

Office Correspondence

Date May 10, 1935

To Mr. Clayton

Subject: Form in which Banking Act of 1935

From Mr. Wyatt, General Counsel

passed the House of Representatives.

10-852

For your information there is attached a copy of the bill which shows on pages 48, 60 and 88 the changes which the House made in the bill before passing it.

Respectfully,



Walter Wyatt,
General Counsel.

As passed, amended, May 9, 1935 P.P. 48, 60, 88

Union Calendar No. 222

74TH CONGRESS
1ST SESSION

H. R. 7617

[Report No. 742]

IN THE HOUSE OF REPRESENTATIVES

APRIL 19, 1935

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed

APRIL 19, 1935

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 This Act may be cited as the "Banking Act of 1935".

4 **TITLE I—FEDERAL DEPOSIT INSURANCE**

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

8 1. By striking out subsection (a) and inserting in lieu
9 thereof the following:

10 “(a) There is hereby created a Federal Deposit Insur-
11 ance Corporation (hereinafter referred to as the ‘Corpora-

1 tion'), which shall insure, as hereinafter provided, the de-
2 posits of all banks which are entitled to the benefits of insur-
3 ance under this section, and which shall have the right to
4 exercise all powers hereinafter granted."

5 2. By adding at the end of subsection (b) the
6 following: "In the event of a vacancy in the office of the
7 Comptroller of the Currency, and pending the appointment
8 of his successor, the Acting Comptroller of the Currency shall
9 be a member of the board of directors in the place and stead
10 of the Comptroller. In the absence of the Comptroller of
11 the Currency any Deputy Comptroller of the Currency, as
12 designated from time to time by the Comptroller, may,
13 within the limits prescribed by the Comptroller, act as a
14 member of the board of directors in his place and stead. In
15 the event of a vacancy in the office of the chairman of the
16 board of directors, and pending the appointment of his
17 successor, the Comptroller of the Currency shall act as
18 chairman. The Comptroller of the Currency shall be ineli-
19 gible during the time he is in office and for two years there-
20 after to hold any office, position, or employment in any
21 insured bank. The appointive members of the board of
22 directors shall be ineligible during the time they are in
23 office and for two years thereafter to hold any office, position,
24 or employment in any insured bank, except that this restric-
25 tion shall not apply to a member who has served the full

1 term for which he was appointed. No member of the board
2 of directors shall be an officer or director of any bank, bank-
3 ing institution, trust company, or Federal reserve bank or
4 hold stock in any bank, banking institution, or trust com-
5 pany; and before entering upon his duties as a member of
6 the board of directors he shall certify under oath that he has
7 complied with this requirement and such certification shall be
8 filed with the secretary of the board of directors. No mem-
9 ber of the board of directors serving on the board of direc-
10 tors at the effective date shall be subject to any of the pro-
11 visions of the three preceding sentences until the expiration
12 of his present term of office.”

13 3. By inserting a new subsection to read as follows:

14 “(c) As used in this section—

15 “(1) The term ‘State bank’ means any bank, banking
16 association, trust company, savings bank, or other banking
17 institution which is engaged in the business of receiving de-
18 posits and which is incorporated under the laws of any State
19 or the Territory of Hawaii or Alaska or which is operating
20 under the Code of the District of Columbia (except a national
21 bank).

22 “(2) The term ‘State member bank’ means any
23 State bank which is a member of the Federal Reserve Sys-
24 tem, and the term ‘State nonmember bank’ means any
25 other State bank.

1 “(3) The term ‘ District bank ’ means any State bank
2 operating under the Code of the District of Columbia.

3 “(4) The term ‘ national member bank ’ means any
4 national bank located in the States of the United States, the
5 District of Columbia, or the Territories of Hawaii or Alaska,
6 except a national nonmember bank as hereinafter defined.

7 “(5) The term ‘ national nonmember bank ’ means
8 any national bank located in the Territories of Hawaii or
9 Alaska which is not a member of the Federal Reserve
10 System.

11 “(6) The term ‘ mutual savings bank ’ means a bank
12 without capital stock transacting a savings bank business,
13 the net earnings of which inure wholly to the benefit of its
14 depositors after payment of obligations for any advances by
15 its organizers.

16 “(7) The term ‘ savings bank ’ means a bank, other
17 than a mutual savings bank, transacting a strictly savings
18 bank business under State laws imposing special require-
19 ments on such banks governing the manner of investing
20 their funds and of conducting their business: *Provided*, That
21 the bank maintains, until maturity date or until withdrawn,
22 all deposits made with it, exclusive of funds held by it in a
23 fiduciary capacity, as time savings deposits of the specific
24 term type or of the type where the right to require written
25 notice before permitting withdrawal is reserved: *Provided*

1 *further*, That such bank to be considered a savings bank
2 must elect to become subject to regulations of the Corpora-
3 tion respecting the redeposit of maturing deposits and pro-
4 hibiting withdrawal of deposits by checking except from
5 specifically designated deposit accounts totaling not more
6 than 15 per centum of the bank's total deposits.

7 “(8) The term ‘insured bank’ means any bank the
8 deposits of which are insured in accordance with the pro-
9 visions of this section, and the term ‘noninsured bank’
10 means any other bank.

11 “(9) The term ‘new bank’ means a new national
12 banking association organized by the Corporation to assume
13 the insured deposits of an insured bank closed on account
14 of inability to meet the demands of its depositors and other-
15 wise to perform temporarily the functions prescribed in this
16 section.

17 “(10) The term ‘receiver’ shall include a receiver,
18 liquidating agent, conservator, commission, person, or other
19 agency charged by law with the duty of winding up the
20 affairs of a bank.

21 “(11) The term ‘board of directors’ means the board
22 of directors of the Corporation.

23 “(12) The term ‘deposit’ means the unpaid balance
24 of money or its equivalent received by a bank in the usual
25 course of business and for which it has given or is obligated

1 to give unconditional credit to a commercial, checking, sav-
2 ings, time or thrift account, or which is evidenced by its
3 certificate of deposit, and trust funds held by such bank
4 whether retained or deposited in any department of such
5 bank or deposited in another bank, together with such other
6 obligations of a bank as the board of directors shall find
7 and shall prescribe by its regulations to be deposit liabilities
8 by general usage: *Provided*, That any obligation of a bank
9 which is payable only at an office of the bank located out-
10 side the States of the United States, the District of Colum-
11 bia, and the Territories of Hawaii and Alaska shall not be
12 a deposit for purposes of this section or be included as a part
13 of total deposits or of an insured deposit. The board of
14 directors may by regulation further define the terms used
15 in this paragraph.

16 “(13) The term ‘insured deposit’ means such part
17 of the net amount of money due to any depositor for deposits
18 in an insured bank, after deducting offsets, as shall not exceed
19 the maximum prescribed by paragraph (1) of subsection
20 (1) of this section. Such amount shall be determined ac-
21 cording to such regulations as the board of directors may
22 prescribe. In determining the amount due to any depositor
23 there shall be added together all deposits in the bank main-
24 tained in the same capacity and the same right for his
25 benefit either in his own name or in the names of others,

1 except trust funds which shall be insured as provided in
2 paragraph (8) of subsection (h) of this section.

3 “(14) The term ‘transferred deposit’ means a de-
4 posit in a new bank or other insured bank made available
5 to a depositor by the Corporation as payment of the insured
6 deposit of such depositor in a closed bank, and assumed by
7 such new bank or other insured bank.

8 “(15) The term ‘effective date’ means the date of
9 enactment of the Banking Act of 1935.”

10 4. By striking out in subsection (c) “(c)” and in-
11 sserting “(d)”; by striking out in said subsection (c) that
12 part of the third sentence following the words “Federal
13 reserve banks” in said sentence and inserting a period;
14 by striking out in subsection (d) “(d)” and the first four
15 sentences of said subsection (d); and by striking out in
16 the fifth sentence of said subsection the following: “class
17 B”; and by inserting at the end of subsection “(d)” the
18 following: “The capital stock of the Corporation shall con-
19 sist of the shares subscribed for prior to the effective date.
20 Such stock shall be without nominal or par value, and shares
21 issued prior to the effective date shall be exchanged and
22 reissued at the rate of one share for each \$100 paid into the
23 Corporation for capital stock. The consideration received
24 by the Corporation for the capital stock shall be allocated to
25 capital and to surplus in such amounts as the board of

1 directors shall prescribe. Such stock shall have no vote
2 and shall not be entitled to the payment of dividends.”

3 5. By striking out subsection (e) and inserting in lieu
4 thereof the following:

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

11 “(2) After the effective date any national member
12 bank authorized to commence or resume the business of
13 banking, State bank converting into a national member
14 bank, or State bank becoming a member of the Federal
15 Reserve System shall be an insured bank from the time
16 the certificate herein prescribed shall be issued to the Cor-
17 poration by the Comptroller of the Currency in the case
18 of such national member bank, or by the Federal Reserve
19 Board in the case of such State member bank: *Provided,*
20 That in the case of an insured bank admitted to membership
21 in the Federal Reserve System or insured State bank con-
22 verting into a national member bank, such certificate shall
23 not be required, and the bank shall continue as an insured
24 bank. Such certificate shall state that the bank is authorized
25 to transact the business of banking in the case of a national

1 member bank, or is a member of the Federal Reserve
2 System in the case of a State member bank, and that con-
3 sideration has been given to the factors enumerated in
4 subsection (g) of this section.”

5 6. By striking out subsection (f) and inserting in
6 lieu thereof the following:

7 “(f) (1) Every bank not a member of the Federal
8 Reserve System which on the effective date is a member
9 of the Temporary Federal Deposit Insurance Fund or of
10 the Fund for Mutuals created pursuant to the provisions of
11 the Banking Act of 1933, as amended (48 Stat. 168, 969;
12 chs. 89, 546), shall be and continue without application
13 or approval an insured bank and shall be subject to the
14 provisions of this section, unless in accordance with regula-
15 tions to be prescribed by the board of directors such bank
16 shall give to the Corporation and to the Reconstruction
17 Finance Corporation, if it owns or holds as pledgee any
18 preferred stock, capital notes, or debentures of such bank,
19 within thirty days after the effective date written notice of
20 its election not to continue after June 30, 1935, as an
21 insured bank and shall give to its depositors, by publication
22 or by any reasonable means, as the board of directors may
23 prescribe, not less than twenty days’ notice prior to June
24 30, 1935, of such election: *Provided*, That any State non-
25 member bank which was admitted to said Temporary

1 Federal Deposit Insurance Fund or Fund for Mutuals but
2 which did not file on or before the effective date an October
3 1, 1934, certified statement and make the payments thereon
4 required by law as it existed prior to the effective date,
5 shall cease to be an insured bank on June 30, 1935: *Pro-*
6 *vided further*, That no bank admitted to the said Temporary
7 Federal Deposit Insurance Fund or the Fund for Mutuals
8 prior to the effective date shall, after June 30, 1935, be
9 an insured bank or have its deposits insured by the Cor-
10 poration, if such bank shall have permanently discontinued
11 its banking operations prior to the effective date. Deposits
12 of the bank giving such notice shall continue to be insured
13 until June 30, 1935, and the rights of the bank shall be
14 as provided by law existing prior to the effective date, and
15 such bank shall not be insured by the Corporation beyond
16 June 30, 1935.

17 “(2) Subject to the provisions of this section, any
18 national nonmember bank, on application by the bank and
19 certification by the Comptroller of the Currency in the
20 manner prescribed in subsection (e) of this section, and any
21 State nonmember bank, upon application to and examination
22 by the Corporation and approval by the board of directors,
23 may become an insured bank. Before approving the appli-
24 cation of any such State nonmember bank, the board of direc-
25 tors shall give consideration to the factors enumerated in sub-

1 section (g) of this section and shall determine, upon the basis
2 of a thorough examination of such bank, that its assets in
3 excess of its capital requirements are adequate to enable it to
4 meet all of its liabilities as shown by the books of the bank to
5 depositors and other creditors.”

6 7. By striking out subsection (g) and inserting in lieu
7 thereof the following:

8 “(g) The factors to be enumerated in the certificate
9 required under subsection (e) and to be considered by the
10 board of directors under subsection (f) shall be the financial
11 condition of the bank and the adequacy of its capital
12 structure.”

13 8. By striking out subsection (h) and inserting in lieu
14 thereof the following:

15 “(h) (1) The assessment rate shall be one-eighth
16 of 1 per centum per annum based upon the average of the
17 total amount of the liability of the bank for deposits (ac-
18 cording to the definition of the term ‘deposit’ in and pur-
19 suant to paragraph (12) of subsection (c) of this section,
20 without any deduction for indebtedness of depositors). The
21 average of such total shall be determined as of the close of
22 business on one day of each of three or more months pre-
23 ceding July and January of each year, such days to be desig-
24 nated by the directors in the manner provided in the next
25 succeeding paragraph. In the event a separate fund for

1 mutuals be established the board of directors from time to
2 time may fix a lower rate operative for such period as the
3 board may determine applicable to insured mutual savings
4 banks only.

5 “(2) During the months of June and December of
6 each year the board of directors shall designate three or more
7 dates, one in each of three or more months of the current
8 semiannual period, for which the insured banks shall report
9 their deposit liabilities for the purpose of assessment. On
10 or before the 15th day of July of each year, each
11 insured bank shall file with the Corporation a certified
12 statement under oath showing the total amount of its liability
13 for deposits as of the close of business on the three or more
14 days so designated and shall pay to the Corporation the
15 portion of the annual assessment equal to one-half of the
16 annual rate fixed by this subsection (h) multiplied by the
17 average of its total deposits for such days as are designated.
18 On or before the 15th day of January of each year each
19 insured bank shall file a like statement showing the total
20 amount of its liability for deposits as of the close of business
21 on the three or more days designated as hereinbefore pro-
22 vided, and shall pay to the Corporation the portion of the
23 annual assessment equal to one-half of the annual rate fixed
24 by this subsection (h) multiplied by the average of its total
25 deposits for such days as are designated,

1 “(3) Every bank which becomes an insured bank
2 after the effective date shall be admitted without liability
3 for the current semiannual payment but it shall file with the
4 Corporation a certified statement under oath showing the
5 total amount of its liability for deposits at the close of busi-
6 ness on the fifteenth day after it becomes an insured bank
7 and it shall pay to the Corporation as an initial assessment
8 the prorated portion for the period between the date such
9 bank became an insured bank and the next succeeding last
10 day of June or December, as the case may be, of an amount
11 equal to one-half the annual assessment rate provided in this
12 section multiplied by such total deposits. The first semi-
13 annual payment after the initial payment shall be made
14 according to the provisions of paragraphs (1) and (2) of
15 this subsection in all cases where the bank shall have been
16 in operation throughout the preceding semiannual period
17 and in all other cases according to its certified statement
18 under oath showing the deposit liability at a date designated
19 by the board of directors.

