74TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 1822

# BANKING ACT OF 1935

AUGUST 17, 1935.—Ordered to be printed

Mr. STEAGALL, from the committee of conference, submitted the following

## CONFERENCE REPORT

[To accompany H. R. 7617]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7617) to provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the amendment of the Senate insert the following:

*That this Act may be cited as the "Banking Act of 1935".*

### *TITLE I—FEDERAL DEPOSIT INSURANCE*

*SECTION 101. Section 12B of the Federal Reserve Act, as amended (U. S. C., Supp. VII, title 12, sec. 264), is amended to read as follows:*

*"SEC. 12B. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the 'Corporation') which shall insure, as hereinafter provided, the deposits of all banks which are entitled to the benefits of insurance under this section, and which shall have the powers hereinafter granted.*

*"(b) The management of the Corporation shall be vested in a board of directors consisting of three members, one of whom shall be the Comptroller of the Currency, and two of whom shall be citizens of the United States to be appointed by the President, by and with the advice and consent of the Senate. One of the appointive members shall be the chairman of the board of directors of the Corporation and not more than two of the members of such board of directors shall be members of the same political party. Each such appointive member shall hold office for a term of six years and shall receive compensation at the rate of $10,000 per*

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*annum, payable monthly out of the funds of the Corporation, but the Comptroller of the Currency shall not receive additional compensation for his services as such member. In the event of a vacancy in the office of the Comptroller of the Currency, and pending the appointment of his successor, or during the absence of the Comptroller from Washington, the Acting Comptroller of the Currency shall be a member of the board of directors in the place and stead of the Comptroller. In the event of a vacancy in the office of the chairman of the board of directors, and pending the appointment of his successor, the Comptroller of the Currency shall act as chairman. The Comptroller of the Currency shall be ineligible during the time he is in office and for two years thereafter to hold any office, position, or employment in any insured bank. The appointive members of the board of directors shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any insured bank, except that this restriction shall not apply to any appointive member who has served the full term for which he was appointed. No member of the board of directors shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the board of directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the secretary of the board of directors. No member of the board of directors serving on the board of directors on the effective date shall be subject to any of the provisions of the three preceding sentences until the expiration of his present term of office.*

*"(c) As used in this section—*

*"(1) The term 'State bank' means any bank, banking association, trust company, savings bank, or other banking institution which is engaged in the business of receiving deposits and which is incorporated under the laws of any State, Hawaii, Alaska, Puerto Rico, or the Virgin Islands, or which is operating under the Code of Law for the District of Columbia (except a national bank), and includes any unincorporated bank the deposits of which are insured on the effective date under the provisions of this section.*

*"(2) The term 'State member bank' means any State bank which is a member of the Federal Reserve System, and the term 'State nonmember bank' means any State bank which is not a member of the Federal Reserve System.*

*"(3) The term 'District bank' means any State bank operating under the Code of Law for the District of Columbia.*

*"(4) The term 'national member bank' means any national bank located in any of the States of the United States, the District of Columbia, Hawaii, Alaska, Puerto Rico, or the Virgin Islands which is a member of the Federal Reserve System.*

*"(5) The term 'national nonmember bank' means any national bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands which is not a member of the Federal Reserve System.*

*"(6) The term 'mutual savings bank' means a bank without capital stock transacting a savings bank business, the net earnings of which inure wholly to the benefit of its depositors after payment of obligations for any advances by its organizers.*

*"(7) The term 'savings bank' means a bank (other than a mutual savings bank) which transacts its ordinary banking business strictly as a savings bank under State laws imposing special requirements on such*

*banks governing the manner of investing their funds and of conducting their business: Provided, That the bank maintains, until maturity date or until withdrawn, all deposits made with it (other than funds held by it in a fiduciary capacity) as time savings deposits of the specific term type or of the type where the right is reserved to the bank to require written notice before permitting withdrawal: Provided further, That such bank to be considered a savings bank must elect to become subject to regulations of the Corporation with respect to the redeposit of maturing deposits and prohibiting withdrawal of deposits by checking except in cases where such withdrawal is permitted by law on the effective date from specifically designated deposit accounts totaling not more than 15 per centum of the bank's total deposits.*

*"(8) The term 'insured bank' means any bank the deposits of which are insured in accordance with the provisions of this section; and the term 'noninsured bank' means any bank the deposits of which are not so insured.*

*"(9) The term 'new bank' means a new national banking association organized by the Corporation to assume the insured deposits of an insured bank closed on account of inability to meet the demands of its depositors and otherwise to perform temporarily the functions prescribed in this section.*

*"(10) The term 'receiver' includes a receiver, liquidating agent, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a bank.*

*"(11) The term 'board of directors' means the board of directors of the Corporation.*

*"(12) The term 'deposit' means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obligated to give credit to a commercial, checking, savings, time or thrift account, or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the board of directors shall find and shall prescribe by its regulations to be deposit liabilities by general usage: Provided, That any obligation of a bank which is payable only at an office of the bank located outside the States of the United States, the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands, shall not be a deposit for any of the purposes of this section or be included as a part of total deposits or of an insured deposit: Provided further, That any insured bank having its principal place of business in any of the States of the United States or in the District of Columbia which maintains a branch in Hawaii, Alaska, Puerto Rico, or the Virgin Islands may elect to exclude from insurance under this section its deposit obligations which are payable only at such branch, and upon so electing the insured bank with respect to such branch shall comply with the provisions of this section applicable to the termination of insurance by nonmember banks: Provided further, That the bank may elect to restore the insurance to such deposits at any time its capital stock is unimpaired.*

*"(13) The term 'insured deposit' means the net amount due to any depositor for deposits in an insured bank (after deducting offsets) less any part thereof which is in excess of $5,000. Such net amount shall be determined according to such regulations as the board of directors may prescribe, and in determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity*

*and the same right for his benefit either in his own name or in the names of others, except trust funds which shall be insured as provided in paragraph (9) of subsection (h) of this section.*

*"(14) The term 'transferred deposit' means a deposit in a new bank or other insured bank made available to a depositor by the Corporation as payment of the insured deposit of such depositor in a closed bank, and assumed by such new bank or other insured bank.*

*"(15) The term 'branch' includes any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State of the United States or in Hawaii, Alaska, Puerto Rico, or the Virgin Islands at which deposits are received or checks paid or money lent.*

*"(16) The term 'effective date' means the date of enactment of the Banking Act of 1935.*

*"(d) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $150,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal Reserve banks. Receipts for payments by the United States for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States. Every Federal Reserve bank shall subscribe to shares of stock in the Corporation to an amount equal to one-half of the surplus of such bank on January 1, 1933, and its subscriptions shall be accompanied by a certified check payable to the Corporation in an amount equal to one-half of such subscription. The remainder of such subscription shall be subject to call from time to time by the board of directors upon ninety days' notice. The capital stock of the Corporation shall consist of the shares subscribed for prior to the effective date. Such stock shall be without nominal or par value, and shares issued prior to the effective date shall be exchanged and reissued at the rate of one share for each $100 paid into the Corporation for capital stock. The consideration received by the Corporation for the capital stock shall be allocated to capital and to surplus in such amounts as the board of directors shall prescribe. Such stock shall have no vote and shall not be entitled to the payment of dividends.*

*"(e) (1) Every operating State or national member bank, including a bank incorporated since March 10, 1933, licensed on or before the effective date by the Secretary of the Treasury shall be and continue to be, without application or approval, an insured bank and shall be subject to the provisions of this section.*

*"(2) After the effective date, every national member bank which is authorized to commence or resume the business of banking, and every State bank which is converted into a national member bank or which becomes a member of the Federal Reserve System, shall be an insured bank from the time it is authorized to commence or resume business or becomes a member of the Federal Reserve System. The certificate herein prescribed shall be issued to the Corporation by the Comptroller of the Currency in the case of such national member bank, or by the Board of Governors of the Federal Reserve System in the case of such State member bank: Provided, That in the case of an insured bank which is admitted*

*to membership in the Federal Reserve System or an insured State bank which is converted into a national member bank, such certificate shall not be required, and the bank shall continue as an insured bank. Such certificate shall state that the bank is authorized to transact the business of banking in the case of a national member bank, or is a member of the Federal Reserve System in the case of a State member bank, and that consideration has been given to the factors enumerated in subsection (g) of this section.*

*"(f) (1) Every bank which is not a member of the Federal Reserve System which on June 30, 1935 was or thereafter became a member of the Temporary Federal Deposit Insurance Fund or of the Fund For Mutuals heretofore created pursuant to the provisions of this section, shall be and continue to be, without application or approval, an insured bank and shall be subject to the provisions of this section: Provided, That any State nonmember bank which was admitted to the said Temporary Federal Deposit Insurance Fund or the Fund For Mutuals but which did not file on or before the effective date an October 1, 1934 certified statement and make the payments thereon required by law, shall cease to be an insured bank on August 31, 1935: Provided further, That no bank admitted to the said Temporary Federal Deposit Insurance Fund or the Fund For Mutuals prior to the effective date shall, after August 31, 1935, be an insured bank or have its deposits insured by the Corporation, if such bank shall have permanently discontinued its banking operations prior to the effective date.*

*"(2) Subject to the provisions of this section, any national nonmember bank, upon application by the bank and certification by the Comptroller of the Currency in the manner prescribed in subsection (e) of this section, and any State nonmember bank, upon application to and examination by the Corporation and approval by the board of directors, may become an insured bank. Before approving the application of any such State nonmember bank, the board of directors shall give consideration to the factors enumerated in subsection (g) of this section and shall determine, upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all its liabilities to depositors and other creditors as shown by the books of the bank.*

*"(g) The factors to be enumerated in the certificate required under subsection (e) and to be considered by the board of directors under subsection (f) shall be the following: The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purposes of this section.*

*"(h) (1) The assessment rate shall be one-twelfth of 1 per centum per annum. The semiannual assessment for each insured bank shall be in the amount of the product of one-half the annual assessment rate multiplied by an assessment base which shall be the average for six months of the differences at the end of each calendar day between the total amount of liability of the bank for deposits (according to the definition of the term 'deposit' in and pursuant to paragraph (12) of subsection (c) of this section, without any deduction for indebtedness of depositors) and the total of such uncollected items as are included in such deposits and credited subject to final payment: Provided, however, That the daily total of such uncollected items shall be determined according to regulations prescribed*

*by the board of directors upon a consideration of the factors of general usage and ordinary time of availability, and for the purposes of such deduction no item shall be regarded as uncollected for longer periods than those prescribed by such regulations. Each insured bank shall, as a condition to the right to deduct any specific uncollected item in determining its assessment base, maintain such records as will readily permit verification of the correctness of the particular deduction claimed. The certified statements required to be filed with the Corporation under paragraphs (2), (3), and (4) of this subsection shall be in such form and set forth such supporting information as the board of directors shall prescribe. The assessment payments required from insured banks under paragraphs (2), (3), and (4) of this subsection shall be made in such manner and at such time or times as the board of directors shall prescribe, provided the time or times so prescribed shall not be later than sixty days after filing the certified statement setting forth the amount of the assessment. In the event that a separate Fund For Mutuals is established as provided in subsection (l), the board of directors from time to time may fix a lower assessment rate operative for such period as the board may determine which shall be applicable to insured mutual savings banks only, and the remainder of this paragraph shall not be applicable to such banks.*

*"(2) On or before the 15th day of July of each year, each insured bank shall file with the Corporation a certified statement under oath showing for the six months ending on the preceding June 30 the amount of the assessment base and the amount of the semiannual assessment due to the Corporation, determined in accordance with paragraph (1) of this subsection. Each insured bank shall pay to the Corporation the amount of the semiannual assessment it is required to certify. On or before the 15th day of January of each year after 1936 each insured bank shall file with the Corporation a similar certified statement for the six months ending on the preceding December 31 and shall pay to the Corporation the amount of the semiannual assessment it is required to certify.*

*"(3) Each bank which becomes an insured bank according to the provisions of subsection (e) or (f) of this section shall, on or before the 15th day of November 1935, file with the Corporation a certified statement under oath showing the amount of the assessment due to the Corporation for the period ending December 31, 1935, which shall be an amount equal to the product of one-third the annual assessment rate multiplied by the assessment base determined in accordance with paragraph (1) of this subsection, except that the assessment base shall be the average for the 31 days in the month of October 1935, and payment shall be made to the Corporation of the amount of the assessment so required to be certified. Each such bank shall, on or before the 15th day of January 1936, file with the Corporation a certified statement under oath showing the amount of the semiannual assessment due to the Corporation for the period ending June 30, 1936, which shall be an amount equal to the product of one-half the annual assessment rate multiplied by the assessment base determined in accordance with paragraph (1) of this subsection, except that the assessment base shall be the average for the days of the months of October, November and December of 1935, and payment shall be made to the Corporation of the amount of the assessment so required to be certified.*

*"(4) Each bank which becomes an insured bank after the effective date shall be relieved from complying with the provisions of paragraph (2) of this subsection until it has operated as an insured bank for a full semiannual period ending on June 30 or December 31 as the case may be.*

*Each such bank, on or before the forty-fifth day after its first day of operation as an insured bank, shall file with the Corporation its first certified statement which shall be under oath and shall show the amount of the assessment base determined in accordance with paragraph (1) of this subsection, except that the assessment base shall be the average for the first thirty-one calendar days it operates as an insured bank. Each such certified statement shall also show as the amount of the first assessment due to the Corporation the prorated portion (for the period between its first day of operation as an insured bank and the next succeeding last day of June or December, as the case may be) of an amount equal to the product of one-half the annual assessment rate multiplied by the base required to be set forth on its first certified statement. Each bank which becomes an insured bank after the effective date which has not operated as an insured bank for a full semiannual period ending on June 30 or December 31, as the case may be, shall, on or before the 15th day of the first month thereafter (except that banks becoming insured in June or December shall have thirty-one additional days) file with the Corporation its second certified statement under oath showing the amount of the assessment base and the amount of the semiannual assessment due to the Corporation. Such assessment base and amount shall be determined in accordance with paragraph (1) of this subsection, except that if the bank became an insured bank in the month of December or June the assessment base shall be the average for the first thirty-one calendar days it operates as an insured bank, and except that if it became an insured bank in any other month than December or June the assessment base shall be the average for the days between its first day of operation as an insured bank and the next succeeding last day of June or December, as the case may be. Each bank required to file a certified statement under this paragraph shall pay to the Corporation the amount of the assessment the bank is required to certify.*

*"(5) Each bank which shall be and continue without application or approval an insured bank in accordance with the provisions of subsection (e) or (f) of this section, shall, in lieu of all right to refund (except as authorized in paragraph (3) of subsection (i)), be credited with any balance to which such bank shall become entitled upon the termination of the said Temporary Federal Deposit Insurance Fund or the Fund For Mutuals. The credit shall be applied by the Corporation toward the payment of the assessment next becoming due from such bank and upon succeeding assessments until the credit is exhausted.*

*"(6) Any insured bank which fails to file any certified statement required to be filed by it in connection with determining the amount of any assessment payable by the bank to the Corporation may be compelled to file such statement by mandatory injunction or other appropriate remedy in a suit brought for such purpose by the Corporation against the bank and any officer or officers thereof in any court of the United States of competent jurisdiction in the district or territory in which such bank is located.*

*"(7) The Corporation, in a suit brought at law or in equity in any court of competent jurisdiction, shall be entitled to recover from any insured bank the amount of any unpaid assessment lawfully payable by such insured bank to the Corporation, whether or not such bank shall have filed any such certified statement and whether or not suit shall have been brought to compel the bank to file any such statement.*

