation against loss any such financing institution may advance at least 20 per centum of such capital for any established industrial or commercial business without obligating itself to the Federal Reserve bank against loss on the amount advanced by the Federal Reserve bank: Provided, however, That such advances by the financing institution and the Federal Reserve bank shall be considered as one advance, and repayment shall be made pro rata under such regulations as the Federal Reserve Board may prescribe.

The aggregate amount of loans, advances, and commitments of the Federal Reserve banks outstanding under this section at any one time, plus the amount of purchases and discounts under this section held at the same time, shall not exceed the combined surplus of the Federal Reserve banks as of July 1, 1934, and all operations of the Federal Reserve banks under this section shall be subject to such regulations as the Federal Reserve Board may prescribe.

For the purpose of aiding the Federal Reserve banks in carrying out the provisions of this section, there is hereby established in each Federal Reserve district an industrial advisory committee, to be appointed by the Federal Reserve bank subject to the approval and regulations of the Federal Reserve Board, and to be composed of not less than three nor more than five members as determined by the Federal Reserve Board. Each member of such committee shall be actively engaged in some industrial pursuit within the Federal Reserve district in which the committee is established, and each such member shall serve without compensation but shall be entitled to receive from the Federal Reserve bank of such district his necessary expenses while engaged in the business of the committee, or a per diem allowance in lieu thereof to be fixed by the Federal Reserve Board. Each application for any such loan, advance, purchase, discount, or commitment shall be submitted to the appropriate committee and, after an examination by it of the business with respect to which the application is made, the application shall be transmitted to the Federal Reserve bank, together with the recommendation of the committee.

SECTION 5202. Revised Statutes:

SEC. 5202. No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

First. Notes of circulation.

* * * * *

Ninth. Liabilities incurred on account of loans made with the express approval of the Comptroller of the Currency under paragraph (9) of section 5200 of the Revised Statutes, as amended.

Tenth. Liabilities incurred under the provisions of section 13b of the Federal Reserve Act.

SECTION 22. Federal Reserve Act, as amended.

SEC. 22. (a) No member bank and no officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year, or fined not more than \$5,000, or both, and may be fined a further sum equal to the money so loaned or gratuity given.

Any examiner or assistant examiner who shall accept a loan or gratuity from any bank examined by him, or from an officer, director, or employee thereof, or who shall steal, or unlawfully take, or unlawfully conceal any money, note, draft, bond, or security or any other property of value in the possession of any member bank or from any safe deposit box in or adjacent to the premises of such bank, shall be deemed guilty of a misdemeanor and shall, upon conviction thereof in any district court of the United States, be imprisoned for not exceeding one year, or fined not more than \$5,000, or both, and may be fined a further sum equal to the money so loaned, gratuity given, or property stolen, and shall forever thereafter be disqualified from holding office as a national bank examiner.

(b) No national bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the

Congress of the United States, or of either House thereof, or any committee of Congress, or of either House duly authorized. Any bank examiner violating the provisions of this subsection shall be imprisoned not more than one year or fined not more than \$5,000, or both.

(c) Except as herein provided, any officer, director, employee, or attorney of a member bank who stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by such member bank shall be deemed guilty of a misdemeanor and shall be imprisoned not more than one year or fined not more than \$5,000, or both.

(d) Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided, however*, That when any director, or firm of which any director is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Federal Reserve Board by regulation, may require a full disclosure of all profit realized from such sale.

Any member bank may sell securities or other property to any of its directors, or to a firm of which any of its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however*, That nothing in this subsection contained shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

(e) No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposits of such director, officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

(f) If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation.

(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: *Provided*, That loans heretofore made to any such officer may be renewed or extended not more than two years from the date this paragraph takes effect, if in accord with sound banking practice. If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the chairman of the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used. Any executive officer of any member bank violating the provisions of this paragraph shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year, or fined not more than \$5,000, or both; and any member bank violating the provisions of this paragraph shall be fined not more than \$10,000, and may be fined a further sum equal to the amount so loaned or credit so extended.

(h) *Whoever makes any material statement, knowing it to be false, or whoever willfully overvalues any security, for the purpose of influencing in any way the action of a Federal Reserve bank upon any application, commitment, advance, discount, purchase, or loan, or any extension thereof by renewal, deferment of action, or other-*

wise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(1) Whoever, being connected in any capacity with a Federal Reserve bank (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged or otherwise entrusted to it, or (2) with intent to defraud any Federal Reserve bank, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to a Federal Reserve bank, or, without being duly authorized, draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(j) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States, insofar as applicable, are extended to apply to contracts or agreements of any Federal Reserve bank under this Act, which, for the purposes hereof, shall be held to include advances, loans, discounts, purchase, and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

(k) It shall be unlawful for any person to stipulate for or give or receive, or consent or agree to give or receive, any fee, commission, bonus, or thing of value for procuring or endeavoring to procure from any Federal Reserve bank any advance, loan, or extension of credit or discount or purchase of any obligation or commitment with respect thereto, either directly from such Federal Reserve bank or indirectly through any financing institution, unless such fee, commission, bonus, or thing of value and all material facts with respect to the arrangement or understanding therefor shall be disclosed in writing in the application or request for such advance, loan, extension of credit, discount, purchase, or commitment. Any violation of the provisions of this paragraph shall be punishable by imprisonment for not more than one year or by a fine of not exceeding \$5,000, or both. If a director, officer, employee, or agent of any Federal Reserve bank shall knowingly violate this paragraph, he shall be held liable in his personal and individual capacity for any loss or damage sustained by such Federal Reserve bank in consequence of such violation.