20 “(4) Each bank which shall be and continue without
21 application or approval an insured bank in accordance with
22 the provisions of subsection (e) or (f) of this section,
23 shall, in lieu of all right to refund, be credited with any
24 balance to which such bank shall become entitled upon
25 the termination of said Temporary Federal Deposit Insur-

1 ance Fund or the Fund for Mutuals. The credit shall be
2 applied by the Corporation toward the payment of the
3 assessment next becoming due from such bank and upon
4 succeeding assessments until the credit is exhausted.

5 “(5) Any insured bank which fails to file such certi-
6 fied statement or statements as it is lawfully required to
7 file in connection with determining the amount of assess-
8 ment or assessments due the Corporation, may be compelled
9 to file such statement or statements by mandatory injunction
10 or other appropriate remedy in a suit brought by the Cor-
11 poration against the bank and any officer or officers thereof,
12 for the purpose stated, in any court of the United States of
13 competent jurisdiction in the district or territory in which
14 such bank is located.

15 “(6) The Corporation, in a suit brought at law or in
16 equity in any court of competent jurisdiction, shall be
17 entitled to recover from any insured bank any unpaid
18 assessment or assessments lawfully due from such insured
19 bank to the Corporation, regardless of whether or not such
20 bank shall have filed the certified statement or statements
21 it is lawfully required to file, and regardless of whether
22 or not suit shall have been brought to compel such statement
23 or statements to be filed.

24 “(7) Should any national member bank now or here-
25 after organized, or should any national nonmember bank

1 which is now or hereafter becomes an insured bank, omit to
2 file any certified statement required to be filed by such bank
3 under any provision of this section, or to pay the assessment
4 required to be paid under any provision of this section by
5 such bank on any certified statement filed by it, and should
6 any such bank not correct such omission to file or to pay
7 within thirty days after written notice has been given by the
8 Corporation to an officer of the bank, citing this paragraph,
9 and stating that the bank has omitted to file or pay as re-
10 quired by law, all the rights, privileges, and franchises of the
11 offending bank granted to it under the National Bank Act
12 or under the provisions of the Federal Reserve Act, as
13 amended, shall be thereby forfeited. Whether or not the
14 penalty provided in this paragraph has been incurred shall
15 be determined and adjudged in the manner provided in the
16 sixth paragraph of section 2 of this Act, as amended. The
17 remedies provided in this paragraph and in the two preced-
18 ing paragraphs shall not be construed as limiting any other
19 remedies against any bank, but shall be in addition thereto.

20 “(8) Trust funds held by an insured bank in a fiduciary
21 capacity whether held in its trust or deposited in any other
22 department or in another bank shall be insured subject
23 to a \$5,000 limit for each trust estate and when deposited
24 by the fiduciary bank in another insured bank, shall be
25 similarly insured to the fiduciary bank according to the

1 trust estates represented. Notwithstanding any other pro-
 2 vision of this section, such insurance shall be separate from
 3 and additional to that covering other deposits of the owners
 4 of such trust funds or beneficiaries of such trust estates:
 5 *Provided*, That where the fiduciary bank deposits any of such
 6 trust funds in other insured banks, the amount so held by
 7 other insured banks on deposit shall not for the purpose of
 8 the certified statement required under paragraph (2) or
 9 (3) of subsection (h) of this section, be considered to be a
 10 deposit liability of the fiduciary bank, but shall be considered
 11 a deposit liability of the bank in which such funds are so
 12 deposited by such fiduciary bank. The board of directors
 13 shall have power by regulation to prescribe the manner of
 14 reporting and of depositing such funds.”

15 9. By striking out subsection (i) and inserting in lieu
 16 thereof the following:

17 “(i) (1) Any insured bank (except a national mem-
 18 ber bank or State member bank) may, upon not less than
 19 ninety days’ written notice to the Corporation, and to the
 20 Reconstruction Finance Corporation if it owns or holds as
 21 pledgee any preferred stock, capital notes, or debentures of
 22 such bank, terminate its status as an insured bank. ~~Wher-~~
 23 ever the board of directors shall find that an insured bank
 24 or its directors or trustees have continued unsafe or unsound
 25 practices in conducting the business of such bank or have

1 knowingly or negligently permitted any of its officers or
2 agents to violate any provision of this section or of any
3 material regulation made thereunder, or of any law or
4 material regulation made pursuant to law to which the
5 insured bank is subject, the board of directors shall first give
6 to the Comptroller of the Currency in the case of a national
7 bank or district bank, to the authority having supervision
8 in case of a State bank, and also to the Federal Reserve
9 Board in case of a State member bank, a statement of such
10 violation by the bank for the purpose of securing a correc-
11 tion of such practices or conditions. Unless such correction
12 shall be made within one hundred and twenty days or such
13 shorter period of time as the Comptroller of the Currency,
14 the State authority, or Federal Reserve Board, as the case
15 may be, shall require, the board of directors, if it shall
16 determine to proceed further, shall give to the bank not less
17 than thirty days' written notice of intention to terminate the
18 status of the bank as an insured bank, fixing a time and
19 place for a hearing before the board of directors or before
20 a person designated by it to conduct such hearing, at which
21 evidence may be produced, and upon such evidence the
22 board of directors shall make written findings which shall
23 be conclusive. Unless the bank shall appear at the hearing
24 by a duly authorized representative, it shall be deemed to
25 have consented to the termination of its status as an insured

1 bank. If the board of directors shall find that any violation
2 specified in such notice has been established, the board of
3 directors may order that the insured status of the bank be
4 terminated on a date subsequent to such finding and to the
5 expiration of the time specified in such notice of intention.
6 The Corporation may publish notice of such termination
7 and the bank shall give notice of such termination to its
8 depositors, in such manner and at such time as the board
9 of directors may find necessary and may order for the
10 protection of depositors. After termination of the insured
11 status of any bank under the provisions of this paragraph,
12 the insured deposits of each depositor in the bank on the
13 date of such termination, less all subsequent withdrawals
14 from any deposits of such depositor, shall continue for a
15 period of two years to be insured and the bank shall con-
16 tinue to pay to the Corporation assessments as in the case
17 of an insured bank for such period of two years from such
18 termination, but no additions to any deposits or any new
19 deposits shall be insured by the Corporation, and the bank
20 shall not advertise or hold itself out as having insured
21 deposits unless in the same connection it shall state with
22 equal prominence that additions to deposits and new
23 deposits made after the date of such termination, specifying
24 such date, are not insured. Such bank shall in all other
25 respects be subject to the duties and obligations of an

1 insured bank for the period of two years from such termina-
2 tion and in the event of being closed on account of inability
3 to meet the demands of its depositors within such period
4 of two years, the Corporation shall have the same powers
5 and rights with respect to such bank as in case of an
6 insured bank.

7 “(2) Whenever the insured status of a member bank
8 shall be terminated by action of the board of directors, the
9 Federal Reserve Board in the case of a State member bank
10 shall terminate its membership in the Federal Reserve
11 System in accordance with the provisions of section 9
12 of this Act and in the case of a national member bank
13 the Comptroller of the Currency shall appoint a receiver
14 for the bank (to be the Corporation whenever the bank
15 shall be unable to meet the demands of its depositors).

16 “(3) When the liabilities of an insured bank for de-
17 posits shall have been assumed by another insured bank or
18 banks, the insured status of the bank whose liabilities are so
19 assumed shall terminate on the date of receipt by the Cor-
20 poration of satisfactory evidence of such assumption with like
21 effect as if terminated on said date by the board of directors
22 after proceedings under paragraph (1) of this subsection
23 (i) : *Provided*, That if the bank whose liabilities are so
24 assumed gives to its depositors notice of such assumption
25 within thirty days after such assumption takes effect, by

1 publication or by any reasonable means, in accordance with
2 regulations to be prescribed by the board of directors, the
3 insurance of its deposits shall terminate at the end of six
4 months from the date such assumption takes effect and such
5 bank shall be relieved of all future obligations to the Cor-
6 poration, including the obligation to pay future assessments.”

7 10. By adding at the end of paragraph “Fourth”
8 of subsection (j) the following: “All suits of a civil nature
9 at common law or in equity to which the Federal Deposit
10 Insurance Corporation shall be a party shall be deemed
11 to arise under the laws of the United States: *Provided,*
12 That any such suit to which the Corporation is a party in
13 its capacity as receiver of a State bank and which involves
14 only the rights or obligations of depositors, creditors, stock-
15 holders and such State bank under State law shall not be
16 deemed to arise under the laws of the United States. No
17 attachment or execution shall be issued against the Cor-
18 poration or its property before final judgment in any suit,
19 action, or proceeding in any State, county, municipal, or
20 United States court. The board of directors shall designate
21 an agent upon whom service of process may be made in
22 any State, Territory, or jurisdiction in which any insured
23 bank is located.”; and by inserting at the end of said
24 subsection the following:

1 “ Eighth. To make examinations of and to require
2 information and reports from banks, as provided in this
3 section.

4 “ Ninth. To act as receiver.

5 “ Tenth. To prescribe by its board of directors such
6 rules and regulations as it may deem necessary to carry out
7 the provisions of this section.”

8 11. By striking out in subsection (k) the following:
9 “(k)”, and inserting in lieu thereof “(k) (1)”; and by
10 adding to said subsection three new paragraphs to read as
11 follows:

12 “(2) The board of directors shall appoint examiners,
13 who shall have power on behalf of the Corporation (except
14 as to a District bank) to examine any insured State non-
15 member bank, State nonmember bank making application to
16 become an insured bank, or closed insured bank, whenever
17 considered necessary. Such examiners shall have like power
18 to examine, with the written consent of the Comptroller
19 of the Currency, any national bank, or District bank and,
20 with the written consent of the Federal Reserve Board, any
21 State member bank. Each examiner shall have power to
22 make a thorough examination of all of the affairs of the
23 bank and in doing so he shall have power to administer
24 oaths and to examine and take and preserve the testimony

1 of any of the officers and agents thereof under oath and shall
2 make a full and detailed report of the condition of the bank
3 to the Corporation. The board of directors in like manner
4 shall appoint claim agents who shall have power to investi-
5 gate and examine all claims for insured deposits and trans-
6 ferred deposits. Each claim agent shall have power to admin-
7 ister oaths and to examine under oath and take and pre-
8 serve testimony of any persons relating to such claims. Any
9 such examiner or claim agent in relation to any such exam-
10 ination, investigation, or taking of testimony may apply
11 to any judge or clerk of any court of the United States to
12 issue subpoenas and to compel the appearance of witnesses
13 and the production and taking of any such testimony and
14 to punish disobedience in like manner as provided in sec-
15 tions 184 to 186 of the Revised Statutes (U. S. C., title 5,
16 secs. 94 to 96).

17 “(3) Each insured State nonmember bank (except a
18 District bank) shall make to the Corporation reports of
19 condition in such form and at such times as the board of
20 directors may require of such bank. The board of directors
21 may require such reports to be published in such manner,
22 not inconsistent with any applicable law, as it may direct.
23 Every such bank which fails to make or publish any such
24 report within such time, not less than five days, as the
25 board of directors may require, may be subject to a penalty

1 of \$100 for each day of such failure, recoverable by the Cor-
2 poration for its use.

3 “(4) The Corporation shall have access to reports
4 of examinations made by and reports of condition made to
5 the Comptroller of the Currency or any Federal Reserve
6 bank, and may accept any report made by or to any com-
7 mission, board, or authority having supervision of a State
8 nonmember bank (except a District bank), and may fur-
9 nish to the Comptroller of the Currency, or any such Federal
10 Reserve bank, commission, board, or authority reports of
11 examinations made on behalf of and reports of condition
12 made to the Corporation.”

13 12. By striking out all of subsection (1) preceding
14 the last paragraph thereof and inserting in lieu thereof the
15 following:

16 “(1) (1) The Temporary Federal Deposit Insurance
17 Fund and the Fund for Mutuals are hereby consolidated
18 into the permanent insurance fund for deposits created by
19 this section and the assets therein shall be held by the Cor-
20 poration for the uses and purposes of the Corporation: *Pro-*
21 *vided*, That the obligations to and rights of the Corpora-
22 tion, depositors, banks, and other persons arising out of
23 any event or transaction prior to the effective date shall
24 remain unimpaired. From the effective date the Corpora-
25 tion shall insure the deposits of all insured banks as de-

1 fined and provided in this section. The maximum amount
2 of the insured deposit of any depositor shall be \$5,000.
3 The Corporation, in the discretion of the board of directors,
4 may open on its books solely for the benefit of mutual sav-
5 ings banks and depositors therein a Separate Fund for
6 Mutuals. If such a fund is opened, all assessments of each
7 mutual savings bank shall be made part of such fund and
8 the other permanent insurance funds of the Corporation
9 shall cease to be liable for losses sustained in mutual savings
10 banks: *Provided*, That the capital assets of the Corpora-
11 tion shall be so liable and all expenses of operation of the
12 Corporation shall be allocated on an equitable basis.