*"(8) Should any national member bank or any insured national nonmember bank fail to file any certified statement required to be filed by such bank under any provision of this subsection, or fail to pay any assessment required to be paid by such bank under any provision of this section, and should the bank not correct such failure within thirty days after written notice has been given by the Corporation to an officer of the bank, citing this paragraph, and stating that the bank has failed to file or pay as required by law, all the rights, privileges, and franchises of the bank granted to it under the National Bank Act or under the provisions of this Act, as amended, shall be thereby forfeited. Whether or not the penalty provided in this paragraph has been incurred shall be determined and adjudged in the manner provided in the sixth paragraph of section 2 of this Act, as amended. The remedies provided in this paragraph and in the two preceding paragraphs shall not be construed as limiting any other remedies against any insured bank, but shall be in addition thereto.*

*"(9) Trust funds held by an insured bank in a fiduciary capacity whether held in its trust or deposited in any other department or in another bank shall be insured in an amount not to exceed $5,000 for each trust estate, and when deposited by the fiduciary bank in another insured bank such trust funds shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this section, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or the beneficiaries of such trust estates: Provided, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under paragraph (2), (3), or (4) of this subsection be considered to be a deposit liability of the fiduciary bank, but shall be considered to be a deposit liability of the bank in which such funds are so deposited by such fiduciary bank. The board of directors shall have power by regulation to prescribe the manner of reporting and of depositing such trust funds.*

*"(i) (1) Any insured bank (except a national member bank or State member bank) may, upon not less than ninety days' written notice to the Corporation, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. Whenever the board of directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank, or have knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, or to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the board of directors or before a*

*person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the board of directors shall find that any violation specified in such notice has been established, the board of directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to each of its depositors at his last address of record on the books of the bank, in such manner and at such time as the board of directors may find to be necessary and may order for the protection of depositors. After the termination of the insured status of any bank under the provisions of this paragraph, the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of two years to be insured, and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank during such period. No additions to any such deposits and no new deposits in such bank made after the date of such termination shall be insured by the Corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall also state with equal prominence that such additions to deposits and new deposits made after such date are not so insured. Such bank shall, in all other respects, be subject to the duties and obligations of an insured bank for the period of two years from the date of such termination, and in the event that such bank shall be closed on account of inability to meet the demands of its depositors within such period of two years, the Corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.*

*"(2) Whenever the insured status of a State member bank shall be terminated by action of the board of directors, the Board of Governors of the Federal Reserve System shall terminate its membership in the Federal Reserve System in accordance with the provisions of section 9 of this Act, and whenever the insured status of a national member bank shall be so terminated the Comptroller of the Currency shall appoint a receiver for the bank, which shall be the Corporation whenever the bank shall be unable to meet the demands of its depositors. Whenever a member bank shall cease to be a member of the Federal Reserve System, its status as an insured bank shall, without notice or other action by the board of directors, terminate on the date the bank shall cease to be a member of the Federal Reserve System, with like effect as if its insured status had been terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection.*

*"(3) If any nonmember bank which becomes an insured bank under the provisions of paragraph (1) of subsection (f) of this section shall elect, within thirty days after the effective date, not to continue as an insured bank, and shall within such period give written notice to the Corporation of its election, in accordance with regulations to be prescribed by the board of directors, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, it shall cease to be an insured bank and cease to be subject to the provisions of this section and the rights of*

*the bank (including its right to any refund) shall be as provided by law existing prior to the effective date. The board of directors shall cause notice of termination of insurance to be given to the depositors of such bank by publication or otherwise as the board of directors may determine, and the deposits in such bank shall continue to be insured for twenty days beyond such thirty day period.*

*"(4) Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if its insured status had been terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection: Provided, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within thirty days after such assumption takes effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the board of directors, the insurance of its deposits shall terminate at the end of six months from the date such assumption takes effect, and such bank shall thereupon be relieved of all future obligations to the Corporation, including the obligation to pay future assessments.*

*"(j) Upon the date of enactment of the Banking Act of 1933, the Corporation shall become a body corporate and as such shall have power—*

*"First. To adopt and use a corporate seal.*

*"Second. To have succession until dissolved by an Act of Congress.*

*"Third. To make contracts.*

*"Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal. All suits of a civil nature at common law or in equity to which the Corporation shall be a party shall be deemed to arise under the laws of the United States: Provided, That any such suit to which the Corporation is a party in its capacity as receiver of a State bank and which involves only the rights or obligations of depositors, creditors, stockholders and such State bank under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court. The board of directors shall designate an agent upon whom service of process may be made in any State, Territory, or jurisdiction in which any insured bank is located.*

*"Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. Nothing in this or any other Act shall be construed to prevent the appointment and compensation as an officer or employee of the Corporation of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof.*

*"Sixth. To prescribe by its board of directors, bylaws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.*

*"Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this section and such incidental powers as shall be necessary to carry out the powers so granted.*

*"Eighth. To make examinations of and to require information and reports from banks, as provided in this section.*

*"Ninth. To act as receiver.*

*"Tenth. To prescribe by its board of directors such rules and regulations as it may deem necessary to carry out the provisions of this section.*

*"(k) (1) The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. 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 Federal Reserve bank or 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, and facilities thereof in carrying out the provisions of this section.*

*"(2) The board of directors shall appoint examiners who shall have power, on behalf of the Corporation, to examine any insured State nonmember bank (except a District bank), any State nonmember bank making application to become an insured bank, and any closed insured bank, whenever in the judgment of the board of directors an examination of the bank is necessary. Such examiners shall have like power to examine, with the written consent of the Comptroller of the Currency, any national bank or District bank, and, with the written consent of the Board of Governors of the Federal Reserve System, any State member bank. Each such examiner shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof, and shall make a full and detailed report of the condition of the bank to the Corporation. The board of directors in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve the testimony of any persons relating to such claims. The provisions of sections 184 to 186 (both inclusive) of the Revised Statutes (U. S. C., title 5, secs. 94 to 96) are hereby extended to examinations and investigations authorized by this paragraph.*

*"(3) Each insured State nonmember bank (except a District bank) shall make to the Corporation reports of condition in such form and at such times as the board of directors may require. The board of directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, not less than five days, as the board of directors may require, shall be subject to a penalty of not more than $100 for each day of such failure recoverable by the Corporation for its use.*

*"(4) The Corporation shall have access to reports of examinations made by, and reports of condition made to, the Comptroller of the Currency or any Federal Reserve bank, may accept any report made by or to any commission, board, or authority having supervision of a State nonmember bank (except a District bank), and may furnish to the Comptroller of the Currency, to any Federal Reserve bank, and to any such commission, board, or authority, reports of examinations made on behalf of, and reports of condition made to, the Corporation.*

"(l) (1) *The Temporary Federal Deposit Insurance Fund and the Fund For Mutuals heretofore created pursuant to the provisions of this section are hereby consolidated into a Permanent Insurance Fund for insuring deposits, and the assets therein shall be held by the Corporation for the uses and purposes of the Corporation: Provided, That the obligations to and rights of the Corporation, depositors, banks, and other persons arising out of any event or transaction prior to the effective date shall remain unimpaired. On and after the effective date, the Corporation shall insure the deposits of all insured banks as provided in this section: Provided, That the insurance shall apply only to deposits of insured banks which have been made available since March 10, 1933, for withdrawal in the usual course of the banking business: Provided further, That if any insured bank shall, without the consent of the Corporation, release or modify restrictions on or deferments of deposits which had not been made available for withdrawal in the usual course of the banking business on or before the effective date, such deposits shall not be insured. The maximum amount of the insured deposit of any depositor shall be $5,000. The Corporation, in the discretion of the board of directors, may open on its books solely for the benefit of mutual savings banks and depositors therein a separate Fund For Mutuals. If such Fund is opened, all assessments upon mutual savings banks shall be paid into such Fund and the Permanent Insurance Fund of the Corporation shall cease to be liable for insurance losses sustained in mutual savings banks: Provided, That the capital assets of the Corporation shall be so liable and all expenses of operation of the Corporation shall be allocated between such Funds on an equitable basis.*

"(2) *For the purposes of this section, an insured bank shall be deemed to have been closed on account of inability to meet the demands of its depositors in any case in which it has been closed for the purpose of liquidation without adequate provision being made for payment of its depositors.*

"(3) *Notwithstanding any other provision of law, whenever any insured national bank or insured District bank shall have been closed by action of its board of directors, or by the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors, the Comptroller of the Currency shall appoint the Corporation receiver for such closed bank, and no other person shall be appointed as receiver of such closed bank.*

"(4) *It shall be the duty of the Corporation as such receiver to realize upon the assets of such closed bank, having due regard to the condition of credit in the locality; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided. The Corporation shall retain for its own account such portion of the amounts realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors, and it shall pay to depositors and other creditors the net amounts available for distribution to them. With respect to any such closed bank, the Corporation as such receiver shall have all the rights, powers, and privileges now possessed by or hereafter granted by law to a receiver of an insolvent national bank.*

"(5) *Whenever any insured State bank (except a District bank) shall have been closed by action of its board of directors or by the authority having supervision of such bank, as the case may be, on account of*

*inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment is tendered by the authority having supervision of such bank and is authorized or permitted by State law. With respect to any such insured State bank, the Corporation as such receiver shall possess all the rights, powers and privileges granted by State law to a receiver of a State bank.*

*"(6) Whenever an insured bank shall have been closed on account of inability to meet the demands of its depositors, payment of the insured deposits in such bank shall be made by the Corporation as soon as possible, subject to the provisions of paragraph (7) of this subsection, either (A) by making available to each depositor a transferred deposit in a new bank in the same community or in another insured bank in an amount equal to the insured deposit of such depositor and subject to withdrawal on demand, or (B) in such other manner as the board of directors may prescribe: Provided, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.*

*"(7) In the case of a closed national bank or District bank, the Corporation, upon the payment of any depositor as provided in paragraph (6) of this subsection, shall be subrogated to all rights of the depositor against the closed bank to the extent of such payment. In the case of any other closed insured bank, the Corporation shall not make any payment to any depositor until the right of the Corporation to be subrogated to the rights of such depositor on the same basis as provided in the case of a closed national bank under this section shall have been recognized either by express provision of State law, by allowance of claims by the authority having supervision of such bank, by assignment of claims by depositors, or by any other effective method. In the case of any closed insured bank, such subrogation shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposit, but such depositor shall retain his claim for any uninsured portion of his deposit: Provided, That the rights of depositors and other creditors of any State bank shall be determined in accordance with the applicable provisions of State law.*

*"(8) As soon as possible after the closing of an insured bank, the Corporation, if it finds that it is advisable and in the interest of the depositors of the closed bank or the public, shall organize a new national bank to assume the insured deposits of such closed bank and otherwise to perform temporarily the functions hereinafter provided for. The new bank shall have its place of business in the same community as the closed bank.*

*"(9) The articles of association and the organization certificate of the new bank shall be executed by representatives designated by the Corporation. No capital stock need be paid in by the Corporation. The new bank shall not have a board of directors, but shall be managed by an executive officer appointed by the board of directors of the Corporation who shall be subject to its directions. In all other respects the new bank shall be organized in accordance with the then existing provisions of law relating to the organization of national banking associations. The new bank may, with the approval of the Corporation, accept new deposits which shall be subject to withdrawal on demand and which, except where*

*the new bank is the only bank in the community, shall not exceed $5,000 from any depositor. The new bank, without application to or approval by the Corporation, shall be an insured bank and shall maintain on deposit with the Federal Reserve bank of its district reserves in the amount required by law for member banks, but it shall not be required to subscribe for stock of the Federal Reserve bank. Funds of the new bank shall be kept on hand in cash, invested in obligations of the United States, or in obligations guaranteed as to principal and interest by the United States, or deposited with the Corporation, with a Federal Reserve bank, or, to the extent of the insurance coverage thereon, with an insured bank. The new bank, unless otherwise authorized by the Comptroller of the Currency, shall transact no business except that authorized by this section and as may be incidental to its organization. Notwithstanding any other provision of law the new bank, its franchise, property, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.*

*"(10) Upon the organization of a new bank, the Corporation shall promptly make available to it an amount equal to the estimated insured deposits of such closed bank plus the estimated amount of the expenses of operating the new bank, and shall determine as soon as possible the amount due each depositor for his insured deposit in the closed bank, and the total expenses of operation of the new bank. Upon such determination, the amounts so estimated and made available shall be adjusted to conform to the amounts so determined. Earnings of the new bank shall be paid over or credited to the Corporation in such adjustment. If any new bank, during the period it continues its status as such, sustains any losses with respect to which it is not effectively protected except by reason of being an insured bank, the Corporation shall furnish to it additional funds in the amount of such losses. The new bank shall assume as transferred deposits the payment of the insured deposits of such closed bank to each of its depositors. Of the amounts so made available, the Corporation shall transfer to the new bank, in cash, such sums as may be necessary to enable it to meet its expenses of operation and immediate cash demands on such transferred deposits, and the remainder of such amounts shall be subject to withdrawal by the new bank on demand.*

*"(11) Whenever in the judgment of the board of directors it is desirable to do so, the Corporation shall cause capital stock of the new bank to be offered for sale on such terms and conditions as the board of directors shall deem advisable in an amount sufficient, in the opinion of the board of directors, to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5138 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 51), for the organization of a national bank in the place where such new bank is located. The stockholders of the closed insured bank shall be given the first opportunity to purchase any shares of common stock so offered. Upon proof that an adequate amount of capital stock in the new bank has been subscribed and paid for in cash, the Comptroller of the Currency shall require the articles of association and the organization certificate to be amended to conform to the requirements for the organization of a national bank, and thereafter, when the requirements of law with respect to the organization of a national bank have been complied with, he shall issue to the bank a certificate of authority to commence business, and thereupon the bank shall cease to have the status of a new*

*bank, shall be managed by directors elected by its own shareholders and may exercise all the powers granted by law, and it shall be subject to all the provisions of law relating to national banks. Such bank shall thereafter be an insured national bank, without certification to or approval by the Corporation.*

*"(12) If the capital stock of the new bank is not offered for sale, or if an adequate amount of capital for such new bank is not subscribed and paid for, the board of directors may offer to transfer its business to any insured bank in the same community which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the board of directors may deem adequate; or the board of directors in its discretion may change the location of the new bank to the office of the Corporation or to some other place or may at any time wind up its affairs as herein provided. Unless the capital stock of the new bank is sold or its assets are taken over and its liabilities are assumed by an insured bank as above provided within two years from the date of its organization, the Corporation shall wind up the affairs of such bank, after giving such notice, if any, as the Comptroller of the Currency may require, and shall certify to the Comptroller of the Currency the termination of the new bank. Thereafter the Corporation shall be liable for the obligations of such bank and shall be the owner of its assets. The provisions of sections 5220 and 5221 of the Revised Statutes (U. S. C., title 12, secs. 181 and 182) shall not apply to such new banks.*

*"(m) (1) The Corporation as receiver of a closed national bank or District bank shall not be required to furnish bond and shall have the right to appoint an agent or agents to assist it in its duties as such receiver, and all fees, compensation, and expenses of liquidation and administration thereof shall be fixed by the Corporation, subject to the approval of the Comptroller of the Currency, and may be paid by it out of funds coming into its possession as such receiver. The Comptroller of the Currency is authorized and empowered to waive and relieve the Corporation from complying with any regulations of the Comptroller of the Currency with respect to receiverships where in his discretion such action is deemed advisable to simplify administration.*

*"(2) Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of a transferred deposit to any person by the new bank or by an insured bank in which a transferred deposit has been made available shall discharge the Corporation and such new bank or other insured bank, to the same extent that payment to such person by the closed bank would have discharged it from liability for the insured deposit.*

*"(3) Except as otherwise prescribed by the board of directors, neither the Corporation nor such new bank or other insured bank shall be required to recognize as the owner of any portion of a deposit appearing on the records of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the records of such closed bank as part owner of said deposit, if such recognition would increase the aggregate amount of the insured deposits in such closed bank.*