13 “(2) An insured bank shall, for the purposes of this
14 section, be deemed to have been closed on account of in-
15 ability to meet the demands of its depositors in any case
16 where it has been closed for the purpose of liquidation
17 without adequate provision for payment of its depositors.

18 “(3) Notwithstanding any other provision of law,
19 whenever any insured national bank or insured District bank
20 shall have been closed by action of its board of directors
21 or the Comptroller of the Currency, as the case may be, on
22 account of inability to meet the demands of its depositors,
23 the Comptroller of the Currency shall appoint the Corpora-
24 tion receiver for such closed bank and no other person shall
25 be appointed as receiver of such closed bank.

1 “(4) It shall be the duty of the Corporation as such
2 receiver to realize upon the assets of such closed bank, hav-
3 ing due regard to the condition of credit in the locality; to
4 enforce the individual liability of the stockholders and direc-
5 tors thereof; and to wind up the affairs of such closed bank in
6 conformity with the provisions of law relating to the liquida-
7 tion of closed national banks, except as herein otherwise pro-
8 vided, retaining for its own account such portion of the
9 amount realized from such liquidation as it shall be entitled
10 to receive on account of its subrogation to the claims of de-
11 positors and paying to depositors and other creditors the
12 net amount available for distribution to them. With re-
13 spect to such closed bank, the Corporation as such receiver
14 shall have all the rights, powers, and privileges now pos-
15 sessed by or hereafter given a receiver of an insolvent
16 national bank.

17 “(5) Whenever any insured State bank, except a Dis-
18 trict bank, shall have been closed by action of its board of
19 directors or by the authority having supervision of such
20 bank, as the case may be, on account of inability to meet
21 the demands of its depositors, the Corporation shall accept
22 appointment as receiver thereof, if such appointment be
23 tendered by the authority having supervision of such bank
24 and be authorized or permitted by State law. With respect
25 to such insured State bank, the Corporation shall possess

1 the powers and privileges given by State law to a receiver
2 of such State bank.

3 “(6) When an insured bank shall have been closed on
4 account of inability to meet the demands of its depositors,
5 payment of the insured deposits shall be made by the Cor-
6 poration as soon as possible, subject to the provisions of
7 paragraph (7) of this subsection (1), either (a) by making
8 available to each depositor a transferred deposit in a new
9 bank in the same community or in another insured bank
10 in an amount equal to the insured deposit of such depositor
11 and subject to withdrawal on demand, or (b) in accordance
12 with any other procedure adopted by the board of directors:
13 *Provided*, That the Corporation, in its discretion, may
14 require proof of claims to be filed before paying the insured
15 deposits, and that in any case where the Corporation is not
16 satisfied as to the validity of a claim for an insured deposit,
17 it may require the final determination of a court of com-
18 petent jurisdiction before paying such claim.

19 “(7) In the case of a closed national bank or District
20 bank the Corporation, upon payment of any depositor as
21 provided in paragraph (6) of this subsection (1), shall
22 become and be subrogated to all rights of the depositor to
23 the extent of such payment. In the case of any other closed
24 insured bank, the Corporation shall not pay any depositor
25 until the right of the Corporation to be subrogated to the

1 rights of such depositor on the same basis as provided in the
2 case of a closed national bank under this section shall have
3 been recognized, by express provisions of State law, by
4 allowance of claims by the authority having supervision
5 of such bank, by assignment of claims by depositors, or by
6 any other effective method. Such subrogation in the case
7 of any closed bank shall include the right to receive the same
8 dividends from the proceeds of the assets of such closed
9 bank and recoveries on account of stockholders' liability
10 as would have been payable to such depositor on a claim
11 for the insured deposit, such depositor retaining his claim
12 for any uninsured portion of his deposit: *Provided*, That
13 the rights of depositors and other creditors of any State bank
14 shall be determined in accordance with the applicable pro-
15 visions of State law.

16 “(8) As soon as possible, the Corporation, if it finds
17 that it is advisable and in the interest of the depositors of the
18 closed bank or the public, shall organize a new bank to as-
19 sume the insured deposits of such closed bank and otherwise
20 to perform temporarily the functions provided for in this
21 section. The new bank shall have its place of business in
22 the same community as the closed bank.

23 “(9) The articles of association and the organization
24 certificate of the new bank shall be executed by representa-
25 tives designated by the Corporation. No capital stock need

1 be paid in by the Corporation. The new bank shall not
2 have a board of directors, but shall be managed by an execu-
3 tive officer appointed by the board of directors of the Cor-
4 poration and who shall be subject to its directions. In
5 other respects such bank shall be organized in accordance
6 with the existing provisions of the law relating to the or-
7 ganization of national banking associations. The new bank
8 may, with the approval of the Corporation, accept new
9 deposits which shall be subject to withdrawal on demand
10 and which, except where the new bank is the only bank in
11 the community, shall not exceed \$5,000 from any depositor.
12 The new bank, without application or approval, shall be an
13 insured bank and shall maintain on deposit with the Fed-
14 eral Reserve bank of its district the reserves required by
15 law for member banks, but shall not be required to subscribe
16 for stock of the Federal Reserve bank. Funds of the new
17 bank shall be kept on hand in cash, invested in securities of
18 the Government of the United States, or in securities guar-
19 anteed as to principal and interest by the Government of the
20 United States, or deposited with the Corporation, or with a
21 Federal Reserve bank, or, to the extent of the insurance
22 coverage thereon, with an insured bank. The new bank,
23 unless otherwise authorized by the Comptroller of the Cur-
24 rency, shall transact no business except that authorized
25 by this section and such business as may be incidental

1 to its organization. Notwithstanding any other provision of
2 law, it, its franchise, property, and income shall be exempt
3 from all taxation now or hereafter imposed by the United
4 States, by any Territory, dependency, or possession thereof,
5 or by any State, county, municipality, or local taxing
6 authority.

7 “(10) On the organization of a new bank, the Cor-
8 poration shall promptly make available to the new bank
9 an amount equal to the estimated insured deposit of such
10 closed bank plus the amount of its estimated expenses of
11 operation and shall determine as soon as possible the amount
12 due each depositor for his insured deposit in the closed bank,
13 and the total expenses of operation of the new bank. Upon
14 determination thereof, the amounts so estimated and made
15 available shall be adjusted to conform to the amounts so
16 determined. Earnings of the new bank shall be paid over
17 or credited to the Corporation in such adjustment. If any
18 new bank, during the period it continues its status as such,
19 sustains any losses with respect to which it is not effectively
20 protected except by reason of being an insured bank, the
21 Corporation shall furnish to it additional funds in the amount
22 of such losses. The new bank shall assume as transferred
23 deposits the payment of the insured deposits of such closed
24 bank to each of its depositors. Of the amount so made
25 available, the Corporation shall transfer to the new bank,

1 in cash, such amount as is necessary to enable it to meet
2 expenses and immediate cash demands on such transferred
3 deposits and the remainder shall be subject to withdrawal
4 by the new bank on demand.

5 “(11) When in the judgment of the board of direc-
6 tors it is desirable to do so, the Corporation shall cause
7 capital stock of the new bank to be offered for sale on such
8 terms and conditions as the board of directors shall deem
9 advisable, in an amount sufficient, in the opinion of the
10 board of directors, to make possible the conduct of the
11 business of the new bank on a sound basis, but in no event
12 less than that required by section 5138 of the Revised
13 Statutes, as amended (U. S. C., Supp. VII, title 12,
14 sec. 51), for the organization of a national bank in the
15 place where such new bank is located, giving the stock-
16 holders of the closed bank the first opportunity to purchase
17 any shares of common stock so offered. Upon proof that
18 an adequate amount of capital stock in the new bank has
19 been subscribed and paid for in cash, the Comptroller of
20 the Currency shall require the articles of association and
21 the organization certificate to be amended to conform to
22 the requirements for the organization of a national bank,
23 and thereafter, when the requirements of law with respect
24 to the organization of a national bank have been complied
25 with, he shall issue to the bank a certificate of authority to

1 commence business, which shall thereupon cease to have
2 the status of a new bank and shall be managed by directors
3 elected by its own shareholders and may exercise all the
4 powers granted by law and shall be subject to all of the
5 provisions of law relating to national banks. Such bank
6 shall thereafter be an insured national bank, without certi-
7 fication to or approval by the Corporation.

8 “(12) If the capital stock of the new bank shall not
9 be offered for sale, or if an adequate amount of capital for
10 such new bank is not subscribed and paid in, the board of
11 directors may offer to transfer its business to any insured
12 bank in the same community which will take over its assets,
13 assume its liabilities, and pay to the Corporation for such
14 business such amount as the board of directors may deem
15 adequate; or the board of directors in its discretion may
16 change the location of the new bank to the office of the
17 Corporation or to some other place or may at any time wind
18 up its affairs as herein provided. Unless the capital stock
19 of the new bank is sold or its assets acquired and its liabilities
20 assumed by an insured bank, as provided above, within two
21 years from the date of its organization, the Corporation shall
22 wind up its affairs, after giving such notice, if any, as the
23 Comptroller of the Currency may require, and shall certify
24 to the Comptroller of the Currency the termination of the
25 new bank and thenceforth the Corporation shall be liable

1 for its obligations and be the owner of its assets. The pro-
2 visions of sections 5220 and 5221 of the Revised Statutes
3 (U. S. C., title 12, secs. 181 and 182) shall not apply to
4 such new banks.”

5 13. By inserting before the said last paragraph of sub-
6 section (l) the following: “(n) (1)” ; and by striking out
7 the comma after the words “United States” in the first sen-
8 tence of said paragraph and inserting before the word
9 “except” the following: “or in securities guaranteed as to
10 principal and interest by the Government of the United
11 States,” ; and by transposing said paragraph to subsection
12 (n) as amended, as paragraph (1) thereof.

13 14. By striking out in subsection (m) the following:
14 “(m)” ; and by striking out in said subsection the word
15 “herein” and inserting in lieu thereof “in this section” ;
16 and by transposing said subsection to subsection (n), as
17 amended, as paragraph (2) thereof.

18 15. By inserting a new subsection to read as follows:
19 “(m) (1) The Corporation as receiver of a closed
20 national bank or District bank shall not be required to furnish
21 bond and shall have the right to appoint an agent or agents
22 to assist it in its duties as such receiver, and all fees, com-
23 pensation, and expenses of liquidation and administration
24 thereof shall be fixed by the Corporation, subject to the
25 approval of the Comptroller of the Currency, and may be

1 paid by it out of funds coming into its possession as such
2 receiver. The Comptroller of the Currency is authorized
3 and empowered to waive and relieve the Corporation from
4 complying with any regulations of the Comptroller of the
5 Currency with respect to receiverships where in his discre-
6 tion such action is deemed advisable to simplify administra-
7 tion.

8 “(2) Payment of an insured deposit to any person by
9 the Corporation shall discharge the Corporation, and pay-
10 ment of a transferred deposit to any person by the new bank
11 or the other insured bank shall discharge the Corporation
12 and such new bank or other insured bank, to the same
13 extent that payment to such person by the closed bank
14 would have discharged it from liability for the insured
15 deposit.

16 “(3) Except as otherwise prescribed by the board of
17 directors, neither the Corporation, such new bank, nor such
18 other insured bank, shall be required to recognize as the
19 owner of any portion of a deposit appearing on the records
20 of the closed bank under a name other than that of the
21 claimant, any person whose name or interest as such owner
22 is not disclosed on the records of such closed bank, or on
23 its outstanding certificates or passbooks, as part owner
24 of said account, where such recognition would increase

1 the aggregate amount of the insured deposits in such closed
2 bank.

3 “(4) The Corporation may withhold payment of such
4 portion of the insured deposit of any depositor in a closed
5 bank as may be required to provide for the payment of
6 any liability of such depositor as a stockholder of the bank,
7 or of any liability of such depositor to the bank or its
8 receiver, not offset against a claim due from the bank, pend-
9 ing the determination and payment of such liability by such
10 depositor or any other person liable therefor.

11 “(5) If, after the Corporation shall have given at
12 least three months' notice to the depositor by mailing a
13 copy thereof to his last known address appearing on the
14 records of the closed bank, any depositor in a closed bank
15 shall fail to claim his insured deposit from the Corporation
16 within eighteen months after the appointment of the re-
17 ceiver for the closed bank, or shall fail to claim or arrange
18 to continue the transferred deposit with the new bank or
19 other bank assuming liability therefor within such eighteen
20 months' period, all rights of the depositor against the Cor-
21 poration in respect to the insured deposit or against the new
22 bank and such other bank in respect to the transferred de-
23 posit shall be barred, and all rights of the depositor against
24 the closed bank, its shareholders or the receivership estate
25 to which the Corporation may have become subrogated shall

1 thereupon revert to the depositor. The amount of any
2 transferred deposits not claimed within such eighteen months'
3 period, shall be refunded to the Corporation."

4 16. By striking out in subsection (n) the following:
5 "(n)" and inserting "(3)"; and by retaining said sub-
6 section in paragraph (3) of subsection (n), as amended;
7 and by striking out in said subsection (n) the words
8 "member banks which are now or may hereafter become
9 insolvent or suspended" and inserting in lieu thereof
10 "insured banks closed on account of inability to meet the
11 demands of depositors"; and by striking out "State mem-
12 ber" and inserting in lieu thereof "insured State"; and
13 by striking out the period at the end of the first sentence
14 and inserting in lieu thereof "or District banks."; and
15 by adding at the end of said subsection two new sentences
16 to read: "The Corporation, in its discretion, may upon
17 application make loans on the security of or may purchase
18 and liquidate or sell any part of the assets of an insured bank
19 which is now or may hereafter be closed on account of
20 inability to meet the demands of its depositors. In any case
21 where the Corporation is acting as receiver of such insured
22 bank such loan or purchase shall not be made without
23 approval of a court of competent jurisdiction."; and by
24 adding to subsection (n), as amended, a new paragraph to
25 read as follows:

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

18 17. By striking out subsection (o) and inserting in
19 lieu thereof the following:

20 “(o) (1) The Corporation is authorized and em-
21 powered to issue and to have outstanding its notes, debentures,
22 bonds, or other such obligations, in a par amount
23 aggregating not more than three times the amount received
24 by the Corporation in payment of its capital stock and of
25 the first annual assessments. Notes, debentures, bonds, or

1 other such obligations issued under this subsection shall be
2 redeemable at the option of the Corporation before maturity
3 in such manner as may be stipulated in such obligations,
4 and shall bear such rate or rates of interest, and shall mature
5 at such time or times as may be determined by the Cor-
6 poration: *Provided*, That the Corporation may sell on a
7 discount basis short-term obligations payable at maturity
8 without interest. The notes, debentures, bonds, and other
9 such obligations of the Corporation may be secured by
10 assets of the Corporation in such manner as shall be pre-
11 scribed by its board of directors. Such obligations may be
12 offered for sale at such price or prices as the Corporation
13 may determine.