*"(4) The Corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the closed bank, or of any liability of such depositor to the closed bank or its receiver, which is not offset against a claim due from such bank,*

*pending the determination and payment of such liability by such depositor or any other person liable therefor.*

*"(5) If, after the Corporation shall have given at least three months' notice to the depositor by mailing a copy thereof to his last known address appearing on the records of the closed bank, any depositor in the closed bank shall fail to claim his insured deposit from the Corporation within eighteen months after the appointment of the receiver for the closed bank, or shall fail within such period to claim or arrange to continue the transferred deposit with the new bank or with the other insured bank which assumes liability therefor, all rights of the depositor against the Corporation with respect to the insured deposit, and against the new bank and such other insured bank with respect to the transferred deposit, shall be barred, and all rights of the depositor against the closed bank and its shareholders, or the receivership estate to which the Corporation may have become subrogated, shall thereupon revert to the depositor. The amount of any transferred deposits not claimed within such eighteen months' period, shall be refunded to the Corporation.*

*"(n) (1) Money of the Corporation not otherwise employed shall be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States, except that for temporary periods, in the discretion of the board of directors, funds of the Corporation may be deposited in any Federal Reserve bank or with the Treasurer of the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depositary of public moneys, except receipts from customs, under such regulations as may be prescribed by the said Secretary, and may also be employed as a financial agent of the Government. It shall perform all such reasonable duties as depositary of public moneys and financial agent of the Government as may be required of it.*

*"(2) Nothing contained in this section shall be construed to prevent the Corporation from making loans to national banks closed by action of the Comptroller of the Currency, or by vote of their directors, or to State member banks closed by action of the appropriate State authorities, or by vote of their directors, or from entering into negotiations to secure the reopening of such banks.*

*"(3) Receivers or liquidators of insured banks closed on account of inability to meet the demands of their depositors shall be entitled to offer the assets of such banks for sale to the Corporation or as security for loans from the Corporation, upon receiving permission from the appropriate State authority in accordance with express provisions of State law in the case of insured State banks, or from the Comptroller of the Currency in the case of national banks or District banks. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such banks. The Comptroller of the Currency may, in his discretion, pay dividends on proved claims at any time after the expiration of the period of advertisement made pursuant to section 5235 of the Revised Statutes (U. S. C., title 12, sec. 193), and no liability shall attach to the Comptroller of the Currency or to the receiver of any national bank by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment. The Corporation, in its discretion, may make loans on the security of or may purchase and liquidate or sell any part of the assets of an insured bank which is now or may hereafter be closed on account of inability to meet the demands of its*

*depositors, but in any case in which the Corporation is acting as receiver of a closed insured bank, no such loan or purchase shall be made without the approval of a court of competent jurisdiction.*

*"(4) Until July 1, 1936, whenever in the judgment of the board of directors such action will reduce the risk or avert a threatened loss to the Corporation and will facilitate a merger or consolidation of an insured bank with another insured bank, or will facilitate the sale of the assets of an open or closed insured bank to and assumption of its liabilities by another insured bank, the Corporation may, upon such terms and conditions as it may determine, make loans secured in whole or in part by assets of an open or closed insured bank, which loans may be in subordination to the rights of depositors and other creditors, or the Corporation may purchase any such assets or may guarantee any other insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Any insured national bank or District bank, or, with the approval of the Comptroller of the Currency, any receiver thereof, is authorized to contract for such sales or loans and to pledge any assets of the bank to secure such loans.*

*"(o) (1) The Corporation is authorized and empowered to issue and to have outstanding its notes, debentures, bonds, or other such obligations, in a par amount aggregating not more than three times the amount received by the Corporation in payment of its capital stock and in payment of the assessments upon insured banks for the year 1936. The notes, debentures, bonds, and other such obligations issued under this subsection shall be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and shall bear such rate or rates of interest, and shall mature at such time or times, as may be determined by the Corporation: Provided, That the Corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the Corporation may be secured by assets of the Corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the Corporation may determine.*

*"(2) The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation to be issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are extended to include such purchases: Provided, That if the Reconstruction Finance Corporation fails for any reason to purchase any of the obligations of the Corporation as provided in subsection (b) of section 5e of the Reconstruction Finance Corporation Act, as amended, the Secretary of the Treasury is authorized and directed to purchase such obligations in an amount equal to the amount of such obligations the Reconstruction Finance Corporation so fails to purchase: Provided further, That the Secretary of the Treasury is authorized and directed, whenever in the judgment of the board of directors of the Corporation additional funds are required for insurance purposes, to purchase obligations of the Corporation in an additional amount of not to exceed $250,000,000 par value: Provided further, That the proceeds derived from the purchase by the Secretary of the Treasury of any such obligations shall be used by the Corporation solely in carrying out its*

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*functions with respect to such insurance. The Secretary of the Treasury may, at any time, sell any of the obligations of the Corporation acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Corporation shall be treated as public-debt transactions of the United States.*

*"(p) All notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The Corporation, including its franchise, its capital, reserves, and surplus, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.*

*"(q) In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this Act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other such obligations.*

*"(r) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.*

*"(s) Whoever, for the purpose of obtaining any loan from the Corporation, or any extension or renewal thereof, or the acceptance, release, or substitution of security therefor, or for the purpose of inducing the Corporation to purchase any assets, or for the purpose of obtaining the payment of any insured deposit or transferred deposit or the allowance, approval, or payment of any claim, or for the purpose of influencing in any way the action of the Corporation under this section, makes any statement, knowing it to be false, or willfully overvalues any security, shall be punished by a fine of not more than $5,000, or by imprisonment for not more than two years, or both.*

*"(t) Whoever (1) falsely makes, forges, or counterfeits any obligation or coupon, in imitation of or purporting to be an obligation or coupon issued by the Corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited obligation or coupon purporting to have been issued by the Corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation or coupon issued or purporting to have been issued by the Corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation or coupon, issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.*

*"(u) Whoever, being connected in any capacity with the Corporation, (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 the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.*

*"(v) (1) No individual, association, partnership, or corporation shall use the words 'Federal Deposit Insurance Corporation', or a combination of any three of these four words, as the name or a part thereof under which he or it shall do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its deposit liabilities are insured or in anywise guaranteed by the Federal Deposit Insurance Corporation or by the United States or any instrumentality thereof; and no insured bank shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its deposit liabilities are insured by the Federal Deposit Insurance Corporation. Every individual, partnership, association, or corporation violating this subsection shall be punished by a fine of not exceeding $1,000, or by imprisonment not exceeding one year, or both.*

*"(2) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include in advertisements relating to deposits a statement to the effect that its deposits are insured by the Corporation. The board of directors shall prescribe by regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank continues to violate any provision of this paragraph or any lawful provision of said regulations, it shall be subject to a penalty of not more than $100, recoverable by the Corporation for its use.*

*"(3) No insured bank shall pay any dividends on its capi al stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) while it remains in default in the payment of any assessment due to the Corporation; and any director or officer of any insured bank who participates in the declaration or payment of any such dividend shall, upon conviction, be fined not more than $1,000, or imprisoned not more than one year, or both: Provided, That if such default is due to a dispute between the insured bank and the Corporation over the amount of such assessment, this paragraph shall not apply, if such bank shall deposit security satisfactory to the Corporation for payment upon final determination of the issue.*

*"(4) Unless, in addition to compliance with other provisions of law, it shall have the prior written consent of the Corporation, no insured bank shall enter into any consolidation or merger with any nonin ured bank, or assume liability o pay any deposits made in any noninsured bank, or transfer assets to any noninsured bank in consideration of the assumption of liability for any portion of the deposits made in such insured bank, and no insured State nonmember bank (except a District bank) without such consent shall reduce the amount or retire any part of its common or preferred capital stock, or retire any part of its capital notes or debentures.*

*"(5) No State nonmember insured bank (except a District bank) shall establish and operate any new branch after thirty days after the effective date unless it shall have the prior written consent of the Corporation, and no branch of any State nonmember insured bank shall be moved from one location to another after thirty days af e the effective date wi hout such consent. The factors to be considered in gran ing or withholding the consent of the Corporation under th s paragraph shall be those enumerated in subsection (g) of this section.*

*"(6) The Corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.*

*"(7) Whenever any insured bank (except a national bank or a District bank), after written notice of the recommendations of the Corporation based on a report of examination of such bank by an examiner of the Corporation, shall fail to comply with such recommendations within one hundred and twenty days after such notice, the Corporation shall have the power, and is hereby authorized, to publish only such part of such report of examination as relates to any recommendation not complied with: Provided, That notice of intention to make such publication shall be given to the bank at least ninety days before such publication is made.*

*"(8) The board of directors shall by regulation prohibit the payment of interest on demand deposits in insured nonmember banks and for such purpose it may define the term 'demand deposits'; but such exceptions from this prohibition shall be made as are now or may hereafter be prescribed with respect to deposits payable on demand in member banks by section 19 of this Act, as amended, or by regulation of the Board of Governors of the Federal Reserve System. The board of directors shall from time to time limit by regulation the rates of interest or dividends which may be paid by insured nonmember banks on time and savings deposits, but such regulations shall be consistent with the contractual obligations of such banks to their depositors. For the purpose of fixing such rates of interest or dividends, the board of directors shall by regulation 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 board of directors shall by regulation define what constitutes time and savings deposits in an insured nonmember bank. Such regulations shall prohibit any insured nonmember bank from paying any time deposit before its maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the board of directors, and from waiving any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. For each violation of any provision of this paragraph or any lawful provision of such regulations relating to the payment of interest or dividends on deposits or to withdrawal of deposits, the offending bank shall be subject to a penalty or not more than $100, recoverable by the Corporation for its use.*

*"(w) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs.*

*202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the Corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.*

*"(x) The Secret Service Division of the Treasury Department is authorized to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.*

*"(y) (1) No State bank which during the calendar year 1941 or any succeeding calendar year shall have average deposits of $1,000,000 or more shall be an insured bank or continue to have any part of its deposits insured after July 1 of the year following any such calendar year during which it shall have had such amount of average deposits, unless such bank shall be a member of the Federal Reserve System: Provided, That for the purposes of this paragraph the term 'State bank' shall not include a savings bank, a mutual savings bank, a Morris Plan bank or other incorporated banking institution engaged only in a business similar to that transacted by Morris Plan banks, a State trust company doing no commercial banking business, or a bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands.*

*"(2) It is not the purpose of this section to discriminate, in any manner, against State nonmember, and in favor of, national or member banks; but the purpose is to provide all banks with the same opportunity to obtain and enjoy the benefits of this section. No bank shall be discriminated against because its capital stock is less than the amount required for eligibility for admission into the Federal Reserve System.*

*"(z) The provisions of this section limiting the insurance of the deposits of any depositor to a maximum less than the full amount shall be independent and separable from each and all of the provisions of this section."*

## *TITLE II—AMENDMENTS TO THE FEDERAL RESERVE ACT*

*SECTION 201. Paragraph "Fifth" of section 4 of the Federal Reserve Act, as amended, is amended, effective March 1, 1936, to read as follows:*

*"Fifth. To appoint by its board of directors a president, vice presidents, and such officers and employees as are not otherwise provided for in this Act, to define their duties, require bonds for them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. The president shall be the chief executive officer of the bank and shall be appointed by the board of directors, with the approval of the Board of Governors of the Federal Reserve System, for a term of five years; and all other executive officers and all employees of the bank shall be directly responsible to him. The first vice president of the bank shall be appointed in the same manner and for the same term as the president, and shall, in the absence or disability of the president or during a vacancy in the office of president, serve as chief executive officer of the bank. Whenever a vacancy shall occur in the office of the president or the first vice president, it shall be filled in the manner provided for original appointments; and the person so appointed shall hold office until the expiration of the term of his predecessor."*

*SEC. 202. Section 9 of the Federal Reserve Act, as amended, is amended by inserting after the tenth paragraph thereof the following new paragraph:*

*"In order to facilitate the admission to membership in the Federal Reserve System of any State bank which is required under subsection (y) of section 12B of this Act to become a member of the Federal Reserve System in order to be an insured bank or continue to have any part of its deposits insured under such section 12B, the Board of Governors of the Federal Reserve System may waive in whole or in part the requirements of this section relating to the admission of such bank to membership: Provided, That, if such bank is admitted with a capital less than that required for the organization of a national bank in the same place and its capital and surplus are not, in the judgment of the Board of Governors of the Federal Reserve System, adequate in relation to its liabilities to depositors and other creditors, the said Board may, in its discretion, require such bank to increase its capital and surplus to such amount as the Board may deem necessary within such period prescribed by the Board as in its judgment shall be reasonable in view of all the circumstances: Provided, however, That no such bank shall be required to increase its capital to an amount in excess of that required for the organization of a national bank in the same place."*

*SEC. 203. (a) Hereafter the Federal Reserve Board shall be known as the "Board of Governors of the Federal Reserve System", and the governor and the vice governor of the Federal Reserve Board shall be known as the "chairman" and the "vice chairman", respectively, of the Board of Governors of the Federal Reserve System.*

*(b) The first two paragraphs of section 10 of the Federal Reserve Act, as amended, are amended to read as follows:*

*"SEC. 10. The Board of Governors of the Federal Reserve System (hereinafter referred to as the 'Board') shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate, after the date of enactment of the Banking Act of 1935, for terms of fourteen years except as hereinafter provided, but each appointive member of the Federal Reserve Board in office on such date shall continue to serve as a member of the Board until February 1, 1936, and the Secretary of the Treasury and the Comptroller of the Currency shall continue to serve as members of the Board until February 1, 1936. In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country. The members of the Board shall devote their entire time to the business of the Board and shall each receive an annual salary of $15,000, payable monthly, together with actual necessary traveling expenses.*

*"The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office on the date of enactment of the Banking Act of 1935, the President shall fix the term of the successor to such member at not to exceed fourteen years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one member in any two-year period, and thereafter each member shall hold office for a term of fourteen years from the expiration of the term of his predecessor, unless sooner removed for cause by the President. Of the persons thus appointed, one shall be designated by*

*the President as chairman and one as vice chairman of the Board, to serve as such for a term of four years. The chairman of the Board, subject to its supervision, shall be its active executive officer. Each member of the Board shall within fifteen days after notice of appointment make and subscribe to the oath of office. Upon the expiration of their terms of office, members of the Board shall continue to serve until their successors are appointed and have qualified. Any person appointed as a member of the Board after the date of enactment of the Banking Act of 1935 shall not be eligible for reappointment as such member after he shall have served a full term of fourteen years."*

*(c) The fourth paragraph of section 10 of the Federal Reserve Act, as amended, is amended by striking out the second, third, and fourth sentences thereof and inserting in lieu thereof the following: "At meetings of the Board the chairman shall preside, and, in his absence, the vice chairman shall preside. In the absence of the chairman and the vice chairman, the Board shall elect a member to act as chairman pro tempore."*

*(d) Section 10 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraph:*

*"The Board of Governors of the Federal Reserve System shall keep a complete record of the action taken by the Board and by the Federal Open Market Committee upon all questions of policy relating to open-market operations and shall record therein the votes taken in connection with the determination of open-market policies and the reasons underlying the action of the Board and the Committee in each instance. The Board shall keep a similar record with respect to all questions of policy determined by the Board, and shall include in its annual report to the Congress a full account of the action so taken during the preceding year with respect to open-market policies and operations and with respect to the policies determined by it and shall include in such report a copy of the records required to be kept under the provisions of this paragraph."*

*SEC. 204. Section 10 (b) of the Federal Reserve Act, as amended, is amended to read as follows:*

*"SEC. 10 (b). Any Federal Reserve bank, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, may make advances to any member bank on its time or demand notes having maturities of not more than four months and which are secured to the satisfaction of such Federal Reserve bank. Each such note shall bear interest at a rate not less than one-half of 1 per centum per annum higher than the highest discount rate in effect at such Federal Reserve bank on the date of such note."*

*SEC. 205. Section 12A of the Federal Reserve Act, as amended, is amended, effective March 1, 1936, to read as follows:*

*"SEC. 12A. (a) There is hereby created a Federal Open Market Committee (hereinafter referred to as the 'Committee'), which shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks to be selected as hereinafter provided. Such representatives of the Federal Reserve banks shall be elected annually as follows: One by the boards of directors of the Federal Reserve Banks of Boston and New York, one by the boards of directors of the Federal Reserve Banks of Philadelphia and Cleveland, one by the boards of directors of the Federal Reserve Banks of Chicago and Saint Louis, one by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta, and Dallas, and one by the boards of*

*directors of the Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco. An alternate to serve in the absence of each such representative shall be elected annually in the same manner. The meetings of said Committee shall be held at Washington, District of Columbia, at least four times each year upon the call of the chairman of the Board of Governors of the Federal Reserve System or at the request of any three members of the Committee.*

*"(b) No Federal Reserve bank shall engage or decline to engage in open-market operations under section 14 of this Act except in accordance with the direction of and regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks.*

*"(c) The time, character, and volume of all purchases and sales of paper described in section 14 of this Act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country."*

*SEC. 206. (a) Subsection (b) of section 14 of the Federal Reserve Act, as amended, is amended by inserting before the semicolon at the end thereof a colon and the following: Provided, That any 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 may be bought and sold without regard to maturities but only in the open market".*

*(b) Subsection (d) of section 14 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following: "but each such bank shall establish such rates every fourteen days, or oftener if deemed necessary by the Board;"*

*SEC. 207. The sixth paragraph of section 19 of the Federal Reserve Act, as amended, is amended to read as follows:*

*"Notwithstanding the other provisions of this section, the Board of Governors of the Federal Reserve System, upon the affirmative vote of not less than four of its members, in order to prevent injurious credit expansion or contraction, may by regulation change the requirements as to reserves to be maintained against demand or time deposits or both by member banks in reserve and central reserve cities or by member banks not in reserve or central reserve cities or by all member banks; but the amount of the reserves required to be maintained by any such member bank as a result of any such change shall not be less than the amount of the reserves required by law to be maintained by such bank on the date of enactment of the Banking Act of 1935 nor more than twice such amount."*

*SEC. 208. The first paragraph of section 24 of the Federal Reserve Act, as amended, is amended to read as follows:*

*"SEC. 24. Any national banking association may make real-estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument upon real estate, and any national banking association may purchase any obligation so secured when the entire amount of such obligation is sold to the association. The amount of any such loan hereafter made shall not exceed 50 per centum of the appraised value of the real estate offered as security and no such loan shall be made for a longer*

*term than five years; except that (1) any such loan may be made in an amount not to exceed 60 per centum of the appraised value of the real estate offered as security and for a term not longer than ten years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 40 per centum or more of the principal of the loan within a period of not more than ten years, and (2) the foregoing limitations and restrictions shall not prevent the renewal or extension of loans heretofore made and shall not apply to real-estate loans which are insured under the provisions of Title II of the National Housing Act. No such association shall make such loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of 60 per centum of the amount of its time and savings deposits, whichever is the greater. Any such association may continue hereafter as heretofore to receive time and savings deposits and to pay interest on the same, but the rate of interest which such association may pay upon such time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located."*

*SEC. 209. Section 325 of the Revised Statutes is amended to read as follows:*

*"SEC. 325. The Comptroller of the Currency shall be appointed by the President, by and with the advice and consent of the Senate, and shall hold his office for a term of five years unless sooner removed by the President, upon reasons to be communicated by him to the Senate; and he shall receive a salary at the rate of $15,000 a year."*

## *TITLE III—TECHNICAL AMENDMENTS TO THE BANKING LAWS*

*SECTION 301. Subsection (c) of section 2 of the Banking Act of 1933, as amended, is amended by adding at the end thereof the following paragraph:*

*"Notwithstanding the foregoing, the term 'holding company affiliate' shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of 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."*

*SEC. 302. The first paragraph of section 20 of the Banking Act of 1933, as amended, is amended by inserting before the period at the end thereof a colon and the following: "Provided, That nothing in this paragraph shall apply to any such organization which shall have been placed in formal liquidation and which shall transact no business except such as may be incidental to the liquidation of its affairs".*

*SEC. 303. (a) Paragraph (1) of subsection (a) of section 21 of the Banking Act of 1933, as amended, is amended by inserting before the semicolon at the end thereof a colon and the following: "Provided, That the provisions of this paragraph shall not prohibit national banks or State banks or trust companies (whether or not members of the Federal Reserve System) or other financial institutions or private bankers from dealing in,*

*underwriting, purchasing, and selling investment securities to the extent permitted to national banking associations by the provisions of section 5136 of the Revised Statutes, as amended (U. S. C., title 12, sec. 24; Supp. VII, title 12, sec. 24): Provided further, That nothing in this paragraph shall be construed as affecting in any way such right as any bank, banking association, savings bank, trust company, or other banking institution, may otherwise possess to sell, without recourse or agreement to repurchase, obligations evidencing loans on real estate".*

*(b) Paragraph (2) of subsection (a) of such section 21 is amended to read as follows:*

*"(2) For any person, firm, corporation, association, business trust, or other similar organization to engage, to any extent whatever with others than his or its officers, agents or employees, in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization (A) shall be incorporated under, and authorized to engage in such business by, the laws of the United States or of any State, Territory, or District, or (B) shall be permitted by any State, Territory, or District to engage in such business and shall be subjected by the law of such State, Territory, or District to examination and regulation, or (C) shall submit to periodic examination by the banking authority of the State, Territory, or District where such business is carried on and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and under the same conditions as required by the law of such State, Territory, or District in the case of incorporated banking institutions engaged in such business in the same locality."*

*SEC. 304. Section 22 of the Banking Act of 1933, as amended, is amended by adding at the end thereof the following sentences: "Such additional liability shall cease on July 1, 1937, with respect to all shares issued by any association which shall be transacting the business of banking on July 1, 1937: Provided, That not less than six months prior to such date, such association shall have caused notice of such prospective termination of liability to be published in a newspaper published in the city, town, or county in which such association is located, and if no newspaper is published in such city, town, or county, then in a newspaper of general circulation therein. If the association fail to give such notice as and when above provided, a termination of such additional liability may thereafter be accomplished as of the date six months subsequent to publication, in the manner above provided."*

*SEC. 305. Paragraph (c) of section 5155 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 36), is amended (1) by inserting after the first sentence thereof the following new sentence: "In any State in which State banks are permitted by statute law to maintain branches within county or greater limits, if no bank is located and doing business in the place where the proposed agency is to be located, any national banking association situated in such State may, with the approval of the Comptroller of the Currency, establish and operate, without regard to the capital requirements of this section, a seasonal agency in any resort community within the limits of the county in which the main office of such association is located, for the purpose of receiving and paying out deposits, issuing and cashing checks and drafts, and doing business*

*incident thereto: Provided, That any permit issued under this sentence shall be revoked upon the opening of a State or national bank in such community."; and (2) by striking out the first word in the last sentence of such paragraph (c) and inserting in lieu thereof the following: "Except as provided in the immediately preceding sentence, no".*

*SEC. 306. Section 4 of the Act entitled "An Act to amend section 12B of the Federal Reserve Act so as to extend for one year the temporary plan for deposit insurance, and for other purposes", approved June 16, 1934 (48 Stat. 969), is amended to read as follows:*

*"SEC. 4. So much of section 31 of the Banking Act of 1933, as amended, as relates to stock ownership by directors, trustees, or members of similar governing bodies of any national banking association, or of any State bank or trust company which is a member of the Federal Reserve System, is hereby repealed."*

*SEC. 307. Effective January 1, 1936, section 32 of the Banking Act of 1933, as amended, is amended to read as follows:*

*"SEC. 32. No officer, director, or employee of any corporation or unincorporated association, no partner or employee of any partnership, and no individual, 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, shall serve the same time as an officer, director, or employee of any member bank except in limited classes of cases in which the Board of Governors of the Federal Reserve System may allow such service by general regulations when in the judgment of the said Board it would not unduly influence the investment policies of such member bank or the advice it gives its customers regarding investments."*

*SEC. 308. (a) The second sentence of paragraph Seventh of section 5136 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 24), is amended to read as follows: "The business of dealing in securities and stock by the association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock: Provided, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. In no event shall the total amount of the investment securities of any one obligor or maker, held by the association for its own account, exceed at any time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund, except that this limitation shall not require any association to dispose of any securities lawfully held by it on the date of enactment of the Banking Act of 1935."*

*(b) The fourth sentence of such paragraph Seventh is amended to read as follows: "Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation."*

*(c) The last sentence of such paragraph Seventh is amended by inserting before the colon after the words "Home Owners' Loan Corporation" a comma and the following: "or obligations which are insured by the Federal Housing Administrator pursuant to section 207 of the National Housing Act, if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States".*

*SEC. 309 Section 5138 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec 51), is amended by adding the following sentences at the end thereof: "No such association shall hereafter be authorized to commence the business of banking until it shall have a paid-in surplus equal to 20 per centum of its capital: Provided, That the Comptroller of the Currency may waive this requirement as to a State bank converting into a national banking association, but each such State bank which is converted into a national banking association shall, before the declaration of a dividend on its shares of common stock, carry not less than one-half part of its net profits of the preceding half year to its surplus fund until it shall have a surplus equal to 20 per centum of its capital: Provided, That for the purposes of this section any amounts paid into a fund for the retirement of any preferred stock of any such converted State bank out of its net earnings for such half-year period shall be deemed to be an addition to its surplus fund if, upon the retirement of such preferred stock, the amount so paid into such retirement fund for such period may then properly be carried to surplus. In any such case the converted State bank shall be obligated to transfer to surplus the amount so paid into such retirement fund for such period on account of the preferred stock as such stock is retired."*

*SEC. 310. (a) The last paragraph of section 5139 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 52), is amended to read as follows:*

*"After the date of the enactment of the Banking Act of 1935, no certificate evidencing the stock of any such association shall bear any statement purporting to represent the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such association, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoveer upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such association: Provided, That this section shall not operate to prevent the ownership, sale, or transfer of stock of any other corporation being conditioned upon the ownership, sale, or transfer of a certificate representing stock of a national banking association."*

*(b) The nineteenth paragraph of section 9 of the Federal Reserve Act, as amended, is amended to read as follows:*

*"After the date of the enactment of the Banking Act of 1935, no certificate evidencing the stock of any State member bank shall bear any statement purporting to represent the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any State member bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank: Provided, That this section shall not operate to prevent the ownership, sale, or transfer of stock of any other corporation being conditioned upon the ownership, sale, or transfer of a certificate representing stock of a State member bank."*

*SEC. 311. (a) The first paragraph of section 5144 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 61), is amended to read as follows:*

"SEC. 5144. In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him; except that (1) this shall not be construed as limiting the voting rights of holders of preferred stock under the terms and provisions of articles of association, or amendments thereto, adopted pursuant to the provisions of section 302 (a) of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, (2) in the election of directors, shares of its own stock held by a national bank as sole trustee, whether registered in its own name as such trustee or in the name of its nominee, shall not be voted by the registered owner unless under the terms of the trust the manner in which such shares shall be voted may be determined by a donor or beneficiary of the trust and unless such donor or beneficiary actually directs how such shares shall be voted, (3) shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (4) shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted, but such holding company affiliate may, without obtaining such permit, vote in favor of placing the association in voluntary liquidation or taking any other action pertaining to the voluntary liquidation of such association. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote. Whenever shares of stock cannot be voted by reason of being held by the bank as sole trustee, such shares shall be excluded in determining whether matters voted upon by the shareholders were adopted by the requisite percentage of shares."

(b) The first sentence of the third paragraph of such section 5144 is amended to read: "Any such holding company affiliate may make application to the Board of Governors of the Federal Reserve System for a voting permit entitling it to vote the stock controlled by it at any or all meetings of shareholders of such bank or authorizing the trustee or turstees holding the stock for its benefit or for the benefit of its shareholders so to vote the same."

(c) Section 5144 of the Revised Statutes, as amended, is further amended by adding at the end of subsection (c) thereof the following: "and the provisions of this subsection, instead of subsection (b), shall apply to all holding company affiliates with respect to any shares of bank stock owned or controlled by them as to which there is no statutory liability imposed upon the holders of such bank stock;".

SEC. 312. Section 5154 of the Revised Statutes, as amended (U. S. C., title 12, sec. 35), is amended by adding at the end thereof the following paragraph:

"The Comptroller of the Currency may, in his discretion and subject to such conditions as he may prescribe, permit such converting bank to retain and carry at a value determined by the Comptroller such of the

*assets of such converting bank as do not conform to the legal requirements relative to assets acquired and held by national banking associations."*

*SEC. 313. Section 5162 of the Revised Statutes (U. S. C., title 12, sec. 170) is amended by adding at the end thereof the following paragraph:*

*"The Comptroller of the Currency may designate one or more persons to countersign in his name and on his behalf such assignments or transfers of bonds as require his countersignature."*

*SEC. 314. Section 5197 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 85), is amended by inserting after the second sentence thereof the following new sentence: "The maximum amount of interest or discount to be charged at a branch of an association located outside of the States of the United States and the District of Columbia shall be at the rate allowed by the laws of the country, territory, dependency, province, dominion, insular possession, or other political subdivision where the branch is located."*

*SEC. 315. Section 5199 of the Revised Statutes (U. S. C., title 12, sec. 60), is amended to read as follows:*

*"SEC. 5199. The directors of any association may, semiannually, declare a dividend of so much of the net profits of the association as they shall judge expedient; but each association shall, before the declaration of a dividend on its shares of common stock, carry not less than one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall equal the amount of its common capital: Provided, That for the purposes of this section, any amounts paid into a fund for the retirement of any preferred stock of any such association out of its net earnings for such half-year period shall be deemed to be an addition to its surplus fund if, upon the retirement of such preferred stock, the amount so paid into such retirement fund for such period may then properly be carried to surplus. In any such case the association shall be obligated to transfer to surplus the amounts so paid into such retirement fund for such period on account of the preferred stock as such stock is retired."*

*SEC. 316. Section 5209 of the Revised Statutes (U. S. C., title 12, sec. 592), is hereby amended by inserting after the words "known as the Federal Reserve Act", the words "or of any national banking association, or of any insured bank as defined in subsection (c) of section 12B of the Federal Reserve Act"; and by inserting after the words "such Federal Reserve bank or member bank", wherever they appear in such section, the words "or such national banking association or insured bank"; and by inserting after the words "or the Comptroller of the Currency", the words "or the Federal Deposit Insurance Corporation,".*

*SEC. 317. Section 5220 of the Revised Statutes (U. S. C., title 12, sec. 181), is amended by adding at the end thereof the following paragraph:*

*"The shareholders shall designate one or more persons to act as liquidating agent or committee, who shall conduct the liquidation in accordance with law and under the supervision of the board of directors, who shall require a suitable bond to be given by said agent or committee. The liquidating agent or committee shall render annual reports to the Comptroller of the Currency on the 31st day of December of each year showing the progress of said liquidation until the same is completed. The liquidating agent or committee shall also make an annual report to a meeting of the shareholders to be held on the date fixed in the articles of association for the annual meeting, at which meeting the shareholders may, if they see fit, by a vote representing a majority of the entire stock of the bank, remove the liquidating agent or committee and appoint one*