14 “(2) Such of the obligations authorized to be issued
15 under this subsection, as the Corporation, with the approval
16 of the Secretary of the Treasury, may determine, shall be
17 fully and unconditionally guaranteed, both as to interest and
18 principal, by the United States and such guaranty shall be
19 expressed on the face thereof. In the event that the Cor-
20 poration shall be unable to pay upon demand, when due,
21 principal of or interest on notes, debentures, bonds, or other
22 such obligations issued by it and guaranteed by the United
23 States under this paragraph, the Secretary of the Treasury
24 shall pay the amount thereof, which is hereby authorized
25 to be appropriated out of any money in the Treasury not

1 otherwise appropriated, and thereupon, to the extent of the
2 amounts so paid, the Secretary of the Treasury shall succeed
3 to all the rights of the holders of such notes, debentures, or
4 other obligations.

5 “(3) The Secretary of the Treasury, in his discretion,
6 is authorized to purchase any obligations of the Corporation
7 which are guaranteed by the United States under this sub-
8 section, and for such purpose the Secretary of the Treasury
9 is authorized to use as a public-debt transaction the pro-
10 ceeds from the sale of any securities hereafter issued under
11 the Second Liberty Bond Act, as amended, and the pur-
12 poses for which securities may be issued under the Second
13 Liberty Bond Act, as amended, are extended to include
14 any purchases of the Corporation’s obligations hereunder.
15 The Secretary of the Treasury may, at any time, sell any
16 of the obligations of the Corporation acquired by him under
17 this subsection. All redemptions, purchases, and sales by
18 the Secretary of the Treasury of the obligations of the Cor-
19 poration shall be treated as public-debt transactions of the
20 United States.

21 “(4) The Secretary of the Treasury, at the request
22 of the Corporation, is authorized to market for the Cor-
23 poration such of its notes, debentures, bonds, and other such
24 obligations as are guaranteed by the United States under
25 this subsection, using therefor all the facilities of the Treas-

1 ury Department now authorized by law for the marketing of
2 the obligations of the United States. The proceeds of the
3 obligations of the Corporation so marketed shall be deposited
4 in the same manner as proceeds derived from the sale of
5 the obligations of the United States, and the amount thereof
6 shall be credited to the Corporation on the books of the
7 Treasury.”

8 18. By inserting in subsection (s) following the words
9 “purchase any assets,” the following: “or for the purpose
10 of obtaining the payment of any insured deposit or trans-
11 ferred deposit or the allowance, approval, or payment of
12 any claim.”

13 19. By striking out in subsection (v) the following:
14 “(v)”, and inserting in lieu thereof “(v) (1)”; and by
15 striking out in said subsection “class A stockholder of the
16 Federal Deposit Insurance Corporation” and inserting in
17 lieu thereof “insured bank”.

18 20. By striking out the second paragraph of subsection
19 (v) and inserting in lieu thereof the following:
20 “(2) Every insured bank shall display at each place
21 of business maintained by it a sign or signs, and shall include
22 in advertisements relating to deposits a statement to the
23 effect that its deposits are insured by the Corporation. The
24 board of directors shall prescribe by regulation the forms of
25 such signs and the manner of display and the forms of such

1 statements and the manner of use. For each day an insured
2 bank continues to violate any provision of this paragraph
3 or any lawful provision of said regulations, it may be subject
4 to a penalty of \$100, recoverable by the Corporation for its
5 use.”

6 21. By adding to subsection (v) five new paragraphs
7 to read as follows:

8 “ (3) No insured bank shall pay any dividends on its
9 capital stock or interest on its capital notes or debentures
10 (if such interest is required to be paid only out of net
11 profits) while it remains in default in the payment of any
12 assessment due to the Corporation: *Provided*, That if such
13 default is due to a dispute between the insured bank and
14 the Corporation over such assessment, this paragraph shall
15 not apply, if such bank shall deposit security satisfactory to
16 the Corporation for payment upon final determination of
17 the issue.

18 “ (4) Unless, in addition to compliance with other
19 provisions of law, it shall have the prior written consent
20 of the Corporation, no insured bank shall enter into any
21 consolidation or merger with any noninsured bank, or
22 assume liability to pay any deposits made in any noninsured
23 bank, or transfer assets to any noninsured bank in con-
24 sideration of the assumption of liability for any portion of
25 the deposits made in such insured bank, and no insured

1 State nonmember bank (except a District bank) without
2 such consent shall reduce the amount or retire any part of
3 its common or preferred capital stock, or retire any part of
4 its capital notes or debentures.

5 “ (5) The Corporation may require any insured bank
6 to provide protection and indemnity against burglary, de-
7 falcation, and other similar insurable losses. Whenever any
8 insured bank refuses to comply with any such requirement,
9 the Corporation may contract for such protection and in-
10 demnity and add the cost thereof to the assessment other-
11 wise payable by such bank.

12 “ (6) Whenever an insured bank, except a national
13 bank or District bank, for a period of one hundred and twenty
14 days after written notice of the recommendations of the
15 Corporation, based on a report of examination of such bank
16 by an examiner of the Corporation, shall fail to comply with
17 such recommendations, the Corporation shall have the
18 power, and is hereby authorized, to publish any part of
19 such report of examination in such manner as it may deter-
20 mine: *Provided*, That such notice of intention to make
21 such publication shall be given at the time such recom-
22 mendations are made, or at any time thereafter and at
23 least ninety days before such publication.

24 “ (7) The board of directors shall by regulation pro-
25 hibit the payment of interest on demand deposits in insured

1 nonmember banks and for such purpose may define the
2 term "demand deposits", provided such exceptions from
3 said prohibition shall be made as are now or may here-
4 after be prescribed with respect to deposits payable on
5 demand in member banks by section 19 of this Act,
6 as amended, or by regulation of the Federal Reserve
7 Board. From time to time the board of directors shall
8 limit by regulation the rates of interest or dividends pay-
9 able by insured nonmember banks on deposits other than
10 demand deposits, provided such regulations shall be con-
11 sistent with the contractual obligations of such banks to
12 their depositors. For the purpose of fixing rates the board
13 of directors may classify deposits according to maturities,
14 conditions respecting receipt, withdrawal, or repayment, and
15 may classify banks according to locations or kinds of bank-
16 ing business chiefly done as it may deem necessary in the
17 public interest. It may prescribe different rates for differ-
18 ent classes of deposits or different classes of banks, provided
19 such different rates are reasonable when the bases for the
20 classifications are considered. The board of directors by
21 regulations shall define what constitutes savings deposits
22 in an insured nonmember bank. Such regulations shall
23 prohibit insured nonmember banks from paying deposits
24 prior to maturity and from waiving any notice requirement
25 with respect to withdrawal of deposits: *Provided, That*

1 exceptions may be prescribed where by reason of special
2 circumstances the prohibitions respecting withdrawal would
3 cause unnecessary hardship to depositors and provided the
4 prohibitions respecting withdrawal shall not apply to sav-
5 ings deposits. For each violation of any provision of this
6 paragraph or any lawful provision of the Corporation's
7 regulations relating to paying interest or dividends on de-
8 posits or to withdrawal of deposits the offending bank shall
9 be subject to a penalty of \$100, recoverable by the
10 Corporation for its use."

11 22. By striking out all of subsection (y) preceding
12 the last paragraph thereof and inserting in lieu thereof the
13 following:

14 "(1) For the purposes of this section, and notwith-
15 standing any other provision thereof, any unincorporated
16 bank which continues to be an insured bank without appli-
17 cation or approval under the provisions of paragraph (1) of
18 subsection (f) of this section shall be included in the term
19 'State bank' and 'State nonmember bank'."

20 23. By inserting at the beginning of the last paragraph
21 of subsection (y) the following: "(2)".

22 TITLE II—AMENDMENTS TO THE FEDERAL
23 RESERVE ACT

24 SECTION 201. (a) Section 4 of the Federal Reserve
25 Act, as amended, is further amended by striking out the

1 paragraph which commences with the words " Class C di-
2 rectors shall be appointed by the Federal Reserve Board "
3 and the next succeeding paragraph, and inserting in lieu
4 thereof the following:

5 " Class C directors shall be appointed by the Federal
6 Reserve Board. They shall have been for at least two
7 years residents of the districts for which they are appointed,
8 except that this requirement shall not apply to the Governor
9 and Vice Governor of the bank. Each class C director shall
10 hold office for a term of three years except that the Gover-
11 nor's term as a class C director shall expire when he ceases
12 to be Governor of the bank and, if the Vice Governor be
13 designated as a class C director, his term as a class C director
14 shall expire when he ceases to be Vice Governor. One of
15 the directors of class C shall be appointed by the Federal
16 Reserve Board as deputy chairman to exercise the powers
17 of the chairman of the board when necessary. In the case
18 of the absence of the chairman and deputy chairman, the
19 third class C director shall preside at meetings of the Board.

20 " Effective ninety days after the enactment of the
21 Banking Act of 1935, the offices of Governor and chair-
22 man of the board of directors of each Federal Reserve
23 bank shall be combined. The Governor shall be the chief
24 executive officer of the bank and shall be appointed annu-
25 ally by the board of directors. His first appointment shall

1 be subject to the approval of the Federal Reserve Board.
2 He shall not take office until approved by the Federal
3 Reserve Board and thereupon he shall become a class C
4 director of the bank for the unexpired portion of the term
5 held by his predecessor as chairman of the board of directors
6 or, if such term was completed, then for the next regular
7 term of three years. At the expiration of such term as a
8 class C director, and of each term of three years thereafter,
9 his continuance in office shall be subject to the approval of
10 the Federal Reserve Board, and he shall cease to be Gover-
11 nor at the expiration of any such term unless his reappoint-
12 ment be approved by the Federal Reserve Board. Upon
13 such approval he shall become a class C director for the
14 ensuing term of three years. He shall be ex officio chair-
15 man of the board of directors and chairman of the executive
16 committee; and all other officers and employees of the bank
17 shall be directly responsible to him. For each Federal
18 Reserve bank there shall be appointed annually in the same
19 manner as the Governor, a Vice Governor, who shall, in the
20 absence or disability of the Governor or during a vacancy in
21 the office of Governor, serve as the chief executive officer of
22 the bank and act as chairman of the executive committee of
23 the bank. His appointment and reappointment shall be
24 subject to approval by the Federal Reserve Board in the
25 same manner as that of the Governor. He may be ap-

1 pointed by the Federal Reserve Board as a class C director
2 of the bank and, in such case, may be appointed as deputy
3 chairman of the board of directors. Whenever a vacancy
4 shall occur in the office of the Governor or Vice Governor of
5 a Federal Reserve bank, it shall be filled in the manner pro-
6 vided for original appointments; and the person so ap-
7 pointed shall hold office until the expiration of the term of
8 his predecessor.

9 “Effective ninety days after the enactment of the
10 Banking Act of 1935, any Federal Reserve agent who
11 shall not have been appointed Governor of the bank shall
12 cease to be a class C director and chairman of the board of
13 directors. All duties prescribed by law for the Federal
14 Reserve agent shall be performed by the Governor of the
15 bank or by such other person or persons as he shall designate.

16 “No member of the board of directors of a Federal
17 Reserve bank, other than the Governor and Vice Governor,
18 shall serve as a director for more than two consecutive terms
19 of three years each, but nothing in this paragraph shall pre-
20 vent the present incumbents from serving out the remainders
21 of their present terms.”

22 (b) The last paragraph of such section 4 is amended
23 by striking out the words “Thereafter every director of a
24 Federal Reserve bank chosen as hereinbefore provided shall
25 hold office for a term of three years” and substituting the

1 words " Thereafter each director of class A and each director
2 of class B chosen as hereinbefore provided shall hold office
3 for a term of three years ".

4 (c) The paragraph of such section 4 which commences
5 with the words " Such board of directors shall be selected "
6 is amended by striking therefrom the words " holding office
7 for three years, and ".

8 SEC. 202. Section 9 of the Federal Reserve Act, as
9 amended, is amended by inserting after the tenth para-
10 graph thereof the following new paragraph:

11 " Upon application to the Federal Reserve Board
12 by any nonmember bank which at the time of such
13 application has been admitted to the benefits of insur-
14 ance by the Federal Deposit Insurance Corporation
15 under section 12B of this Act, the Federal Reserve
16 Board, in its discretion, in order to facilitate the admis-
17 sion of such bank to membership in the Federal Reserve
18 System, may waive in whole or in part the requirements
19 of this section relating to the admission of such bank
20 to membership: *Provided*, That, if such bank is admitted
21 with a capital less than that required for the organization
22 of a national bank in the same place and its capital and sur-
23 plus are not, in the judgment of the Federal Reserve Board,
24 adequate in relation to its liabilities to depositors and other
25 creditors, the Federal Reserve Board may, in its discretion;

1 require such bank to increase its capital and surplus to such
 2 amount as the Board may deem necessary within such period
 3 prescribed by the Board as in its judgment shall be reason-
 4 able in view of all the circumstances: *Provided, however,*
 5 That no such bank shall be required to increase its capital
 6 to an amount in excess of that required for the organization
 7 of a national bank in the same place.”