*or more others in place thereof. A special meeting of the shareholders may be called at any time in the same manner as if the bank continued an active bank and at said meeting the shareholders may, by vote of the majority of the stock, remove the liquidating agent or committee. The Comptroller of the Currency is authorized to have an examination made at any time into the affairs of the liquidating bank until the claims of all creditors have been satisfied, and the expense of making such examinations shall be assessed against such bank in the same manner as in the case of examinations made pursuant to section 5240 of the Revised Statutes, as amended (U. S. C., title 12, secs. 484, 485; Supp. VII, title 12, secs. 481–483)."*

*SEC. 318. Section 5243 of the Revised Statutes (U. S. C., title 12, sec. 583) is amended by striking out the semicolon therein and all that precedes it and substituting the following:*

*"SEC. 5243. The use of the word 'national', the word 'Federal' or the words 'United States', separately, in any combination thereof, or in combination with other words or syllables, as part of the name or title used by any person, corporation, firm, partnership, business trust, association or other business entity, doing the business of bankers, brokers, or trust or savings institutions is prohibited except where such institution is organized under the laws of the United States, or is otherwise permitted by the laws of the United States to use such name or title, or is lawfully using such name or title on the date when this section, as amended, takes effect;".*

*SEC. 319. (a) Section 5 of the Federal Reserve Act, as amended, is amended by striking out the last three sentences thereof and inserting in lieu thereof the following: "When a member bank reduces its capital stock or surplus it shall surrender a proportionate amount of its holdings in the capital stock of said Federal Reserve bank. Any member bank which holds capital stock of a Federal Reserve bank in excess of the amount required on the basis of 6 per centum of its paid-up capital stock and surplus shall surrender such excess stock. When a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal Reserve bank and be released from its stock subscription not previously called. In any such case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board of Governors of the Federal Reserve System, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of 1 per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal Reserve bank."*

*(b) Section 6 of the Federal Reserve Act, as amended, is amended by striking out the last paragraph thereof.*

*SEC. 320. The fifth paragraph of section 9 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following sentence: "Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe."*

*SEC. 321. (a) The first sentence of paragraph (m) of section 11 of the Federal Reserve Act, as amended, is amended by inserting before the period at the end thereof a colon and the following: "Provided, That with respect to loans represented by obligations in the form of notes secured by not less than a like amount 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 fully guaranteed both as to principal and interest by the United States, such limitation of 10 per centum on loans to any person shall not apply, but State member banks shall be subject to the same limitations and conditions as are applicable in the case of national banks under paragraph (8) of section 5200 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 84)".

(b) Paragraph (8) of section 5200 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 84), is amended by inserting after the comma following the words "certificates of indebtedness of the United States", the words "Treasury bills of the United States, or obligations fully guaranteed both as to principal and interest by the United States,".

SEC. 322. The third paragraph of section 13 of the Federal Reserve Act, as amended, is amended by changing the words "indorsed and otherwise secured to the satisfaction of the Federal Reserve bank" in that paragraph to read "indorsed or otherwise secured to the satisfaction of the Federal Reserve bank".

SEC. 323. Subsection (e) of section 13b of the Federal Reserve Act, as amended, is amended by striking out "upon the date this section takes effect", and inserting in lieu thereof "on and after June 19, 1934"; and by striking out "the par value of the holdings of each Federal Reserve bank of Federal Deposit Insurance Corporation stock", and inserting in lieu thereof "the amount paid by each Federal Reserve bank for stock of the Federal Deposit Insurance Corporation".

SEC. 324. (a) The first paragraph of section 19 of the Federal Reserve Act, as amended, is amended to read as follows:

"SEC. 19. The Board of Governors of the Federal Reserve System is authorized, for the purposes of this section, to define the terms 'demand deposits', 'gross demand deposits', 'deposits payable on demand', 'time deposits', 'savings deposits', and 'trust funds', to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof: Provided, That, within the meaning of the provisions of this section regarding the reserves required of member banks, the term 'time deposits' shall include 'savings deposits'."

(b) The tenth paragraph of such section 19 is amended to read as follows:

"In estimating the reserve balances required by this Act, member banks may deduct from the amount of their gross demand deposits the amounts of balances 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, within the meaning of these terms as defined by the Board of Governors of the Federal Reserve System."

(c) The last two paragraphs of such section 19 are amended to read as follows:

"No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand: Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract entered into in good faith which is in force on the date on which the bank becomes subject to the provisions of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this para-

*graph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations: Provided further, That this paragraph shall not apply to any deposit of such bank which is payable only at an office thereof located outside of the States of the United States and the District of Columbia: Provided further, That until the expiration of two years after the date of enactment of the Banking Act of 1935 this paragraph shall not apply (1) to any deposit made by a savings bank as defined in section 12B of this Act, as amended, or by a mutual savings bank, or (2) to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, or to any deposit of trust funds if the payment of interest with respect to such deposit of public funds or of trust funds is required by State law. So much of existing law as requires the payment of interest with respect to any funds deposited by the United States, by any Territory, District, or possession thereof (including the Philippine Islands), or by any public instrumentality, agency, or officer of the foregoing, as is inconsistent with the provisions of this section as amended, is hereby repealed.*

*"The Board of Governors of the Federal Reserve System shall from time to time limit by regulation the rate of interest which may be paid by member banks on time and savings deposits, and 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. No member bank shall pay any time deposit before its maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the said Board, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement: Provided, That the provisions of this paragraph shall not apply to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia."*

*(d) Such section 19 is amended by adding at the end thereof the following new paragraph:*

*"Notwithstanding the provisions of the First Liberty Bond Act, as amended, the Second Liberty Bond Act, as amended, and the Third Liberty Bond Act, as amended, member banks shall be required to maintain the same reserves against deposits of public moneys by the United States as they are required by this section to maintain against other deposits."*

*SEC. 325. Section 21 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following paragraph:*

*"Whenever member banks are required to obtain reports from affiliates, or whenever affiliates of member banks are required to submit to examination, the Board of Governors of the Federal Reserve System or the Comptroller of the Currency, as the case may be, may waive such requirements with respect to any such report or examination of any affiliate if in the judgment of the said Board or Comptroller, respectively, such report or examination is not necessary to disclose fully the relations between such affiliate and such bank and the effect thereof upon the affairs of such bank."*

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*SEC. 326. (a) Subsection (a) of section 22 of the Federal Reserve Act, as amended, is amended by inserting in the first paragraph thereof after "No member bank" the following: "and no insured bank as defined in subsection (c) of section 12B of this Act"; by inserting before the period at the end of the first sentence of such paragraph "or assistant examiner, who examines or has authority to examine such bank"; and by inserting after "any member bank" in the second paragraph thereof "or insured bank"; by inserting before the period at the end thereof "or Federal Deposit Insurance Corporation examiner"; and by adding at the end of such subsection a new paragraph, as follows:*

*"The provisions of this subsection shall apply to all public examiners and assistant examiners who examine member banks of the Federal Reserve System or insured banks, whether appointed by the Comptroller of the Currency, by the Board of Governors of the Federal Reserve System, by a Federal Reserve agent, by a Federal Reserve bank, or by the Federal Deposit Insurance Corporation, or appointed or elected under the laws of any State; but shall not apply to private examiners or assistant examiners employed only by a clearing-house association or by the directors of a bank."*

*(b) Subsection (b) of such section 22 is amended by inserting therein after "no national bank examiner" the following: "and no Federal Deposit Insurance Corporation examiner"; and by inserting after "member bank" the following: "or insured bank"; and by inserting after "from the Comptroller of the Currency," the following: "as to a national bank, the Board of Governors of the Federal Reserve System as to a State member bank, or the Federal Deposit Insurance Corporation as to any other insured bank,".*

*(c) Subsection (g) of such section 22 is amended to read as follows:*

*"(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 made to any such officer prior to June 16, 1933, may be renewed or extended for periods expiring not more than five years from such date where the board of directors of the member bank shall have satisfied themselves that such extension or renewal is in the best interest of the bank and that the officer indebted has made reasonable effort to reduce his obligation, these findings to be evidenced by resolution of the board of directors spread upon the minute book of the bank: Provided further, That with the prior approval of a majority of the entire board of directors, any member bank may extend credit to any executive officer thereof, and such officer may become indebted thereto, in an amount not exceeding $2,500. 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 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. Borrowing by, or loaning to, a partnership in which one or more executive officers of a member bank are partners having either individually or together a majority interest in said partnership, shall be considered within the prohibition of this subsection. Nothing contained in this subsection shall prohibit any executive officer of a member bank from endorsing or guaranteeing for the protection of such bank any loan or*

*other asset which shall have been previously acquired by such bank in good faith or from incurring any indebtedness to such bank for the purpose of protecting such bank against loss or giving financial assistance to it. The Board of Governors of the Federal Reserve System is authorized to define the term 'executive officer', to determine what shall be deemed to be a borrowing, indebtedness, loan, or extension of credit, for the purposes of this subsection, and to prescribe such rules and regulations as it may deem necessary to effectuate the provisions of this subsection in accordance with its purposes and to prevent evasions of such provisions. Any executive officer of a member bank accepting a loan or extension of credit which is in violation of the provisions of this subsection shall be subject to removal from office in the manner prescribed in section 30 of the Banking Act of 1933: Provided, That for each day that a loan or extension of credit made in violation of this subsection exists, it shall be deemed to be a continuation of such violation within the meaning of said section 30."*

*SEC. 327. The third paragraph of section 23A of the Federal Reserve Act, as amended, is amended to read as follows:*

*"For the purpose of this section, the term 'affiliate' shall include holding-company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged on June 16, 1934, in holding the bank premises of the member bank with which it is affiliated or in maintaining and operating properties acquired for banking purposes prior to such date; (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company; (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of this Act, as amended, or a subsidiary of such affiliate, all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate; (4) organized under section 25 (a) of this Act, as amended, or a subsidiary of such affiliate, all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate; (5) engaged solely in holding obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the Federal intermediate credit banks, the Federal land banks, the Federal Home Loan Banks, or the Home Owners' Loan Corporation; (6) where the affiliate relationship has arisen out of a bona fide debt contracted prior to the date of the creation of such relationship; or (7) where the affiliate relationship exists by reason of the ownership or control of any voting shares thereof by a member bank as executor, administrator, trustee, receiver, agent, depositary, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member bank; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations. The provisions of this section shall likewise not apply to indebtedness of any affiliate for unpaid balances due a bank on assets purchased from such bank or to loans secured by, or extensions of credit against, obligations of the United States or obligations fully guaranteed by the United States as to principal and interest."*

*SEC. 328. Section 24 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following new paragraph:*

*"Loans made to established industrial or commercial businesses (a) which are in whole or in part discounted or purchased or loaned against as security by a Federal Reserve bank under the provisions of section 13b*

*of this Act, (b) for any part of which a commitment shall have been made by a Federal Reserve bank under the provisions of said section, (c) in the making of which a Federal Reserve bank participates under the provisions of said section, or (d) in which the Reconstruction Finance Corporation cooperates or purchases a participation under the provisions of section 5d of the Reconstruction Finance Corporation Act, shall not be subject to the restrictions or limitations of this section upon loans secured by real estate."*

*SEC. 329. Section 25 of the Federal Reserve Act, as amended, is further amended by striking out the last paragraph of such section; the paragraph of section 25 (a) of the Federal Reserve Act, as amended, which commences with the words "A majority of the shares of the capital stock of any such corporation" is amended by striking out all of said paragraph except the first sentence thereof; and the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes" (38 Stat. 730), approved October 15, 1914, as amended, is further amended (a) by striking out section 8A thereof and (b) by substituting for the first three paragraphs of section 8 thereof the following:*

*"SEC. 8. 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 the 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; but the foregoing prohibition shall not apply in the case of any one or more of the following or any branch thereof:*

*"(1) A bank, banking association, savings bank, or trust company, more than 90 per centum of the stock of which is owned directly or indirectly by the United States or by any corporation of which the United States directly or indirectly owns more than 90 per centum of the stock.*

*"(2) A bank, banking association, savings bank, or trust company which has been placed formally in liquidation or which is in the hands of a receiver, conservator, or other official exercising similar functions.*

*"(3) A corporation principally engaged in international or foreign banking or banking in a dependency or insular possession of the United States which has entered into an agreement with the Board of Governors of the Federal Reserve System pursuant to section 25 of the Federal Reserve Act.*

*"(4) A bank, banking association, savings bank, or trust company, more than 50 per centum of the common stock of which is owned directly or indirectly by persons who own directly or indirectly more than 50 per centum of the common stock of such member bank.*

*"(5) A bank, banking association, savings bank, or trust company not located and having no branch in the same city, town, or village as that in which such member bank or any branch thereof is located, or in any city, town, or village contiguous or adjacent thereto.*

*"(6) A bank, banking association, savings bank, or trust company not engaged in a class or classes of business in which such member bank is engaged.*

*"(7) A mutual savings bank having no capital stock.*

*"Until February 1, 1939, nothing in this section shall prohibit any director, officer, or employee of any member bank of the Federal Reserve*

*System, or any branch thereof, who is lawfully serving at the same time as a private banker or as a director, officer, or employee of any other bank, banking association, savings bank, or trust company, or any branch thereof, on the date of enactment of the Banking Act of 1935, from continuing such service.*

*"The Board of Governors of the Federal Reserve System is authorized and directed to enforce compliance with this section, and to prescribe such rules and regulations as it deems necessary for that purpose."*

*SEC. 330. (a) Section 1 of the Act of November 7, 1918, as amended (U. S. C., title 12, sec. 33; Supp. VII, title 12, sec. 33), is amended by striking out the second proviso down to and including the words "to be ascertained" and inserting in lieu thereof the following: "And provided further, That if such consolidation shall be voted for at said meetings by the necessary majorities of the shareholders of each of the associations proposing to consolidate, any shareholder of any of the associations so consolidated, who has voted against such consolidation at the meeting of the association of which he is a shareholder or has given notice in writing at or prior to such meeting to the presiding officer that he dissents from the plan of consolidation, shall be entitled to receive the value of the shares so held by him if and when said consolidation shall be approved by the Comptroller of the Currency, such value to be ascertained as of the date of the Comptroller's approval".*

*(b) Such section 1 is further amended by adding at the end thereof the following paragraphs:*

*"Publication of notice and notification by registered mail of the meeting provided for in the foregoing paragraph may be waived by unanimous action of the shareholders of the respective associations. Where a dissenting shareholder has given notice as above provided to the association of which he is a shareholder of his dissent from the plan of consolidation, and the directors thereof fail for more than thirty days thereafter to appoint an appraiser of the value of his shares, said shareholder may request the Comptroller of the Currency to appoint such appraiser to act on the appraisal committee for and on behalf of such association.*

*"If shares, when sold at public auction in accordance with this section, realize a price greater than their final appraised value, the excess in such sale price shall be paid to the shareholder. The consolidated association shall be liable for all liabilities of the respective consolidating associations. In the event one of the appraisers fails to agree with the others as to the value of said shares, then the valuation of the remaining appraisers shall govern."*

*SEC. 331. (a) Section 3 of the Act of November 7, 1918, as amended (U. S. C., Supp. VII, title 12, sec. 34 (a)), is amended by striking out the first sentence following the proviso down to and including the words "to be ascertained" and inserting in lieu thereof the following: "If such consolidation shall be voted for at said meetings by the necessary majorities of the shareholders of the association and of the State or other bank proposing to consolidate, and thereafter the consolidation shall be approved by the Comptroller of the Currency, any shareholder of either the association or the State or other bank so consolidated, who has voted against such consolidation at the meeting of the association of which he is a stockholder, or has given notice in writing at or prior to such meeting to the presiding officer that he dissents from the plan of consolidation, shall be entitled to receive the value of the shares so held by him if and when said*

*consolidation shall be approved by the Comptroller of the Currency, such value to be ascertained as of the date of the Comptroller's approval."*

*(b) Such section 3 is further amended by adding at the end thereof the following paragraph:*

*"Where a dissenting shareholder has given notice as provided in this section to the bank of which he is a shareholder of his dissent from the plan of consolidation, and the directors thereof fail for more than thirty days thereafter to appoint an appraiser of the value of his shares, said shareholder may request the Comptroller of the Currency to appoint such appraiser to act on the appraisal committee for and on behalf of such bank. In the event one of the appraisers fails to agree with the others as to the value of said shares, then the valuation of the remaining appraisers shall govern."*

*SEC. 332. The Act entitled "An Act to prohibit offering for sale as Federal farm-loan bonds any securities not issued under the terms of the Farm Loan Act, to limit the use of the words 'Federal', 'United States', or 'reserve', or a combination of such words, to prohibit false advertising, and for other purposes", approved May 24, 1926 (U. S. C., Supp. VII, title 12, secs. 584–588), is amended by inserting in section 2 thereof after "the words 'United States'", the following: "the words 'Deposit Insurance'"; and by inserting in said section after the words "the laws of the United States", the following: "nor to any new bank organized by the Federal Deposit Insurance Corporation as provided in section 12B of the Federal Reserve Act, as amended,"; and by striking out the period at the end of section 4 and inserting the following: "or the Federal Deposit Insurance Corporation."*

*SEC. 333. The Act entitled "An Act to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System", approved May 18, 1934 (48 Stat. 783), is amended by striking out the period after "United States" in the first section thereof and inserting the following: "and any insured bank as defined in subsection (c) of section 12B of the Federal Reserve Act, as amended."*

*SEC. 334. Section 5143 of the Revised Statutes, as amended, is hereby amended by striking out everything following the words "Comptroller of the Currency", where such words last appear in such section, and substituting the following: "and no shareholder shall be entitled to any distribution of cash or other assets by reason of any reduction of the common capital of any association unless such distribution shall have been approved by the Comptroller of the Currency and by the affirmative vote of at least two-thirds of the shares of each class of stock outstanding, voting as classes."*

*SEC. 335. Section 5139 of the Revised Statutes, as amended, is amended by adding at the end of the first paragraph the following new paragraph:*

*"Certificates hereafter issued representing shares of stock of the association shall state (1) the name and location of the association, (2) the name of the holder of record of the stock represented therby, (3) the number and class of shares which the certificate represents, and (4) if the association shall issue stock of more than one class, the respective rights, preferences, privileges, voting rights, powers, restrictions, limitations, and qualifications of each class of stock issued shall be stated in full or in summary upon the front or back of the certificates or shall be incorporated by a*

*reference to the articles of association set forth on the front of the certificates. Every certificate shall be signed by the president and the cashier of the association, or by such other officers as the bylaws of the association shall provide, and shall be sealed with the seal of the association."*

*SEC. 336. The last sentence of section 301 of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, is amended to read as follows: "No issue of preferred stock shall be valid until the par value of all stock so issued shall be paid in and notice thereof, duly acknowledged before a notary public by the president, vice president, or cashier of said association, has been transmitted to the Comptroller of the Currency and his certificate obtained specifying the amount of such issue of preferred stock and his approval thereof and that the amount has been duly paid in as a part of the capital of such association; which certificate shall be deemed to be conclusive evidence that such preferred stock has been duly and validly issued."*

*SEC. 337. The additional liability imposed by section 4 of the Act of March 4, 1933, as amended (D. C. Code, Supp. I, title 5, sec. 300a), upon the shareholders of savings banks, savings companies, and banking institutions and the additional liability imposed by section 734 of the Act of March 3, 1901 (D. C. Code, title 5, sec. 361), upon the shareholders of trust companies, shall cease to apply on July 1, 1937, with respect to such savings banks, savings companies, banking institutions, and trust companies which shall be transacting business on such date: Provided, That not less than six months prior to such date, the savings bank, savings company, banking institution, or trust company, desiring to take advantage hereof, shall have caused notice of such prospective termination of liability to be published in a newspaper published in the District of Columbia and having general circulation therein. In the event of failure to give such notice as and when above provided, a termination of such additional liability may thereafter be accomplished as of the date six months subsequent to publication in the manner above provided. Each such savings bank, savings company, banking institution, and trust company shall, before the declaration of a dividend on its shares of common stock, carry not less than one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall equal the amount of its common stock: Provided, That for the purposes of this section, any amounts paid into a fund for the retirement of any preferred stock or debentures of any such savings bank, savings company, banking institution, or trust company, out of its net earnings for such half-year period shall be deemed to be an addition to its surplus if, upon the retirement of such preferred stock or debentures, the amount so paid into such retirement fund for such period may then properly be carried to surplus. In any such case the savings bank, savings company, banking institution, or trust company shall be obligated to transfer to surplus the amount so paid into such retirement fund for such period on account of the preferred stock or debentures as such stock or debentures are retired.*

*SEC. 338. The second paragraph of section 9 of the Federal Reserve Act, as amended, is amended by striking out the period at the end thereof and adding thereto the following: "except that the approval of the Board of Governors of the Federal Reserve System, instead of the Comptroller of the Currency, shall be obtained before any State member bank may hereafter establish any branch and before any State bank hereafter admitted*

*to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated."*

*SEC. 339. Section 5234 of the Revised Statutes, as amended (U. S. C., title 12, sec. 192), is amended by striking out the period after the words "money so deposited" at the end of the next to the last sentence of such section and inserting in lieu of such period a colon and the following: "Provided, That no security in the form of deposit of United States bonds, or otherwise, shall be required in the case of such parts of the deposits as are insured under section 12B of the Federal Reserve Act, as amended."*

*SEC. 340. Section 61 of the Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended, is amended by inserting before the period at the end thereof a colon and the following: "Provided, That no security in form of a bond or otherwise shall be required in the case of such part of the deposits as are insured under section 12B of the Federal Reserve Act, as amended".*

*SEC. 341. Section 8 of the Act entitled "An Act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes", approved June 25, 1910, as amended (U. S. C., title 39, sec. 758; Supp. VII, title 39, sec. 758), is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Notwithstanding any other provision of law, (1) each deposit in a postal savings depository office shall be a savings deposit, and interest thereon shall be allowed and entered to the credit of the depositor once for each quarter beginning with the first day of the month following the date of such deposit, but no interest shall be allowed to any such depositor with respect to the whole or any part of the funds to his or her credit for any period of less than three months; (2) no interest shall be paid on any such deposit at a rate in excess of that which may lawfully be paid on savings deposits under regulations prescribed by the Board of Governors of the Federal Reserve System pursuant to the Federal Reserve Act, as amended, for member banks of the Federal Reserve System located in or nearest to the place where such depository office is situated; and (3) postal savings depositories may deposit funds on time in member banks of the Federal Reserve System subject to the provisions of the Federal Reserve Act, as amended, and the regulations of the Board of Governors of the Federal Reserve System, with respect to the payment of time deposits and interest thereon."*

*SEC. 342. The last sentence of the third paragraph of subsection (k) of section 11 of the Federal Reserve Act, as amended (U. S. C., title 12, sec. 248(k)), is amended to read as follows: "The State banking authorities may have access to reports of examination made by the Comptroller of the Currency insofar as such reports relate to the trust department of such bank, but nothing in this Act shall be construed as authorizing the State banking authorities to examine the books, records, and assets of such bank."*

*SEC. 343. The first sentence after the third proviso of section 5240 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, secs. 481 and 482), is amended by striking out the word "is" after the words "whose compensation" and inserting in lieu thereof a comma and the following: "including retirement annuities to be fixed by the Comptroller of the Currency, is and shall be"; and such section 5240 is further amended*

*by striking out "The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency," and inserting in lieu thereof "The Comptroller of the Currency".*

*SEC. 344. (a) Section 1 of the National Housing Act is amended by adding at the end thereof the following new sentence: "The Administrator shall, in carrying out the provisions of this title and titles II and III, be authorized, in his official capacity, to sue and be sued in any court of competent jurisdiction, State or Federal."*

*(b) The first sentence of section 2 of the National Housing Act, as amended, is further amended by striking out the words "including the the installation of equipment and machinery" and inserting in lieu thereof the words "and the purchase and installation of equipment and machinery on real property".*

*(c) Subsection (a) of section 203 of the National Housing Act is amended by inserting the words "property and" before the word "projects" in clause (1) of such subsection.*

*(d) The last sentence of section 207 of the National Housing Act is amended by inserting the words "property or" before the word "project"*

*SEC. 345. If any part of the capital of a national bank, State member bank, or bank applying for membership in the Federal Reserve System consists of preferred stock, the determination of whether or not the capital of such bank is impaired and the amount of such impairment shall be based upon the par value of its stock even though the amount which the holders of such preferred stock shall be entitled to receive in the event of retirement or liquidation shall be in excess of the par value of such preferred stock. If any such bank or trust company shall have outstanding any capital notes or debentures of the type which the Reconstruction Finance Corporation is authorized to purchase pursuant to the provisions of section 304 of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, the capital of such bank may be deemed to be unimpaired if the sound value of its assets is not less than its total liabilities, including capital stock, but excluding such capital notes or debentures and any obligations of the bank expressly subordinated thereto. Notwithstanding any other provision of law, the holders of preferred stock issued by a national banking association pursuant to the provisions of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, shall be entitled to receive such cumulative dividends at a rate not exceeding six per centum per annum on the purchase price received by the association for such stock and, in the event of the retirement of such stock, to receive such retirement price, not in excess of such purchase price plus all accumulated dividends, as may be provided in the articles of association with the approval of the Comptroller of the Currency. If the association is placed in voluntary liquidation, or if a conservator or a receiver is appointed therefor, no payment shall be made to the holders of common stock until the holders of preferred stock shall have been paid in full such amount as may be provided in the articles of association with the approval of the Comptroller of the Currency, not in excess of such purchase price of such preferred stock plus all accumulated dividends.*

*SEC. 346. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act,*

*and the application of such provision to other persons and circumstances, shall not be affected thereby.*

And the Senate agree to the same.

HENRY B. STEAGALL,
T. ALAN GOLDSBOROUGH,
JOHN B. HOLLISTER,
*Managers on the part of the House.*

CARTER GLASS,
DUNCAN U. FLETCHER,
ROBERT J. BULKLEY,
JOHN G. TOWNSEND, JR.,
WM. G. MCADOO,
PETER NORBECK,
*Managers on the part of the Senate.*

## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7617) to provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

### TITLE I—FEDERAL DEPOSIT INSURANCE

The provisions of title I of the House bill, which amended various subsections of section 12B of the Federal Reserve Act (relating to the subject of Federal deposit insurance), did not differ in many respects from those contained in title I of the Senate amendment. However, the Senate amendment rewrote such section 12B so as to include the provisions of existing law which were not affected by the specific amendments made by title I of the House bill in order that all the provisions of the amended section might be found in one place when the amended section takes effect. The conference agreement retains the form of the Senate amendment, and the material differences in substance between its provisions and those of the House bill, and the conference action with respect thereto, are indicated below. Certain formal and clarifying amendments of a minor nature have also been made in other parts of Title I which are not specifically mentioned.

The House bill contained a provision which was omitted in the Senate amendment authorizing a Deputy Comptroller of the Currency to serve as a member of the board of directors of the Federal Deposit Insurance Corporation in the absence of the Comptroller. The conference agreement provides that the Acting Comptroller of the Currency may serve as a member of the board of directors of the Corporation during the absence of the Comptroller from Washington as well as in the case of a vacancy in the office of the Comptroller as was provided for by both the House bill and the Senate amendment.

The Senate amendment extended the benefits of deposit insurance to banks in Puerto Rico and the Virgin Islands. There was no corresponding provision in the House bill. The conference agreement retains the provision of the Senate amendment.

The House bill prohibited insured savings banks from withdrawing deposits by checking except from specific accounts totaling not more than 15 percent of the bank's total deposits. The Senate amendment limited this exception to cases where such withdrawal is permitted by law on the date of enactment of the Act. The conference agreement retains the provision of the Senate amendment.

The Senate amendment permitted any insured bank with a branch in Hawaii, Alaska, Puerto Rico, or the Virgin Islands to exclude from insurance deposits payable only at such branch. There was no corresponding provision in the House bill. The conference agreement retains the provision of the Senate amendment.

The House bill permitted the board of directors of the Federal Deposit Insurance Corporation to further define terms used in connection with the definition of the word "deposit." The Senate amendment omitted this provision, and the conference agreement also omits it.

The House bill permitted nonmember banks to terminate their insured status on June 30, 1935, but this was extended to August 31, 1935, by the Senate amendment since the Temporary Federal Deposit Insurance Fund was extended to that date by S. J. Res. No. 152, approved June 28, 1935. The conference agreement permits such banks to terminate their insured status within 30 days after the effective date by giving written notice to the Corporation. In such event, the directors of the Corporation are required to give notice to the depositors, and the insurance of the deposits continues for 20 days beyond such 30-day period.

The House bill provided that the factors to be considered by the Federal Deposit Insurance Corporation in connection with the admission of banks to the benefits of deposit insurance should be their financial condition and adequacy of capital structure. The Senate amendment added to these factors, the financial history of the banks, their future earning prospects, the general character of their management, the convenience and needs of the community, and whether or not their corporate powers were consistent with the act. The conference agreement retains the provisions of the Senate amendment.

The House bill provided for assessments upon insured banks at the rate of one-eighth of 1 percent upon their average deposit liability as determined on 1 day of each of 3 or more months preceding July and January of each year. Payments were required to be made semiannually. The Senate amendment provided for assessments at the rate of one-twelfth of 1 percent on the average deposit liability of insured banks over a 6 months' period and payments were also to be made semiannually. The Senate amendment added a provision under which assessments would be terminated when the assets of the Corporation exceeded $500,000,000, with an automatic restoration of assessments when the excess was reduced to $425,000,000. The conference agreement retains the assessment rate and base provided for in the Senate amendment, eliminates the provision relating to the termination of assessments, and provides for adjusting the first assessment according to the period remaining between the effective date of the act and the first of next year.

The Senate amendment provided for the termination of the insured status of member banks when their membership in the Federal Reserve System was terminated. There was no corresponding provision in the House bill. The conference agreement retains the Senate amendment.

The House bill provided that insured banks "may" be subject to a penalty of $100 for each day they fail to make or publish reports or to display signs indicating that their deposits are insured. The Senate amendment provided that in such cases a penalty "shall" be imposed but the amount was fixed at "not more than $100." The conference agreement retains the provisions of the Senate amendment.

The Senate amendment provided for limiting the insurance coverage to deposits which have been made available since March 10, 1933, for

withdrawal in the usual course of the banking business, and prohibited insurance of deposits which had not been so made available for withdrawal by the date of enactment of the act and with respect to which the insured bank had released or modified restrictions or deferments without the consent of the Corporation. There was no similar provision in the House bill, but the temporary insurance was so limited under the existing law. The conference agreement retains the provision of the Senate amendment.

The House bill provided for the guarantee by the United States of obligations issued by the Corporation. This provision was omitted in the Senate amendment, and the conference agreement also omits it.

The House bill authorized the Secretary of the Treasury to purchase the guaranteed obligations of the Corporation. The Senate amendment authorized the Secretary to purchase any of the obligations of the Corporation and provided that if the Reconstruction Finance Corporation failed for any reason to purchase such obligations as required by section 5e of the Reconstruction Finance Corporation Act, the Secretary should purchase such obligations in an amount equal to the amount the Reconstruction Finance Corporation so failed to purchase. The conference agreement retains the provisions of the Senate amendment and adds a provision requiring the Secretary of the Treasury to purchase an additional $250,000,000 of the obligations of the Corporation.