8 SEC. 203. Section 10 of the Federal Reserve Act, as
 9 amended, is further amended in the following respects:

10 (1) By striking out the second sentence of the first
 11 paragraph and substituting the following: “In selecting
 12 the six appointive members of the Federal Reserve Board
 13 the President shall choose persons well qualified by edu-
 14 cation or experience or both to participate in the formulation
 15 of national economic and monetary policies. Not more
 16 than one of the appointive members shall be selected from
 17 any one Federal Reserve district, except that this limita-
 18 tion shall not apply to the selection of the Governor.”

19 ~~(2) By adding at the end of such first paragraph~~
 20 the following: “Each appointive member of the Federal
 21 Reserve Board heretofore appointed may retire from service
 22 upon reaching the age of seventy or at any time thereafter,
 23 and all members hereafter appointed shall retire upon reach-
 24 ing the age of seventy. Each member of the Board so retired
 25 ~~from service who shall have served for as long as twelve~~

1 ~~years shall, during the remainder of his life, receive an annual~~
 2 retirement pay in an amount equal to his annual salary
 3 at the time of retirement: *Provided*, That, if he shall have
 4 served for as long as five years, but less than twelve years,
 5 his annual retirement pay shall be at the rate of one-twelfth
 6 of such annual salary for each year served and for any
 7 fraction of an additional year of such service: *Provided*
 8 *further*, That any member whose term expires and who is
 9 not reappointed shall receive retirement pay upon the same
 10 basis as if he had been retired under the provisions of this
 11 paragraph, except that, if his term expire before he reaches
 12 the age of sixty-five and he be offered and decline to accept
 13 reappointment, he shall not receive any retirement pay.
 14 The funds necessary for such retirement pay shall be pro-
 15 vided by the Federal Reserve banks in such manner as the
 16 Federal Reserve Board shall prescribe. Nothing in this
 17 section shall prevent the President from reappointing any
 18 member of the Federal Reserve Board holding office on
 19 July 1, 1935.

20 (3) By striking out the fourth sentence of the second
 21 paragraph and inserting in lieu thereof the following: "Of
 22 the six appointive members of the Board one shall be desig-
 23 nated by the President as Governor and one as Vice Gov-
 24 ernor of the Federal Reserve Board, to serve as such until
 25 the further order of the President, and the provisions of the

1 next preceding sentence of this paragraph shall not apply
2 to the member designated as Governor. If the Governor's
3 designation as such be terminated, he may continue to serve
4 as a member of the Board for the remainder of his term as
5 such; but, if he resign within ninety days from the date
6 of the termination of his designation as Governor, he shall
7 not be subject thereafter to any restriction of this section
8 with respect to holding any office, position, or employment
9 in any member bank."

10 (4) By adding at the end of the second paragraph the
11 following: "Upon the expiration of their terms of office,
12 members of the Federal Reserve Board shall continue to
13 serve until their successors are appointed and have qualified."

14 SEC. 204. (a) Subsection (i) of section 11 of the
15 Federal Reserve Act, as amended, is amended by adding
16 the following at the end thereof: "The Board may assign
17 to designated members of the Board or officers or representa-
18 tives of the Board, under rules and regulations prescribed
19 by the Board, the performance of any of its duties, func-
20 tions, or services; but any such assignment shall not include
21 the determination of any national or system policy or any
22 power to make rules and regulations or any power which
23 under the terms of this Act is required to be exercised by a
24 specified number of members of the Board."

1 (b) Section 11 of the Federal Reserve Act, as
2 amended, is amended by adding at the end thereof a new
3 subsection as follows:

4 “(o) It shall be the duty of the Federal Reserve Board
5 to exercise such powers as it possesses in such manner as to
6 promote conditions conducive to business stability and to
7 mitigate by its influence unstabilizing fluctuations in the
8 general level of production, trade, prices, and employment,
9 so far as may be possible within the scope of monetary
10 action and credit administration.”

11 SEC. 205. Effective ninety days after the enactment
12 of this Act, section 12A of the Federal Reserve Act, as
13 amended, is amended to read as follows:

14 “SEC. 12A. (a) There is hereby created an Open
15 Market Advisory Committee (hereinafter referred to as the
16 ‘Committee’), which shall consist of five representatives
17 of the Federal Reserve banks. The members of the Com-
18 mittee and an alternate to serve in the absence of each of
19 them shall be elected annually by the governors of the
20 twelve Federal Reserve banks in accordance with pro-
21 cedure prescribed by regulations of the Federal Reserve
22 Board. Vacancies shall be filled in the same manner. The
23 terms of the members of the Committee shall expire at the
24 end of each calendar year, and a person elected to fill a va-

1 cancy shall serve for the remainder of the term of his
2 predecessor. The Committee shall elect its own chairman.
3 Meetings of the Committee shall be held from time to time
4 upon the call of the chairman or upon the call of the Gov-
5 ernor of the Federal Reserve Board. Meetings shall be
6 called whenever requested by a majority of members of
7 the Committee or by a majority of the members of the
8 Federal Reserve Board.

9 “(b) The Committee shall consult and advise with,
10 and make recommendations to, the Federal Reserve Board
11 from time to time with regard to the open-market policy
12 of the Federal Reserve System. The Committee shall also
13 aid in the execution of open-market policies adopted from
14 time to time by the Federal Reserve Board and shall per-
15 form such other duties relating thereto as the Federal Re-
16 serve Board may prescribe. The Federal Reserve Board
17 shall consult the Committee before making any changes on
18 its own initiative in the open-market policy, in the rates of
19 interest or discount to be charged by the Federal Reserve
20 banks, or in the reserve balances required to be maintained
21 by member banks.

22 “(c) After consulting with and considering the recom-
23 mendations of the Committee, the Federal Reserve Board,
24 from time to time, shall prescribe the open-market policy
25 of the Federal Reserve System. Each Federal Reserve

1 bank shall purchase or sell obligations of the United States,
2 bankers' acceptances, bills of exchange, and other obliga-
3 tions of the kinds and maturities made eligible for purchase
4 under the provisions of section 14 of this Act to such extent
5 and in such manner as may be required by the Federal
6 Reserve Board in order to effectuate the open-market
7 policies adopted by the Board from time to time under the
8 provisions of this section and each Federal Reserve bank
9 shall cooperate fully, in every way, in making such policies
10 effective.

11 " (d) All transactions of Federal Reserve banks under
12 authority of section 14 of this Act shall be subject to such
13 regulations, limitations, and restrictions as the Federal Re-
14 serve Board may prescribe."

15 SEC. 206. Section 13 of the Federal Reserve Act, as
16 amended, is further amended by adding at the end thereof
17 a new paragraph reading as follows:

18 " Notwithstanding any other provision of law, upon
19 the endorsement of any member bank, which shall be
20 deemed a waiver of demand, notice and protest as to its
21 own endorsement exclusively, and subject to such regulations
22 as to maturities and other matters as the Federal Reserve
23 Board may prescribe, any Federal Reserve bank may dis-
24 count any commercial, agricultural, or industrial paper and
25 may make advances to any such member bank on its promis-

1 sory notes secured by any sound assets of such member
2 bank.”

3 SEC. 207. Subsection (b) of section 14 of the Federal
4 Reserve Act, as amended, is further amended by changing
5 the semicolon at the end thereof to a colon and adding the
6 following: “ *Provided*, That any bonds, notes, or other obli-
7 gations which are direct obligations of the United States or
8 which are fully guaranteed by the United States as to prin-
9 cipal and interest may be bought and sold without regard to
10 maturities;”

11 SEC. 208. Section 16 of the Federal Reserve Act, as
12 amended, is further amended in the following respects:

13 (1) By striking out the first ten paragraphs and sub-
14 stituting therefor the following:

15 “ SEC. 16. Each Federal Reserve bank may issue Fed-
16 eral Reserve notes, which shall be obligations of the United
17 States, secured by a first and paramount lien on all of the
18 assets of such bank. Federal Reserve notes shall be issued
19 and retired by Federal Reserve banks under such rules and
20 regulations as the Federal Reserve Board may prescribe
21 and shall be legal tender for all purposes.

22 “ Every Federal Reserve bank shall maintain reserves
23 in lawful money (other than Federal Reserve notes or
24 Federal Reserve bank notes) of not less than 35 per
25 centum against its deposits and reserves in gold certificates

1 of not less than 40 per centum against its Federal Reserve
2 notes in actual circulation. Each Federal Reserve note
3 shall bear upon its face a distinctive letter, which shall be
4 assigned by the Federal Reserve Board to each Federal
5 Reserve bank, and also a serial number.

6 “When received by the Treasurer of the United
7 States from a source other than a Federal Reserve bank,
8 Federal Reserve notes unfit for further use shall be canceled
9 and retired; and, upon receipt of advice of such cancelation
10 and retirement, the issuing Federal Reserve bank shall
11 reimburse the Treasurer of the United States for the notes
12 so canceled and retired. When received by a Federal
13 Reserve bank, Federal Reserve notes unfit for further use
14 shall be canceled and forwarded to the Treasurer of the
15 United States for retirement; and, if issued by another
16 Federal Reserve bank, such issuing bank shall reimburse
17 the Federal Reserve bank which canceled such notes and
18 forwarded them to the Treasurer of the United States.

19 “In order to furnish suitable notes for circulation as
20 Federal Reserve notes, the Comptroller of the Currency,
21 under the direction of the Secretary of the Treasury, shall
22 cause plates and dies to be engraved in the best manner
23 to guard against counterfeiting and fraudulent alterations,
24 and shall have printed therefrom and numbered such quan-
25 tities of such notes of the denominations of \$5, \$10, \$20,

1 \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000 as may be
2 required to supply the Federal Reserve banks. Such notes
3 shall be in form and tenor as directed by the Secretary of
4 the Treasury and shall bear the distinctive letters of the
5 several Federal Reserve banks through which they are
6 issued. When such notes have been prepared, they shall
7 be held in the Treasury subject to the order of the Com-
8 ptroller of the Currency for delivery to the Federal Reserve
9 banks. Federal Reserve notes unfit for circulation shall be
10 returned to the Comptroller of the Currency for cancelation
11 and destruction."

12 (2) By striking from the sixteenth paragraph the
13 words "or Federal reserve agent" where they occur in
14 three different places, the words "or his", the words "at
15 the Treasury or at the Subtreasury of the United States
16 nearest the place of business of such Federal reserve bank
17 or such Federal reserve agent", the words "or any
18 Assistant Treasurer", the words "or Assistant Treasurer",
19 and the words "by the Treasurer at Washington upon proper
20 advices from any Assistant Treasurer that such deposit has
21 been made".

22 ~~SEC. 209.~~ The sixth paragraph of section 19 of the
23 Federal Reserve Act, as amended, is amended to read as
24 follows:

1 “ Notwithstanding the other provisions of this section,
2 the Federal Reserve Board, in order to prevent injurious
3 credit expansion or contraction, may by regulation change
4 the requirements as to reserves to be maintained against
5 demand or time deposits or both by member banks in re-
6 serve and central reserve cities or by member banks not in
7 reserve or central reserve cities or by all member banks.”

8 SEC. 210. The first paragraph of section 24 of the
9 Federal Reserve Act, as amended, is amended to read as
10 follows:

11 “ SEC. 24. Subject to such regulations as the Federal
12 Reserve Board may prescribe, any national banking asso-
13 ciation may make real estate loans secured by first liens
14 upon improved real estate, including improved farm land
15 and improved business and residential properties. The
16 amount of any such loan hereafter made shall not exceed
17 60 per centum of the appraised value of the real estate;
18 but this limitation shall not prevent the renewal or extension
19 of loans heretofore made and shall not apply to real estate
20 loans which are insured under the provisions of Title II of
21 the National Housing Act. No bank shall make such loans
22 in an aggregate sum in excess of the amount of the capital
23 stock of such association paid in and unimpaired plus its
24 unimpaired surplus fund, or in excess of 60 per centum of the

1 amount of its time and savings deposits, whichever is the
2 greater. The Federal Reserve Board is authorized to
3 prescribe from time to time regulations defining the
4 term 'real estate loans' and other terms used in this
5 section and regulating and limiting the making of real
6 estate loans by member banks, with a view of preventing an
7 unreasonably large proportion of each bank's assets from
8 being invested in real estate and real estate loans, preventing
9 such loans from exceeding a reasonable percentage of the
10 appraised value of the real estate in view of the circum-
11 stances existing at the time and otherwise requiring the
12 banks to conform to sound practices in making real estate
13 loans."

14 TITLE III—TECHNICAL AMENDMENTS TO THE
15 BANKING LAWS

16 SECTION 301. Subsection (c) of section 2 of the Bank-
17 ing Act of 1933, as amended, is amended by adding at the
18 end thereof the following paragraph:

19 "Notwithstanding the foregoing, the term 'holding
20 company affiliate' shall not include (except for the purposes
21 of section 23A of the Federal Reserve Act, as amended)
22 any corporation all of the stock of which is owned by the
23 United States of America or any organization which, in the
24 judgment of the Federal Reserve Board, is not engaged,
25 directly or indirectly, as a business in holding the stock of,

1 or managing or controlling, banks, banking associations,
2 savings banks, or trust companies.”

3 SEC. 302. The first paragraph of section 20 of the
4 Banking Act of 1933, as amended, is amended by inserting
5 before the period at the end thereof a colon and the follow-
6 ing: “ *Provided*, That nothing in this paragraph shall apply
7 to any such organization which shall have been placed in
8 formal liquidation and which shall transact no business except
9 such as may be incidental to the liquidation of its affairs ”.

10 SEC. 303. (a) Paragraph (1) of subsection (a) of
11 section 21 of the Banking Act of 1933, as amended, is
12 amended by inserting before the semicolon at the end thereof
13 a colon and the following: “ *Provided*, That the provisions
14 of this paragraph shall not prohibit national banks or State
15 banks or trust companies (whether or not members of the
16 Federal Reserve System) or other financial institutions or
17 private bankers from dealing in, underwriting, purchasing,
18 and selling investment securities to the extent permitted to
19 national banking associations by the provisions of section
20 5136 of the Revised Statutes, as amended (U. S. C., title
21 12, sec. 24; Supp. VII, title 12, sec. 24) : *Provided further*,
22 That nothing in this paragraph shall be construed as affect-
23 ing in any way such right as any bank, banking association,
24 savings bank, trust company, or other banking institution,
25 may otherwise possess to sell, without recourse or agree-

1 ment to repurchase, obligations evidencing loans on real
2 estate ”.

3 (b) Paragraph (2) of subsection (a) of such section
4 21 is hereby repealed.

5 SEC. 304. Section 22 of the Banking Act of 1933, as
6 amended, is amended by adding at the end thereof the
7 following sentence: “ Such additional liability shall cease on
8 July 1, 1937, with respect to all shares issued by any asso-
9 ciation which shall be transacting the business of banking
10 on July 1, 1937: *Provided*, That not less than six months
11 prior to such date, such association shall have caused notice
12 of such prospective termination of liability to be published in
13 a newspaper published in the city, town, or county in which
14 such association is located, and if no newspaper is pub-
15 lished in such city, town, or county, then in a newspaper
16 of general circulation therein. If the association fail to
17 give such notice as and when above provided, a termination
18 of such additional liability may thereafter be accomplished as
19 of the date six months subsequent to publication, in the man-
20 ner above provided.”

21 ~~SEC. 305.~~ ³⁰⁵ Section 4 of the Act entitled “An Act to
22 amend section 12B of the Federal Reserve Act so as to
23 extend for one year the temporary plan for deposit insurance,
24 and for other purposes”, approved June 16, 1934 (48 Stat.
25 969), is amended to read as follows:

1 ment to repurchase, obligations evidencing loans on real
2 estate”.

3 (b) Paragraph (2) of subsection (a) of such section
4 21 is hereby repealed.

5 SEC. 304. Section 22 of the Banking Act of 1933, as
6 amended, is amended by adding at the end thereof the
7 following sentence: “Such additional liability shall cease on
8 July 1, 1937, with respect to all shares issued by any asso-
9 ciation which shall be transacting the business of banking
10 on July 1, 1937: *Provided*, That not less than six months

SEC. 305. Paragraph (c) of section 5155 of the Revised Statutes as amended (U.S.C., Sup. 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 second sentence of such paragraph (c) and inserting in lieu thereof the following: 'Except as provided in the immediately preceding sentence, no'.

17 of the date six months subsequent to publication, in the man-
20 ner above provided.”

21 ³⁰⁶ SEC. 305. Section 4 of the Act entitled “An Act to
22 amend section 12B of the Federal Reserve Act so as to
23 extend for one year the temporary plan for deposit insurance,
24 and for other purposes”, approved June 16, 1934 (48 Stat.
25 969), is amended to read as follows:

1 “SEC. 4. So much of section 31 of the Banking Act
2 of 1933, as amended, as relates to stock ownership by di-
3 rectors, trustees, or members of similar governing bodies of
4 any national banking association or of any State bank or
5 trust company which is a member of the Federal Reserve
6 System is hereby repealed.”

7 SEC. ~~306~~³⁰⁷. Effective January 1, 1936, section 32 of
8 the Banking Act of 1933, as amended, is amended to read
9 as follows:

10 “SEC. 32. No officer, director, or employee of any
11 corporation or unincorporated association, no partner or em-
12 ployee of any partnership, and no individual, primarily
13 engaged in the issue, flotation, underwriting, public sale, or
14 distribution, at wholesale or retail, or through syndicate par-
15 ticipation, of stocks, bonds, or other similar securities, shall
16 serve at the same time as an officer, director, or employee
17 of any member bank except in limited classes of cases in
18 which the Federal Reserve Board may allow such service
19 by general regulations when in the judgment of the Federal
20 Reserve Board it would not unduly influence the investment
21 policies of such member bank or the advice it gives its
22 customers regarding investments.”

23 SEC. ~~307~~³⁰⁸. (a) The second sentence of paragraph
24 seventh of section 5136 of the Revised Statutes, as amended
25 (U. S. C., Supp. VII, title 12, sec. 24), is amended to

1 read as follows: "The business of dealing in securities and
2 stock by the association shall be limited to purchasing and
3 selling such securities and stock without recourse, solely upon
4 the order, and for the account of, customers, and in no case
5 for its own account, and the association shall not underwrite
6 any issue of securities or stock: *Provided*, That the associa-
7 tion may purchase for its own account investment securities
8 under such limitations and restrictions as the Comptroller of
9 the Currency may by regulation prescribe. In no event
10 shall the total amount of the investment securities of any
11 one obligor or maker, held by the association for its own
12 account, exceed at any time 10 per centum of its capital
13 stock actually paid in and unimpaired and 10 per centum of
14 its unimpaired surplus fund, except that this limitation shall
15 not require any association to dispose of any securities law-
16 fully held by it on the date of enactment of the Banking Act
17 of 1935."

18 (b) The fourth sentence of such paragraph seventh
19 is amended to read as follows: "Except as hereinafter pro-
20 vided or otherwise permitted by law, nothing herein con-
21 tained shall authorize the purchase by the association for its
22 own account of any shares of stock of any corporation."

23 ³⁰⁷ SEC. 308. Section 5138 of the Revised Statutes, as
24 amended (U. S. C., Supp. VII, title 12, sec. 51), is
25 amended by adding the following sentence at the end

1 thereof: "No such association shall hereafter be authorized
 2 to commence the business of banking until it shall have a
 3 paid-in surplus equal to 20 per centum of its capital: *Pro-*
 4 *vided*, That the Comptroller of the Currency may waive this
 5 requirement as to a State bank converting into a national
 6 banking association."

7 ³¹⁰
 7 ~~SEC. 909~~: The last paragraph of section 5139 of the
 8 Revised Statutes, as amended (U. S. C., Supp. VII, title
 9 12, sec. 52), is amended to read as follows:

10 "After the date of the enactment of the Banking Act
 11 of 1935, no certificate evidencing the stock of any such
 12 association shall bear any statement purporting to represent
 13 the stock of any other corporation, except a member bank
 14 or a corporation existing on such date engaged primarily
 15 in holding the bank premises of such association, nor shall
 16 the ownership, sale, or transfer of any certificate represent-
 17 ing the stock of any such association be conditioned in any
 18 manner whatsoever upon the ownership, sale, or trans-
 19 fer of a certificate representing the stock of any other
 20 corporation, except a member bank or a corporation ex-
 21 isting on such date engaged primarily in holding the
 22 bank premises of such association: *Provided*, That this
 23 section shall not operate to prevent the ownership,
 24 sale, or transfer of stock of any other corporation being
 25 conditioned upon the ownership, sale, or transfer of

1 a certificate representing stock of a national banking
2 association.”

3 ³¹¹~~310~~ SEC. 310. (a) The first paragraph of section 5144
4 of the Revised Statutes, as amended (U. S. C., Supp. VII,
5 title 12, sec. 61), is amended to read as follows:

6 “SEC. 5144. In all elections of directors, each share-
7 holder shall have the right to vote the number of shares
8 owned by him for as many persons as there are directors
9 to be elected, or to cumulate such shares and give one can-
10 didate as many votes as the number of directors multiplied
11 by the number of his shares shall equal, or to distribute them
12 on the same principle among as many candidates as he
13 shall think fit; and in deciding all other questions at meet-
14 ings of shareholders, each shareholder shall be entitled to
15 one vote on each share of stock held by him; except that
16 (1) this shall not be construed as limiting the voting rights
17 of holders of preferred stock under the terms and provisions
18 of articles of association, or amendments thereto, adopted
19 pursuant to the provisions of section 302 (a) of the Emer-
20 gency Banking Act of March 9, 1933, as amended, (2)
21 in the election of directors, shares of its own stock held by
22 a national bank as sole trustee, whether registered in its
23 own name as such trustee or in the name of its nominee,
24 shall not be voted by the registered owner unless under the
25 terms of the trust the manner in which such shares shall

1 be voted may be determined by a donor or beneficiary of
2 the trust and unless such donor or beneficiary actually directs
3 how such shares shall be voted, (3) shares of its own stock
4 held by a national bank and one or more persons as trustees
5 may be voted by such other person or persons, as trustees,
6 in the same manner as if he or they were the sole trustee,
7 and (4) shares controlled by any holding, ~~company~~ affiliate
8 of a national bank shall not be voted unless such holding
9 company affiliate shall have first obtained a voting permit
10 as hereinafter provided, which permit is in force at the time
11 such shares are voted, but such holding company affiliate
12 may, without obtaining such permit, vote in favor of plac-
13 ing the association in voluntary liquidation or taking any
14 other action pertaining to the voluntary liquidation of such
15 association. Shareholders may vote by proxies duly author-
16 ized in writing; but no officer, clerk, teller, or bookkeeper
17 of such bank shall act as proxy; and no shareholder whose
18 liability is past due and unpaid shall be allowed to vote.
19 Whenever shares of stock cannot be voted by reason of being
20 held by the bank as sole trustee, such shares shall be ex-
21 cluded in determining whether matters voted upon by the
22 shareholders were adopted by the requisite percentage of
23 shares.”

24 (b) The first sentence of the third paragraph of
25 such section 5144 is amended to read: “Any such holding

1 company affiliate may make application to the Federal
 2 Reserve Board for a voting permit entitling it to vote
 3 the stock controlled by it at any or all meetings of share-
 4 holders of such bank or authorizing the trustee or trustees
 5 holding the stock for its benefit or for the benefit of its
 6 shareholders so to vote the same.”

7 ³¹²~~311~~ SEC. Section 5154 of the Revised Statutes, as
 8 amended (U. S. C., title 12, sec. 35), is amended by adding
 9 at the end thereof the following paragraph:

10 “ The Comptroller of the Currency may, in his discre-
 11 tion and subject to such conditions as he may prescribe,
 12 permit such converting bank to retain and carry at a value
 13 determined by the Comptroller such of the assets of such
 14 converting bank as do not conform to the legal requirements
 15 relative to assets acquired and held by national banking
 16 associations.”

17 ³¹³~~312~~ SEC. Section 5162 of the Revised Statutes
 18 (U. S. C., title 12, sec. 170) is amended by adding at the
 19 end thereof the following paragraph:

20 “ The Comptroller of the Currency may designate
 21 one or more persons to countersign in his name and on his
 22 behalf such assignments or transfers of bonds as require his
 23 countersignature.”

24 ³¹⁴~~313~~ SEC. Section 5197 of the Revised Statutes, as
 25 amended (U. S. C., Supp. VII, title 12, sec. 85), is

1 amended by inserting after the second sentence thereof the
 2 following new sentence: "The maximum amount of interest
 3 or discount to be charged at a branch of an association
 4 located outside of the States of the United States and the
 5 District of Columbia shall be at the rate allowed by the laws
 6 of the country, territory, dependency, province, dominion,
 7 insular possession, or other political subdivision where the
 8 branch is located."

9 ³¹⁵ SEC. ~~314~~. Section 5199 of the Revised Statutes
 10 (U. S. C., title 12, sec. 60), is amended to read as follows:

11 "SEC. 5199. The directors of any association may,
 12 semiannually, declare a dividend of so much of the net
 13 profits of the association as they shall judge expedient; but
 14 each association shall, before the declaration of a dividend
 15 on its shares of common stock, carry not less than one-tenth
 16 part of its net profits of the preceding half year to its surplus
 17 fund until the same shall equal the amount of its common
 18 capital."

19 ³¹⁶ SEC. ~~315~~. Section 5209 of the Revised Statutes
 20 (U. S. C., title 12, sec. 592), is hereby amended by insert-
 21 ing after the words "known as the Federal Reserve Act",
 22 the words "or of any insured bank as defined in subsection
 23 (c) of section 12B of the Federal Reserve Act"; and by
 24 inserting after the words "such Federal Reserve bank or
 25 member bank", wherever they appear in such section, the

1 words " or insured bank "; and by inserting after the words
2 " or the Comptroller of the Currency ", the words " or the
3 Federal Deposit Insurance Corporation,".

4 SEC. ³¹⁷~~316~~. Section 5220 of the Revised Statutes
5 (U. S. C., title 12, sec. 181), is amended by adding at the
6. end thereof the following paragraph:

7 " The shareholders shall designate one or more persons
8 to act as liquidating agent or committee, who shall conduct
9 the liquidation in accordance with law and under the super-
10 vision of the board of directors, who shall require a suitable
11 bond to be given by said agent or committee. The liquidat-
12 ing agent or committee shall render annual reports to the
13 Comptroller of the Currency on the 31st day of December
14 of each year showing the progress of said liquidation until
15 the same is completed. The liquidating agent or committee
16 shall also make an annual report to a meeting of the share-
17 holders to be held on the date fixed in the articles of
18 association for the annual meeting, at which meeting the
19 shareholders may, if they see fit, by a vote representing
20 a majority of the entire stock of the bank, remove the
21 liquidating agent or committee and appoint one or more
22 others in place thereof. A special meeting of the share-
23 holders may be called at any time in the same manner as
24 if the bank continued an active bank and at said meeting
25 the shareholders may by vote of the majority of the stock,

1 remove the liquidating agent or committee. The Comp-
 2 troller of the Currency is authorized to have an examination
 3 made at any time into the affairs of the liquidating bank
 4 until the claims of all creditors have been satisfied, and
 5 the expense of making such examinations shall be assessed
 6 against such bank in the same manner as in the case of
 7 examinations made pursuant to section 5240 of the Revised
 8 Statutes, as amended (U. S. C., title 12, secs. 484, 485;
 9 Supp. VII, title 12, secs. 481-483)."