The House bill also authorized the Secretary of the Treasury to market the guaranteed obligations of the Federal Deposit Insurance Corporation. This provision was omitted in the Senate amendment. The conference agreement also omits it.

The Senate amendment restored the penalty of existing law applicable to directors of insured banks who participated in the declaration of dividends while their banks were in default in the payment of assessments to the Corporation. This provision was not included in the House bill. The conference agreement retains this provision.

The Senate amendment prohibited State nonmember insured banks from establishing and operating new branches, and from moving branches from one location to another, after 30 days after the date of enactment of the act, without the consent of the Corporation. There was no corresponding provision in the House bill. The conference agreement retains the provision of the Senate amendment.

The House bill authorized the board of directors of the Corporation to limit by regulation the rates of interest or dividends payable by insured nonmember banks on deposits other than demand deposits, and directed the board to prohibit the payment of interest on demand deposits except to the extent that exceptions are prescribed under section 19 of the Federal Reserve Act, or by regulation of the Federal Reserve Board, in the case of demand deposits in member banks. The board of directors was authorized to define demand and savings deposits and in fixing rates it was empowered but not directed to classify deposits according to maturities, conditions respecting receipt, withdrawal, or repayment, and to classify banks according to locations or kinds of banking business chiefly done as the board might deem necessary in the public interest. The board was also authorized to prescribe different rates for different classes of deposits or different classes of banks provided the different rates were reasonable when the bases for the classifications were considered. Payment of deposits

prior to maturity was to be prohibited by regulations of the board of directors as well as the waiving of any notice requirement with respect to withdrawal of deposits, but the prohibitions with respect to such withdrawals were not to apply to savings banks and exceptions might be made when by reason of special circumstances such prohibitions would cause unnecessary hardship to depositors. For each violation of any of these provisions or of the Corporation's regulations the offending bank was subject to a penalty of $100. The Senate amendment subjected insured State nonmember banks (other than savings banks, mutual savings banks, and Morris Plan banks) to the provisions of the Federal Reserve Act and regulations thereunder relating to the withdrawal and payment of deposits, and the payment of interest thereon, which are applicable to insured member banks. For each violation the offending bank was to be subject to a penalty of "not more than" $100. The conference agreement provides that the regulation of these matters in the case of insured State nonmember banks is to be left to the board of directors of the Corporation, as in the House bill, rather than to the Board of Governors of the Federal Reserve System as would have been the case under the Senate amendment. The board is directed to consider the same factors in fixing rates as are applicable when the Board of Governors acts under section 19 of the Federal Reserve Act with respect to member banks, and the board is authorized to define what constitutes demand time, and savings deposits in insured nonmember banks. The provisions with respect to the payment of deposits before maturity and the waiving of notice requirements before payment of savings deposits are also made to correspond to the provisions of such section 19. The penalty provision corresponds to that in the Senate amendment.

The Senate amendment included a provision not contained in the House bill which required every State bank organized after the date of enactment of the act, and every State bank which has average deposits of $1,000,000 or more during 1936 or any subsequent calendar year, to become a member of the Federal Reserve System in order to get the benefit of insurance after July 1, 1937. Exceptions were made, however, in the case of savings banks, mutual savings banks, Morris Plan banks, State trust companies doing no commercial business, and banks in Hawaii, Alaska, Puerto Rico, and the Virgin Islands. The conference agreement limits the requirement of the Senate amendment to State nonmember banks having average deposits of $1,000,000 or more and extends to July 1, 1942 the date upon which such banks are required to become members of the Federal Reserve System. The effect of the provision agreed to is to liberalize the provisions of existing law so that more than 6,500 State nonmember banks having average deposits of less than $1,000,000 will not be required to join the Federal Reserve System in order to continue their insured status.

The Senate amendment included a separability provision especially applicable to the provisions relating to the maximum limitation upon the amount of insurance payable to each depositor. There was no corresponding provision in the House bill. The conference agreement retains this provision.

TITLE II—AMENDMENTS TO THE FEDERAL RESERVE ACT

Section 201 of the House bill amended section 4 of the Federal Reserve Act so as to combine the offices of chairman of the board of directors and Governor of the Federal Reserve banks and to provide for the appointment of the Governor to be made annually by the directors of each bank subject to approval every 3 years by the Federal Reserve Board. The Governor would be the chief executive officer of the bank, chairman of its board of directors and a class C director. The Vice Governor would be Governor in his absence. It was also provided that the offices of Federal Reserve agent and assistant Federal Reserve agent would be abolished and that all duties prescribed by law for the Federal Reserve agent would be performed by the Governor of the bank or such person as he might designate. This section of the bill was not included in the Senate amendment. The conference agreement omits this section.

Section 201 of the Senate amendment amended the provisions of section 4 of the Federal Reserve Act relating to appointment of officers and employees of the Federal Reserve banks so as to provide for the appointment of a president and vice president for each such bank. It was provided that the president shall be the chief executive officer of the bank and shall be appointed by the board of directors with the approval of the Board of Governors of the Federal Reserve System (which under section 202 of the Senate amendment is the new name for the Federal Reserve Board) for a term of 5 years, and all other executive officers and all employees of the bank are to be directly responsible to him. The vice president of the bank is to be appointed in the same manner and for the same term as the president and is to serve as chief executive officer of the bank in the absence or disability of the president or during a vacancy in the office of president. Whenever a vacancy occurs in either office it is to be filled in the same manner as provided for in the case of original appointments and the person so appointed is to hold office until the expiration of the term of his predecessor. This provision was not included in the House bill. The conference agreement allows for the appointment of more than one vice president for each bank and provides that the first vice president shall be appointed in the same manner as the president. It is also provided that the section shall take effect March 1, 1936.

Section 202 of the House bill contained a provision authorizing the Federal Reserve Board to waive in whole or in part the requirements of section 9 of the Federal Reserve Act relating to admission to membership of any nonmember bank which at the time of its application for membership is insured by the Federal Deposit Insurance Corporation under section 12B of the Federal Reserve Act. The conference agreement restores the provision of section 202 of the House bill but limits its application to State banks which are required under subsection (y) of section 12B to become members of the Federal Reserve System in order to have their deposits insured after July 1, 1942.

Section 203 of the House bill changed the qualifications of members of the Federal Reserve Board by striking out the requirement of existing law that in selecting such members the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests and geographical divisions of the country,

and substituting a requirement that they should be well qualified by education or experience, or both, to participate in the formulation of national economic and monetary policies. The requirement of existing law that not more than one member of the Board should be selected from any one Federal Reserve district, was preserved for all appointive members of the Board except the governor. It was also provided that the governor and vice governor of the Board should serve as such until the further order of the President, and that if the governor's designation as such be terminated he might continue to serve as a member of the Board for the remainder of his term. This section of the bill was eliminated from the Senate amendment in view of the changes in the organization and membership of the Board provided for in section 202. The conference agreement also eliminates this section.

Section 202 of the Senate amendment provided for changing the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System, and for changing the name of the governor and vice governor of the Federal Reserve Board to chairman and vice chairman, respectively. It was provided that the Board of Governors of the Federal Reserve System shall be composed of seven members to be appointed by the President, by and with the advice and consent of the Senate, after the date of enactment of the act, for terms of 14 years, but that the present appointive members of the Federal Reserve Board and the Secretary of the Treasury and the Comptroller of the Currency may continue to serve as such members for not longer than 90 days after such date. The provision of existing law with respect to qualifications of members of the new Board were retained, namely, that the President shall have due regard for a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country, and a further requirement was added that at least two of such members shall be persons of tested banking experience. The annual salary of members of the Board was fixed at $15,000, and it was provided that not more than four of the members of the Board shall be members of the same political party. The successors to the present members of the Board were to be appointed in such manner that the term of not more than one member will expire in any 2-year period, and their successors will hold office for a term of 14 years, unless sooner removed for cause by the President. The President was also to designate the chairman and vice chairman of the Board to serve as such for terms of 4 years. It was also provided that any person appointed as a member of the Board after the date of enactment of the act shall not be eligible for reappointment as such member after he shall have served a full term of 14 years. A provision was also included in this section providing that the Board of Governors of the Federal Reserve System shall keep a complete record of the action taken by the Board and the Federal Open Market Committee upon all questions of policy relating to open-market operations, together with the votes taken and the reasons underlying the action of the Board and the Committee in each instance. Similar records were required to be kept by the Board with respect to all questions of policy determined by it, and a copy of such records was to be included in the annual report of the Board to the Congress. The conference agreement modifies the provisions of the Senate amendment by eliminating the requirement that two

members of the Board shall be persons of tested banking experience and also the provision relating to the political affiliations of the members of the Board. The date upon which the change in the organization of the Board is to take effect is extended to February 1, 1936.

Section 203 of the Senate amendment reenacted and made permanent law the provisions of section 10b of the Federal Reserve Act which expired on March 3, 1935, and under which any member bank that had no eligible and acceptable assets to enable it to obtain adequate credit accommodations through rediscounting at a Federal Reserve bank, or any other method provided by the Federal Reserve Act (other than that provided by sec. 10 (a)), might apply to the Federal Reserve bank, under rules and regulations prescribed by the Board, for advances on its time or demand notes secured to the satisfaction of the bank. The provision that each such note shall bear interest at a rate not less than 1 percent per annum higher than the highest discount rate in effect at the Federal Reserve bank on the date of the note, was also retained, but the limitation of existing law that such advances may be made only "in exceptional and exigent circumstances" was eliminated. There was no corresponding provision in the House bill but section 206 provided that upon the endorsement of any member bank, subject to such regulations as to maturities and other matters as the Federal Reserve Board might prescribe, any Federal Reserve bank might discount any commercial, agricultural, or industrial paper and make advances to such member bank on its promissory notes secured by any sound assets of the bank. This section was eliminated from the Senate amendment. The conference agreement eliminates from the Senate amendment the provision requiring the exhausting of eligible and acceptable assets before securing advances, changes the 1-percent rate to one-half of 1 percent, and adds a provision that the notes of the member banks shall have maturities of not more than 4 months.

Section 204 of the House bill authorized the Federal Reserve Board to assign to designated members of the Board or its representatives under rules and regulations prescribed by the Board the performance of specific duties and functions, not including, however, the determination of any national or System policies, or any power to make rules and regulations, or any power which is required to be exercised by specified members of the Board. There was also a provision in this section stating that it shall be the duty of the Board to exercise its powers "in such manner as to promote conditions conducive to business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action and credit administration." These provisions were omitted from the Senate amendment. The conference agreement also omits them.

Section 205 of the House bill provided for an Open Market Advisory Committee, consisting of five representatives of the Federal Reserve banks, to take the place of the Federal Open Market Committee provided for in existing law. The Advisory Committee was authorized to consult and advise with and make recommendations to the Federal Reserve Board. It had no vote in determining open-market policies, but the Board was required to consult the Committee before making any changes on its own initiative in open-market policies, in rates of

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interest and discount to be charged by Federal Reserve banks, or in the reserve balances required to be maintained by member banks. It was also provided that all transactions of the Federal Reserve banks under section 14 of the Federal Reserve Act should be subject to such regulations, limitations, and restrictions as the Federal Reserve Board might prescribe. In lieu of this section, the Senate amendment in section 204 amended existing law so as to provide for a Federal Open Market Committee, consisting of the members of the Board of Governors of the Federal Reserve System, and five representatives of the Federal Reserve banks to be selected annually. Four of such representatives were to be elected by the boards of directors of the Federal Reserve banks by regions; that is to say, 1 to represent the Boston, New York, and Philadelphia banks; 1 to represent the Cleveland, Chicago, and St. Louis banks; 1 to represent the Richmond, Atlanta, and Dallas banks; and 1 to represent the Minneapolis, Kansas City, and San Francisco banks. The fifth representative, who was to be chosen from the country at large, was to be elected annually by the presidents of the 12 Federal Reserve banks. An alternate to serve in the absence of each such representative was to be elected annually in the same manner. It was also provided that no Federal Reserve bank shall engage or decline to engage in open-market operations under section 14 of the Federal Reserve Act except in accordance with regulations adopted by the Committee and that the Committee should make regulations relating to the open-market transactions of the Federal Reserve banks and the relations of the Federal Reserve System with foreign central or other foreign banks. The provision of existing law which allowed a Federal Reserve bank to decline to participate in open-market operations recommended and approved by the Committee, upon filing a notice of its decision within 30 days, was eliminated, but the provision of existing law was retained which states that the time, character, and volume of all purchases and sales of paper described in section 14 of the Federal Reserve Act as eligible for open-market operations, shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country. The conference agreement retains the provisions of the Senate amendment in substance as section 205 but instead of providing for a representative-at-large of the banks, it provides for 5 representatives to be elected as follows: 1 by the board of directors of the Boston and New York banks; 1 by the board of directors of the Philadelphia and Cleveland banks; 1 by the board of directors of the Chicago and St. Louis banks; 1 by the board of directors of the Richmond, Atlanta, and Dallas banks; and 1 by the board of directors of the Kansas City, Minneapolis and San Francisco banks. The conference agreement also eliminates the power of the Committee to make regulations with respect to the relations of the Federal Reserve System with foreign central or other foreign banks since this would be in conflict with the general authority over such matters which is granted to the Federal Reserve Board under existing law. This provision becomes effective March 1, 1936.

Section 207 of the House bill amended section 14 of the Federal Reserve Act so as to make eligible for purchase by Federal Reserve banks, without regard to maturities, direct obligations of the United States or obligations which are fully guaranteed by the United States

as to principal and interest. This provision was modified by section 205 of the Senate amendment so as to provide that direct obligations of the United States and such guaranteed obligations may be purchased only in the open market. The conference agreement retains the provisions of the Senate amendment as section 208.

Section 205 of the Senate amendment also amended existing law with respect to rates of discount to be established by the Federal Reserve banks by providing that such rates shall be established every 14 days, or oftener if deemed necessary by the Board of Governors of the Federal Reserve System. There was no corresponding provision in the House bill. The conference agreement retains the provisions of the Senate amendment as section 206.

Section 208 of the House bill amended section 16 of the Federal Reserve Act so as to repeal the requirements that Federal Reserve notes be secured at all times by the specific pledge of collateral, and it also eliminated the provision of existing law prohibiting a Federal Reserve bank from paying out the notes of any such bank and made certain technical changes with respect to issue, redemption, and retirement of Federal Reserve notes. It was provided that such notes should be obligations of the United States and legal tender for all purposes, should be secured by a first and paramount lien on all the assets of the issuing bank, and should be issued and retired under such rules and regulations as the Federal Reserve Board might prescribe. This provision of the bill was not included in the Senate amendment. The conference agreement omits this provision.

Section 209 of the House bill authorized the Federal Reserve Board, in order to prevent injurious credit expansion or contraction, to change by regulation the requirements as to reserves to be maintained against demand or time deposits or both by member banks in reserve and central reserve cities or by member banks not in reserve or central reserve cities or by all member banks. This provision was modified by section 206 of the Senate amendment so as to provide that the power to change the requirements as to reserves be conditioned upon an affirmative vote of not less than five members of the Board of Governors of the Federal Reserve System, and a limitation was added that the amount of the statutory reserves required to be maintained under existing law may not be decreased, nor increased to more than twice such amount. The conference agreement modifies the Senate amendment so as to require the affirmative vote of not more than four members of the Board.