10 ³¹⁸ SEC. ~~317~~ Section 5243 of the Revised Statutes
 11 (U. S. C., title 12, sec. 583) is amended by striking out
 12 the semicolon therein and all that precedes it and substituting
 13 the following:

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

319
1 SEC. ~~318~~. (a) Section 5 of the Federal Reserve Act,
2 as amended, is amended by striking out the last three sen-
3 tences thereof and inserting in lieu thereof the following:
4 “When a member bank reduces its capital stock or surplus
5 it shall surrender a proportionate amount of its holdings in
6 the capital stock of said Federal Reserve bank. Any mem-
7 ber bank which holds capital stock of a Federal Reserve
8 bank in excess of the amount required on the basis of 6 per
9 centum of its paid-up capital stock and surplus shall surren-
10 der such excess stock. When a member bank voluntarily
11 liquidates it shall surrender all of its holdings of the capital
12 stock of said Federal Reserve bank and be released from its
13 stock subscription not previously called. In any such case
14 the shares surrendered shall be canceled and the member
15 bank shall receive in payment therefor, under regulations
16 to be prescribed by the Federal Reserve Board, a sum
17 equal to its cash-paid subscriptions on the shares surren-
18 dered and one-half of 1 per centum a month from the period
19 of the last dividend, not to exceed the book value thereof,
20 less any liability of such member bank to the Federal
21 Reserve bank.”

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

1 ³²⁰
 2 SEC. ~~310~~. The fifth paragraph of section 9 of the Fed-
 3 eral Reserve Act, as amended, is amended by adding at
 4 the end thereof the following sentence: "Such reports of
 5 condition shall be in such form and shall contain such infor-
 6 mation as the Federal Reserve Board may require and shall
 7 be published by the reporting banks in such manner and in
 8 accordance with such regulations as the said Board may
 9 prescribe."

10 ³²¹
 11 SEC. ~~320~~. (a) The first sentence of paragraph (m)
 12 of section 11 of the Federal Reserve Act, as amended, is
 13 amended by inserting before the period at the end thereof a
 14 colon and the following: "*Provided*, That with respect to
 15 loans represented by obligations in the form of notes se-
 16 cured by not less than a like amount of bonds or notes
 17 of the United States issued since April 24, 1917, certificates
 18 of indebtedness of the United States, or Treasury bills of
 19 the United States, such limitation of 10 per centum on
 20 loans to any person shall not apply, but State member banks
 21 shall be subject to the same limitations and conditions as
 22 are applicable in the case of national banks under para-
 23 graph (8) of section 5200 of the Revised Statutes, as
 24 amended (U. S. C., Supp. VII, title 12, sec. 84)."

25 (b) Paragraph (8) of section 5200 of the Revised
 26 Statutes, as amended (U. S. C., Supp. VII, title 12, sec.

1 84), is amended by inserting after the comma following the
 2 words "certificates of indebtedness of the United States",
 3 the words "or Treasury bills of the United States".

4 ³²² SEC. ~~321~~. The third paragraph of section 13 of the
 5 Federal Reserve Act, as amended, is amended by changing
 6 the words "indorsed and otherwise secured to the satisfac-
 7 tion of the Federal Reserve bank" in that paragraph to
 8 read "indorsed or otherwise secured to the satisfaction of
 9 the Federal Reserve bank."

10 ³²³ SEC. ~~322~~. Subsection (e) of section 13b of the Fed-
 11 eral Reserve Act, as amended, is amended by striking out
 12 "upon the date this section takes effect", and inserting in
 13 lieu thereof "on and after June 19, 1934"; and by striking
 14 out "the par value of the holdings of each Federal Reserve
 15 bank of Federal Deposit Insurance Corporation stock", and
 16 inserting in lieu thereof "the amount paid by each Federal
 17 Reserve bank for stock of the Federal Deposit Insurance
 18 Corporation".

19 ³²⁴ SEC. ~~323~~. (a) The first paragraph of section 19 of
 20 the Federal Reserve Act, as amended, is amended to read
 21 as follows:

22 "SEC. 19. The Federal Reserve Board is authorized,
 23 for the purposes of this section, to define the terms 'demand
 24 deposits', 'gross demand deposits', 'deposits payable on
 25 demand', 'time deposits', 'savings deposits', and 'trust

1 funds ', to determine what shall be deemed to be a payment
2 of interest, and to prescribe such rules and regulations as it
3 may deem necessary to effectuate the purposes of this section
4 and prevent evasions thereof: *Provided*, That, within the
5 meaning of the provisions of this section regarding the
6 reserves required of member banks, the term ' time deposits '
7 shall include ' savings deposits '."

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

10 " In estimating the reserve balances required by this
11 Act, member banks may deduct from the amount of their
12 gross demand deposits the amounts of balances due from
13 other banks (except Federal Reserve banks and foreign
14 banks) and cash items in process of collection payable
15 immediately upon presentation in the United States, within
16 the meaning of these terms as defined by the Federal
17 Reserve Board."

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

20 " No member bank shall, directly or indirectly, by any
21 device whatsoever, pay any interest on any deposit which is
22 payable on demand: *Provided*, That nothing herein con-
23 tained shall be construed as prohibiting the payment of in-
24 terest in accordance with the terms of any certificate of
25 deposit or other contract entered into in good faith which is

1 in force on the date on which the bank becomes subject to
2 the provisions of this paragraph; but no such certificate of
3 deposit or other contract shall be renewed or extended unless
4 it shall be modified to conform to this paragraph, and every
5 member bank shall take such action as may be necessary to
6 conform to this paragraph as soon as possible consistently
7 with its contractual obligations: *Provided further*, That this
8 paragraph shall not apply (1) to any deposit of such bank
9 which is payable only at an office thereof located outside of
10 the States of the United States and the District of Columbia;
11 (2) to any deposit made by a mutual savings bank or a
12 savings bank as defined in section 12B of the Federal Re-
13 serve Act, as amended; (3) to any deposit of public funds
14 made by or on behalf of any State, county, school district,
15 or other subdivision or municipality, or to any deposit of
16 trust funds if the payment of interest with respect to such
17 deposit of public funds or of trust funds is required by State
18 law; or (4) to any deposit of funds by the United States,
19 any Territory, District, or possession thereof (including the
20 Philippine Islands), or any public instrumentality or agency
21 of the foregoing, with respect to which interest is required
22 by law to be paid.

23 "The Federal Reserve Board shall from time to time
24 limit by regulation the rate of interest which may be paid

1 by member banks on time and savings deposits; may classify
2 time and savings deposits according to maturities, locations
3 of banks, conditions respecting receipt, withdrawal, or
4 repayment, or otherwise as it may deem necessary in the
5 public interest; and may prescribe different rates for deposits
6 of different classes. No member bank shall pay any time
7 deposit before its maturity except upon such conditions and
8 in accordance with such rules and regulations as may be
9 prescribed by the Federal Reserve Board, or waive any
10 requirement of notice before payment of any savings deposit
11 except as to all savings deposits having the same require-
12 ment: *Provided*, That the provisions of this paragraph
13 shall not apply to any deposit which is payable only at
14 an office of a member bank located outside of the States
15 of the United States and the District of Columbia.”

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

18 “Notwithstanding the provisions of the First Liberty
19 Bond Act, as amended, the Second Liberty Bond Act, as
20 amended, and the Third Liberty Bond Act, as amended,
21 member banks shall be required to maintain the same
22 reserves against deposits of public moneys by the United
23 States as they are required by this section to maintain
24 against other deposits.”

1 ³²⁵ SEC. ~~324~~. Section 21 of the Federal Reserve Act, as
2 amended, is amended by adding at the end thereof the fol-
3 lowing paragraph:

4 “ Whenever member banks are required to obtain re-
5 ports from affiliates, or whenever affiliates of member banks
6 are required to submit to examination, the Federal Reserve
7 Board or the Comptroller of the Currency, as the case may
8 be, may waive such requirements with respect to any such
9 report or examination of any affiliate if in the judgment of
10 the said Board or Comptroller, respectively, such report or
11 examination is not necessary to disclose fully the relations
12 between such affiliate and such bank and the effect thereof
13 upon the affairs of such bank.”

14 ³²⁴ SEC. ~~325~~. (a) Subsection (a) of section 22 of the
15 Federal Reserve Act, as amended, is amended by inserting
16 in the first paragraph thereof after “ No member bank ”
17 the following: “ and no insured bank as defined in sub-
18 section (c) of section 12B of this Act ”; by inserting before
19 the period at the end of the first sentence of such paragraph
20 “ or assistant examiner, who examines or has authority to
21 examine such bank ”; and by inserting after “ any member
22 bank ” in the second paragraph thereof “ or insured bank ”;
23 by inserting before the period at the end thereof “ or Federal
24 Deposit Insurance Corporation examiner ”; and by adding
25 at the end of such subsection a new paragraph, as follows:

1 “ The provisions of this subsection shall apply to all
2 public examiners and assistant examiners who examine mem-
3 ber banks of the Federal Reserve System or insured banks,
4 whether appointed by the Comptroller of the Currency, by
5 the Federal Reserve Board, by a Federal Reserve agent, by
6 a Federal Reserve bank, or by the Federal Deposit Insur-
7 ance Corporation, or appointed or elected under the laws
8 of any State; but shall not apply to private examiners or
9 assistant examiners employed only by a clearing-house asso-
10 ciation or by the directors of a bank.”

11 (b) Subsection (b) of such section 22 is amended by
12 inserting therein after “ no national bank examiner ” the
13 following: “ and no Federal Deposit Insurance Corporation
14 examiner ”; and by inserting after “ member bank ” the
15 following: “ or insured bank ”; and by inserting after
16 “ from the Comptroller of the Currency,” the following: “ as
17 to a national bank, the Federal Reserve Board as to a State
18 member bank, or the Federal Deposit Insurance Cor-
19 poration as to any other insured bank,”.

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

22 “ (g) No executive officer of any member bank shall
23 borrow from or otherwise become indebted to any member
24 bank of which he is an executive officer, and no member
25 bank shall make any loan or extend credit in any other

1 manner to any of its own executive officers: *Provided,*
2 That loans made to any such officer prior to June 16,
3 1933, may be renewed or extended for periods expiring
4 not more than five years from such date where the board
5 of directors of the member bank shall have satisfied them-
6 selves that such extension or renewal is in the best interest
7 of the bank and that the officer indebted has made reason-
8 able effort to reduce his obligation, these findings to be
9 evidenced by resolution of the board of directors spread
10 upon the minute book of the bank: *Provided further,* That
11 with the prior approval of a majority of the entire board
12 of directors, any member bank may extend credit to
13 any executive officer thereof, and such officer may become
14 indebted thereto, in an amount not exceeding \$2,500. If
15 any executive officer of any member bank borrow from
16 or if he be or become indebted to any bank other than a
17 member bank of which he is an executive officer, he shall
18 make a written report to the board of directors of the mem-
19 ber bank of which he is an executive officer, stating the date
20 and amount of such loan or indebtedness, the security there-
21 for, and the purpose for which the proceeds have been or are
22 to be used. Borrowing by, or loaning to, a partnership
23 in which one or more executive officers of a member bank
24 are partners having either individually or together a ma-

1 jority interest in said partnership, shall be considered within
2 the prohibition of this subsection. Nothing contained in
3 this subsection shall prohibit any executive officer of a
4 member bank from endorsing or guaranteeing for the pro-
5 tection of such bank any loan or other asset which shall
6 have been previously acquired by such bank in good faith
7 or from incurring any indebtedness to such bank for the
8 purpose of protecting such bank against loss or giving
9 financial assistance to it. The Federal Reserve Board is
10 authorized to define the term 'executive officer', to deter-
11 mine what shall be deemed to be a borrowing, indebted-
12 ness, loan, or extension of credit, for the purposes of this
13 subsection, and to prescribe such rules and regulations as it
14 may deem necessary to effectuate the provisions of this
15 subsection in accordance with its purposes and to prevent
16 evasions of such provisions. Any executive officer of a
17 member bank accepting a loan or extension of credit which
18 is in violation of the provisions of this subsection shall be
19 subject to removal from office in the manner prescribed
20 in section 30 of the Banking Act of 1933: *Provided,*
21 *That for each day that a loan or extension of credit made*
22 *in violation of this subsection exists, it shall be deemed to*
23 *be a continuation of such violation within the meaning of*
24 *said section 30."*

1 ³²⁷~~326~~ SEC. 326. The third paragraph of section 23A of the
2 Federal Reserve Act, as amended, is amended to read as
3 follows:

4 “ For the purpose of this section, the term ‘ affiliate ’
5 shall include holding company affiliates as well as other affil-
6 iates, and the provisions of this section shall not apply to any
7 affiliate (1) , engaged primarily in holding the bank premises
8 of the member bank with which it is affiliated or in main-
9 taining and operating properties acquired for banking pur-
10 poses prior to the date this section, as amended, takes effect ;
11 (2) engaged solely in conducting a safe-deposit business or
12 the business of an agricultural credit corporation or live-
13 stock loan company ; (3) in the capital stock of which a
14 national banking association is authorized to invest pur-
15 suant to section 25 of this Act, as amended, or a sub-
16 sidiary of such affiliate, all the stock of which (except
17 qualifying shares of directors in an amount not to ex-
18 ceed 10 per centum) is owned by such affiliate ; (4)
19 organized under section 25 (a) of this Act, as amended, or
20 a subsidiary of such affiliate, all the stock of which (except
21 qualifying shares of directors in an amount not to exceed 10
22 per centum) is owned by such affiliate ; (5) engaged solely
23 in holding obligations of the United States Government or
24 obligations fully guaranteed by the United States Govern-
25 ment as to principal and interest, the Federal intermediate

1 credit banks, the Federal land banks, the Federal home-loan
 2 banks, or the Home Owners' Loan Corporation; (6) where
 3 the affiliate relationship has arisen out of a bona fide debt
 4 contracted prior to the date of the creation of such rela-
 5 tionship; or (7) where the affiliate relationship exists by
 6 reason of the ownership or control of any voting shares
 7 thereof by a member bank as executor, administrator,
 8 trustee, receiver, agent, depository, or in any other fiduciary
 9 capacity, except where such shares are held for the bene-
 10 fit of all or a majority of the stockholders of such member
 11 bank; but as to any such affiliate, member banks shall con-
 12 tinue to be subject to other provisions of law applicable to
 13 loans by such banks and investments by such banks in
 14 stocks, bonds, debentures, or other such obligations. The pro-
 15 visions of this section shall likewise not apply to indebted-
 16 ness of any affiliate for unpaid balances due a bank on assets
 17 purchased from such bank or to loans secured by, extensions
 18 of credit against, or purchases under repurchase agreement
 19 of, obligations of the United States Government or obliga-
 20 tions fully guaranteed by the United States Government as
 21 to principal and interest."