Section 210 of the House bill amended section 24 of the Federal Reserve Act so as to provide that the conditions under which real-estate loans might be made by national banks would be prescribed by regulations of the Federal Reserve Board, with the limitations that the amount of any such loan hereafter made should not exceed 60 percent of the appraised value of the real estate at the time the loan is made and that the aggregate amount of such loans by any such bank should not exceed the capital and surplus of the bank, or 60 percent of its time and savings deposits, whichever is the greater. Section 207 of the Senate amendment retained the limitation of existing law that real-estate loans by national banks should be limited to those upon properties situated within the Federal Reserve district of such bank or within a radius of 100 miles of the place in which the bank is located, irrespective of district lines, and it also retained the requirement that

a real-estate loan should be in the form of an obligation secured by a mortgage or similar instrument when the entire amount of the obligation was made or sold to the bank. It was further provided that any such loan hereafter made should not exceed 50 percent of the appraised value of the real estate offered as security and that no such loan should be made for a longer term than 5 years, except that any such loan might be made in an amount not to exceed 60 percent of the appraised value of the real estate and for a term not longer than 10 years if the loan was secured by an amortized mortgage under the terms of which the installment payments were sufficient to amortize 50 percent or more of the principal of the loan within a period of not more than 10 years. Renewals or extensions of loans heretofore made and real-estate loans which are insured under the provisions of title II of the National Housing Act were exempted under both the House and Senate provisions. The provisions authorizing the Federal Reserve Board to prescribe the conditions under which such loans might be made were eliminated in the Senate amendment, but the provision of the House bill with respect to the aggregate amount of real-estate loans which might be made by any such bank was retained in the Senate amendment. The conference agreement retains the provisions of section 207 of the Senate amendment, except that the territorial limitation upon loans is eliminated and the requirement as to the form of the loans when the entire amount of the obligations securing them are made or sold to the banks is modified so as to permit more than one such bank to participate in making real estate loans but to permit any such bank to purchase obligations secured by mortgages only when the entire amount of the obligations are sold to the bank. The amortization requirement is also reduced from 50 to 40 percent. A provision of existing law is also restored relating to the receipt of time and savings deposits by such banks and the payment of interest thereon.

Section 208 of the Senate amendment provided for fixing the salary of the Comptroller of the Currency at $12,000 a year and removed the provision of existing law which provides that his appointment be made upon the recommendation of the Secretary of the Treasury. There was no corresponding provision in the House bill. The conference agreement retains the Senate provision but fixes the salary of the Comptroller at $15,000 to correspond to the salaries provided for members of the Board of Governors of the Federal Reserve System.

### TITLE III—TECHNICAL AMENDMENTS TO THE BANKING LAWS

In this title many of the sections are identical both in form and in substance in the House bill and in the Senate amendment. Other sections of the Senate amendment, which are the same in substance as the corresponding sections of the House bill, contain formal and clarifying changes which are retained in the conference agreement. Many of the alterations thus made are the result of changing the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System. Certain clerical and typographical errors are also corrected. The sections in these two general groups are not specifically referred to but those in which there are material differences between the House and Senate provisions and which contain matter

not included in the House bill, together with the conference action with respect thereto, are indicated below.

Section 303 (b) of the House bill repealed section 21 (a) (2) of the Banking Act of 1933 which prohibits any person or organization not subject to examination and regulation under State or Federal law from engaging in the business of receiving deposits unless such person or organization submits to the examination by the Comptroller of the Currency or by a Federal Reserve bank. Instead of repealing this paragraph, the Senate amendment amended it so as to prohibit any person or organization from engaging in the business of receiving deposits with others than his or its own officers, agents, or employees unless such person or organization is incorporated under and authorized to engage in such business by Federal or State law, or is permitted to engage in such business by any State, Territory, or District and is subject under the laws thereof to examination and regulation, or submits to examination by the banking authorities of the State, Territory, or District where the business is conducted and makes and publishes periodic reports of condition under the same conditions as required by local law of an incorporated banking institution. The conference agreement retains the provision of the Senate amendment.

Section 308 (a) of the Senate amendment contained a provision which was not included in the House bill amending paragraph seventh of section 5136 of the Revised Statutes so as to permit national banks under regulations by the Comptroller of the Currency and with other restrictions to underwrite and sell bonds, debentures, and notes. The conference agreement eliminates this provision.

Section 308 (c) of the Senate amendment provided for including within the group of securities that may be dealt in by member banks free from the restrictions of section 5136 of the Revised Statutes, obligations insured by the Federal Housing Administrator if debentures guaranteed by the United States as to principal and interest are to be issued in payment of such insured obligations. There was no corresponding provision in the House bill. The conference agreement retains the provision of the Senate amendment.

Section 309 of the House bill amended section 5138 of the Revised Statutes to require a newly organized national bank to have a paid-in surplus equal to 20 percent of its capital, thus expressly providing by law a condition which has long been imposed by the Comptroller of the Currency. This requirement may be waived by the Comptroller as to a State bank converting into a national bank. An additional condition not included in the House bill was added by the Senate amendment to the effect that any such converting State bank shall carry not less than one-half of its net profits for the preceding half year to its surplus fund before declaring dividends, until its surplus equals 20 percent of its capital. Further provision was also made for giving any such bank credit as surplus for amounts paid into a preferred stock retirement fund. The conference agreement retains the provision of the Senate amendment.

Section 310 (a) of the Senate amendment amended the provisions of section 5139 of the Revised Statutes which provide that stock certificates of national banks may not represent the stock of any other corporation except a member bank or a corporation engaged solely in holding the bank premises of the association, so as to provide that such

certificate may not bear any statement purporting to represent the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934, in holding the bank premises. This amendment differs from the provision in the House bill in that it exempts corporations engaged in holding the bank premises on June 16, 1934, whereas the House provision limited the exception to a corporation primarily engaged in holding such premises. The conference agreement retains the provisions of the Senate amendment.

Section 310 (b) of the Senate amendment added a provision not incorporated in the House bill which amends section 9 of the Federal Reserve Act and makes the same changes in the law relative to stock certificates of State member banks as was made by section 310 (a) as to stock certificates of national banks. The conference agreement retains the provisions of the Senate amendment.

Section 311 (c) of the Senate amendment was not included in the House bill. It amends section 5144 of the Revised Statutes by relieving a holding company affiliate, to the extent that the shares of bank stock owned by it are not subject to statutory liability, from the requirements of subsection (b) of section 5144 which requires a holding company affiliate to maintain and possess readily marketable assets other than bank stock in an amount not less than 12 percent of the aggregate par value of all such stock controlled by the affiliate, and requires it to increase such amount by 2 percent per annum until such amount equals 25 percent of the par value of such bank stock. In lieu of the foregoing requirement, any such holding company affiliate, to the extent that the shares of bank stock held by it are not subject to statutory liability, is only required to maintain a reserve out of net earnings above 6 percent of such readily marketable assets in an amount equal to 12 percent of the par value of bank stocks controlled by it. The conference agreement retains the provisions of the Senate amendment.

Section 315 of the House bill amended section 5199 of the Revised Statutes to provide that national banks shall carry not less than one-tenth part of their net profits of the preceding half year to surplus before the declaration of a dividend until the surplus is built up to equal the amount of the common capital. The Senate amendment added a provision which was not contained in the House bill which would allow a national bank to treat as an addition to its surplus fund amounts paid into its preferred-stock retirement fund. The conference agreement retains the provision of the Senate amendment.

Section 316 extends the criminal provisions of section 5209 of the Revised Statutes as to embezzlement, false entries, etc., so as to apply to officers, directors, and employees of insured nonmember banks. The conference agreement adds a provision to make certain that nonmember national banks in the Territories are included within the terms of the section whether or not they are insured.

Section 321 (a) of the Senate amendment amended section 11 (m) of the Federal Reserve Act to extend to State member banks the provisions applicable to national banks which enlarge the maximum limitation on loans to one individual from 10 percent of the bank's unimpaired capital and surplus to 25 percent thereof where such loans are secured by bonds, notes, certificates, or Treasury bills of the United States, or secured by obligations fully guaranteed as to principal and interest by the United States. The provisions with

respect to such guaranteed obligations were not included in the House bill. The conference agreement retains the provisions of the Senate amendment.

Section 321 (b) of the Senate amendment amended paragraph 8 of section 5200 of the Revised Statutes so as to provide a maximum limit of 25 percent instead of 10 percent of the bank's capital and surplus on loans secured by various obligations of the United States. The amendment adds to such obligations, Treasury bills of the United States and obligations fully guaranteed both as to principal and interest by the United States. The provisions with respect to such guaranteed obligations were not included in the House bill. The conference agreement retains the provisions of the Senate amendment.

Section 324 (c) of the Senate amendment amended section 19 of the Federal Reserve Act to add to the classes of deposits exempted from the prohibition against the payment of interest on demand deposits, deposit contracts existing when a bank joins the Federal Reserve System. It was also provided that deposits payable outside the States of the United States and the District of Columbia shall likewise be exempt, rather than "those payable in foreign countries" as is provided in the existing law. A provision not included in the House bill prohibited payment of interest after the expiration of 2 years from the date of enactment of the act, on demand deposits made by savings banks as defined in section 12B of the Federal Reserve Act, as amended, and by mutual savings banks, demand deposits of public funds made by or on behalf of any State, county, school district, or any subdivision or municipality, and demand deposits of trust funds, upon which interest is required to be paid by State law. The House provision, permitting payment of interest on demand deposits made by any such savings bank or mutual savings bank, by the United States or any Territory, district, or possession thereof, including the Philippine Islands, or any public instrumentality or agency thereof with respect to which interest is required by law, or by any State, etc., and on demand deposits of trust funds, was eliminated. A new provision was also added repealing so much of existing law as requires payment of interest on deposits of public funds made by the United States, etc. In conformity with the House provision, the Senate amendment made more flexible the power of the Board of Governors of the Federal Reserve System to classify time and savings deposits and prescribe the rates of interest to be paid thereon. The absolute prohibition against payment of time deposits before maturity may be relaxed under conditions to be prescribed by the Board, and deposits payable only at offices of member banks located outside of the United States and the District of Columbia are exempted from the restrictions on interest rates and the prohibitions on payment before maturity. The conference agreement retains the provisions of the Senate amendment.

Section 327 of the House bill amended section 23A of the Federal Reserve Act which limits loans to affiliates, and loans on and investments in securities of affiliates, and prescribed certain conditions by way of collateral requirements to such loans. It also enumerated certain types of affiliates which are to be exempt from such conditions and requirements. The Senate amendment made a change in the

provision exempting an affiliate engaged "primarily" in holding bank premises so that the exemption would apply only to an affiliate engaged "on June 16, 1934" in holding such premises. The conference agreement retains the provision of the Senate amendment.

Section 329 of the Senate amendment repealed section 8A of the Clayton Act relating to interlocking relationships between banks and institutions making loans secured by stock or bond collateral, and repealed the provisions of sections 25 and 25 (a) of the Federal Reserve Act which relate to interlocking relationships. The first three paragraphs of section 8 of the Clayton Act were also amended, but the provision in the Senate amendment was materially different from that in the House bill. The House bill prohibited any director, officer, or employee of a member bank from being at the same time a private banker or a director, officer, or employee of another banking institution (other than a mutual savings bank) except in limited classes of cases in which the Federal Reserve Board might allow such service by general regulation when in its judgment such classes of institutions were not in substantial competition. The provision in the Senate amendment prohibited a director, officer, or employee of a member bank or branch thereof from being at the same time a private banker, or a director, officer, or employee of more than one other bank or trust company or branch thereof, except in the following cases:

(1) Where such other bank is more than 90 percent controlled by the United States or a corporation in which the United States owns more than 90 percent of the stock.

(2) Where such other bank has been placed in liquidation or is in the hands of a receiver or conservator.

(3) Where such other bank is principally engaged in international or foreign banking in a possession of the United States and has entered into an agreement with the Board of Governors of the Federal Reserve System as provided by section 25 of the Federal Reserve Act.

(4) A bank more than 50 percent of the common stock of which is owned by persons owning more than 50 percent of the common stock of a member bank.

(5) A bank not located and having no branch in the same place in which a member bank or a branch thereof is located or in a place contiguous thereto.

(6) A bank not engaged in a class of business in which a member bank is engaged.

(7) A mutual savings bank having no capital stock.

A further provision not contained in the House bill suspended the operation of the amendment until February 1, 1939, insofar as it affects interlocking relationships of any director, officer, or employee of a member bank or branch thereof lawfully existing on the date the act takes effect.

The conference agreement amends section 8 of the Clayton Act so as to provide that no private banker or director, officer, or employee of any member bank or any branch thereof shall be at the same time a director, officer, or employee of any other bank or 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 prohibitions are not to apply, however, to the cases excepted under the provisions of the Senate amendment, and the remaining provisions of the Senate amendment are also retained.

Section 337 of the House bill provided for terminating the liability of shareholders of banks and trust companies in the District of Columbia on July 1, 1937, under the same conditions as are applicable under section 304 of the bill in the case of national banks. Each such nstitution is required to carry one-tenth part of its net profits of the preceding half year to surplus before declaring a dividend and to continue to do so until the surplus equals the amount of its common stock, and under the Senate amendment it is allowed to treat as surplus any amounts paid into a fund for retiring its preferred stock or debentures. The conference agreement retains the provisions of the Senate amendment.

Section 341 of the House bill which amended the provisions of section 8 of the Postal Savings Depository Act of June 25, 1910, relating to the withdrawal of and interest on postal savings deposits, was eliminated by the Senate amendment. Under this provision of the House bill any depositor was allowed to withdraw the whole or any part of his deposit with accrued interest after giving 60 days' written notice but subject to regulations of the Postmaster General. It was further provided that in the absence of such notice withdrawal would be permitted only on condition that not less than 3 months' interest be deducted. Provisions were also included requiring that the interest rate paid on any such deposit should not exceed that which might lawfully be paid on savings deposits in member banks located in or nearest to the place where the depository office is located and authorizing such depositories to deposit funds on time in member banks subject to the provisions of the Federal Reserve Act with respect to payment and interest. The conference agreement restores the last two provisions referred to, and provides that postal savings deposits shall be savings deposits, that interest shall be allowed and credited quarterly, and that no interest shall be allowed to any depositor for any period of less than 3 months.

Section 341 of the Senate amendment amended section 11 (k) of the Federal Reserve Act to provide that State banking authorities may have access to the reports of examination of trust departments of national banks made by the Comptroller of the Currency. This provision was not included in the House bill. The conference agreement retains this provision as section 342.

Section 342 of the Senate amendment amended section 5240 of the Revised Statutes, relating to payment of compensation of employees of the Office of the Comptroller of the Currency by means of assessments on banks, so as to include the payment of retirement annuities for such employees. There was no corresponding provision in the House bill. The conference agreement retains it as section 343.

Section 343 of the Senate amendment, which was not included in the House bill, amends the National Housing Act in several respects. Subsection (a) authorizes the Federal Housing Administrator, in carrying out the provisions of titles I, II, and III of such act, to sue and be sued in any court of competent jurisdiction, State or Federal. Subsection (b) is intended merely to clarify and not to extend the provisions of existing law relating to insured loans for financing alterations, repairs, and improvements on real property so that the purchase and installation of equipment and machinery on real property may be included. Subsections (c) and (d) also clarify existing law with respect to mortgage insurance in connection with low-cost

housing projects and property. The conference agreement retains the provisions of the Senate amendment as section 344.

Section 344 of the Senate amendment added a provision which was not contained in the House bill relating to preferred stock, capital notes, and debentures of member banks of the Federal Reserve System and the consideration to be given to such securities in determining whether the capital stock of any such bank is impaired. It was also provided that the dividends on preferred stock of national banks shall not exceed 6 percent of the original purchase price of such stock, and that in the event of the retirement of such stock or the liquidation of the bank the holders of the stock shall be entitled to receive not more than the original purchase price plus accumulative dividends. The conference agreement retains the provisions of the Senate amendment with clarifying amendments.

Section 345 of the Senate amendment contains the usual provision relating to separability in the event any part of the act should be held unconstitutional. There was no corresponding provision in the House bill. The conference agreement retains it.

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