22 ~~SEC. 527.~~ ³²⁸ Section 24 of the Federal Reserve Act, as
 23 amended, is amended by adding at the end thereof the fol-
 24 lowing new paragraph:

H. R. 7617—6

1 “Loans made to established industrial or commercial
 2 businesses (a) which are in whole or in part discounted or
 3 purchased or loaned against as security by a Federal re-
 4 serve bank under the provisions of section 13b of this
 5 Act, (b) for any part of which a commitment shall have
 6 been made by a Federal reserve bank under the pro-
 7 visions of said section, (c) in the making of which a Federal
 8 reserve bank participates under the provisions of said sec-
 9 tion, or (d) in which the Reconstruction Finance Corpora-
 10 tion cooperates or purchases a participation under the provi-
 11 sions of section 5d of the Reconstruction Finance Corpora-
 12 tion Act, shall not be subject to the restrictions or limitations
 13 of this section upon loans secured by real estate.”

14 SEC. ³²⁹~~328~~. Effective January 1, 1936, the Act entitled
 15 “An Act to supplement existing laws against unlawful
 16 restraints and monopolies, and for other purposes”, ap-
 17 proved October 15, 1914 (38 Stat. 730), as amended, is
 18 further amended (1) by striking out section 8A thereof and
 19 (2) by substituting for the first three paragraphs of section
 20 8 thereof the following:

21 “SEC. 8. No director, officer, or employee of any
 22 member bank of the Federal Reserve System shall be at the
 23 same time a private banker or a director, officer, or employec
 24 of any other bank, banking association, savings bank (other
 25 than a mutual savings bank), or trust company except in

1 limited classes of cases in which the Federal Reserve Board
 2 may allow such service by general regulations when in the
 3 judgment of the Federal Reserve Board such classes of
 4 institutions are not in substantial competition.”

5 ³¹⁷~~920~~. (a) Section 1 of the Act of November 7,
 6 1918, as amended (U. S. C., title 12, sec. 33; Supp. VII,
 7 title 12, sec. 33), is amended by striking out the second
 8 proviso down to and including the words “to be ascer-
 9 tained” and inserting in lieu thereof the following: “*And*
 10 *provided further*, That if such consolidation shall be voted
 11 for at said meetings by the necessary majorities of the share-
 12 holders of each of the associations proposing to consolidate,
 13 any shareholder of any of the associations so consolidated,
 14 who has voted against such consolidation at the meeting of
 15 the association of which he is a shareholder or has given
 16 notice in writing at or prior to such meeting to the presiding
 17 officer that he dissents from the plan of consolidation, shall
 18 be entitled to receive the value of the shares so held by him
 19 if and when said consolidation shall be approved by the
 20 Comptroller of the Currency, such value to be ascertained
 21 as of the date of the Comptroller’s approval”.

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

24 “Publication of notice and notification by registered
 25 mail of the meeting provided for in the foregoing paragraph

1 may be waived by unanimous action of the shareholders of
2 the respective associations. Where a dissenting shareholder
3 has given notice as above provided to the association of
4 which he is a shareholder of his dissent from the plan of
5 consolidation, and the directors thereof fail for more than
6 thirty days thereafter to appoint an appraiser of the value
7 of his shares, said shareholder may request the Comptroller
8 of the Currency to appoint such appraiser to act on the
9 appraisal committee for and on behalf of such association.

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

18 SEC. ³³¹~~320~~. (a) Section 3 of the Act of November 7,
19 1918, as amended (U. S. C., Supp. VII, title 12, sec.
20 34 (a)), is amended by striking out the first sentence
21 following the proviso down to and including the words
22 " to be ascertained " and inserting in lieu thereof the fol-
23 lowing: " If such consolidation shall be voted for at said
24 meetings by the necessary majorities of the shareholders
25 of the association and of the State or other bank proposing

1 to consolidate, and thereafter the consolidation shall be
2 approved by the Comptroller of the Currency, any share-
3 holder of either the association or the State or other bank
4 so consolidated, who has voted against such consolidation
5 at the meeting of the association of which he is a stock-
6 holder, or has given notice in writing at or prior to such
7 meeting to the presiding officer that he dissents from the
8 plan of consolidation, shall be entitled to receive the value
9 of the shares so held by him if and when said consolidation
10 shall be approved by the Comptroller of the Currency, such
11 value to be ascertained as of the date of the Comptroller's
12 approval."

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

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

1 ³³²
2 SEC. ~~301~~. The Act entitled "An Act to prohibit offer-
3 ing for sale as Federal farm-loan bonds any securities not
4 issued under the terms of the Farm Loan Act, to limit the
5 use of the words 'Federal', 'United States', or 'reserve',
6 or a combination of such words, to prohibit false advertising,
7 and for other purposes", approved May 24, 1926 (U. S. C.,
8 Supp. VII, title 12, secs. 584-588), is amended by insert-
9 ing in section 2 thereof after "the words 'United States'",
10 the following: "the words 'Deposit Insurance'"; and by
11 inserting in said section after the words "the laws of the
12 United States", the following: "nor to any new bank
13 organized by the Federal Deposit Insurance Corporation as
14 provided in section 12B of the Federal Reserve Act, as
15 amended," and by striking out the period at the end of
16 section 4 and inserting the following: "or the Federal
17 Deposit Insurance Corporation."

17 ³³³
18 SEC. ~~332~~. The Act entitled "An Act to provide pun-
19 ishment for certain offenses committed against banks or-
20 ganized or operating under laws of the United States or
21 any member of the Federal Reserve System", approved
22 May 18, 1934 (48 Stat. 783), is amended by striking
23 out the period after "United States" in the first section
24 thereof and inserting the following: "and any insured bank
25 as defined in subsection (c) of section 12B of the Federal
26 Reserve Act, as amended."


1 ³¹⁴ SEC. ~~999~~. Section 5143 of the Revised Statutes, as
 2 amended, is hereby amended by striking out everything
 3 following the words " Comptroller of the Currency ", where
 4 such words last appear in such section, and substituting the
 5 following: " and no shareholder shall be entitled to any
 6 distribution of cash or other assets by reason of any reduc-
 7 tion of the common capital of any association unless such
 8 distribution shall have been approved by the Comptroller
 9 of the Currency and by the affirmative vote of at least two-
 10 thirds of the shares of each class of stock outstanding, voting
 11 as classes."

12 ³³⁵ SEC. ~~324~~. Section 5139 of the Revised Statutes, as
 13 amended, is amended by adding at the end of the first para-
 14 graph the following new paragraph:

15 " Certificates hereafter issued representing shares of
 16 stock of the association shall state (1) the name and location
 17 of the association, (2) the name of the holder of record of
 18 the stock represented thereby, (3) the number and class of
 19 shares which the certificate represents, and (4) if the asso-
 20 ciation shall issue stock of more than one class, the respective
 21 rights, preferences, privileges, voting rights, powers, re-
 22 strictions, limitations, and qualifications of each class of stock
 23 issued shall be stated in full or in summary upon the front
 24 or back of the certificates or shall be incorporated by a ref-
 25 erence to the articles of association set forth on the front of

1 the certificates. Every certificate shall be signed by the
 2 president and the cashier of the association, or by such other
 3 officers as the bylaws of the association shall provide, and
 4 shall be sealed with the seal of the association.”

5 ³³⁶
 6 SEC. ~~335~~. The last sentence of section 301 of the
 7 Emergency Banking Act of March 9, 1933, as amended,
 8 is amended to read as follows: “ No issue of preferred stock
 9 shall be valid until the par value of all stock so issued shall
 10 be paid in and notice thereof, duly acknowledged before a
 11 notary public by the president, vice president, or cashier
 12 of said association, has been transmitted to the Comptroller
 13 of the Currency and his certificate obtained specifying the
 14 amount of such issue of preferred stock and his approval
 15 thereof and that the amount has been duly paid in as a part
 16 of the capital of such association; which certificate shall be
 17 deemed to be conclusive evidence that such preferred stock
 18 has been duly and validly issued.”

18  ~~SEC. 336. The additional liability imposed by the Act~~
 19 ~~of April 26, 1922, as amended (D. C. Code, title 5, sec.~~
 20 ~~300, Supp. I, title 5, sec. 300a (b)), upon the shareholders~~
 21 ~~of savings banks, savings companies, and banking institu-~~
 22 ~~tions and the additional liability imposed by section 4 of~~
 23 ~~the Act of March 4, 1933 (D. C. Code, title 5, sec. 361) ,~~
 24 upon the shareholders of trust companies, shall cease to
 25 apply on July 1, 1937, with respect to such savings banks,

1 the certificates. Every certificate shall be signed by the
 2 president and the cashier of the association, or by such other
 3 officers as the bylaws of the association shall provide, and
 4 shall be sealed with the seal of the association."

5 ³³⁶ SEC. ~~335~~. The last sentence of section 301 of the
 6 Emergency Banking Act of March 9, 1933, as amended,
 7 is amended to read as follows: "No issue of preferred stock
 8 shall be valid until the par value of all stock so issued shall
 9 be paid in and notice thereof, duly acknowledged before a
 10 notary public by the president, vice president, or cashier
 11 of said association, has been transmitted to the Comptroller
 12 of the Currency and his certificate obtained specifying the
 13 amount of such issue of preferred stock and his approval
 14 thereof and that the amount has been duly paid in as a part
 15 of the capital of such association; which certificate shall be
 16 deemed to be conclusive evidence that such preferred stock
 17 has been duly and validly issued."

18 ~~SEC. 336. The additional liability imposed by the Act~~

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).

22 ~~tions and the additional liability imposed by section 4 of~~
 23 ~~the Act of March 4, 1933 (D. C. Code, title 5, sec. 361),~~
 24 ~~upon the shareholders of trust companies, shall cease to~~
 25 ~~apply on July 1, 1937, with respect to such savings banks,~~

1 savings companies, banking institutions, and trust companies
2 which shall be transacting business on such date: *Provided*,
3 That not less than six months prior to such date, the savings
4 bank, savings company, banking institution, or trust com-
5 pany, desiring to take advantage hereof, shall have caused
6 notice of such prospective termination of liability to be pub-
7 lished in a newspaper published in the District of Columbia
8 and having general circulation therein. In the event of fail-
9 ure to give such notice as and when above provided, a ter-
10 mination of such additional liability may thereafter be
11 accomplished as of the date six months subsequent to pub-
12 lication in the manner above provided. Each such savings
13 bank, savings company, banking institution, and trust com-
14 pany shall, before the declaration of a dividend on its shares
15 of common stock, carry not less than one-tenth part of its
16 net profits of the preceding half year to its surplus fund
17 until the same shall equal the amount of its common stock.

18 ³³⁸ SEC. ~~957~~. The second paragraph of section 9 of the
19 Federal Reserve Act, as amended, is amended by striking
20 out the period at the end thereof and adding thereto the
21 following: "except that the approval of the Federal Re-
22 serve Board, instead of the Comptroller of the Currency,
23 shall be obtained before any State member bank may here-
24 after establish any branch and before any State bank here-
25 after admitted to membership may retain any branch estab-

1 lished after February 25, 1927, beyond the limits of the
 2 city, town, or village in which the parent bank is
 3 situated.”

339

4 SEC. ~~338~~. Section 5234 of the Revised Statutes, as
 5 amended (U. S. C., title 12, sec. 192), is amended by
 6 striking out the period after the words “ money so depos-
 7 ited ” at the end of the next to the last sentence of such
 8 section and inserting in lieu of such period a colon and the
 9 following: “*Provided*, That no security in the form of
 10 deposit of United States bonds, or otherwise, shall be
 11 required in the case of such parts of the deposits as are
 12 insured under section 12B of the Federal Reserve Act, as
 13 amended.”

340

14 SEC. ~~339~~. Section 61 of the Act entitled “An Act
 15 to establish a uniform system of bankruptcy throughout
 16 the United States ”, approved July 1, 1898, as amended,
 17 is amended by inserting before the period at the end thereof
 18 a colon and the following: “*Provided*, That no security
 19 in form of a bond or otherwise shall be required in the
 20 case of such part of the deposits as are insured under section
 21 12B of the Federal Reserve Act, as amended ”.

341

22 SEC. ~~340~~. Section 8 of the Act entitled “An Act to
 23 establish postal savings depositories for depositing savings
 24 at interest with the security of the Government for repay-
 25 ment thereof, and for other purposes ”, approved June 25,
 26 1910, as amended (U. S. C., title 39, sec. 758; Supp. VII,

1 title 39, sec. 758), is amended by striking out the first
2 sentence thereof and inserting in lieu thereof the following:
3 “ Subject to such regulations as the Postmaster General may
4 prescribe, any depositor may withdraw the whole or any
5 part of the funds deposited to his or her credit with the
6 accrued interest after the expiration of sixty days after
7 giving notice in writing of intention to withdraw, and any
8 depositor may withdraw the whole or any part of such
9 funds without such notice only on condition that there be
10 deducted from the funds to his or her credit derived from
11 interest an amount equivalent to interest for a period of
12 not less than three months on the amount withdrawn.
13 Notwithstanding any other provision of law, no interest
14 shall be paid on any deposit in any postal savings deposi-
15 tory office at a rate in excess of that which may lawfully
16 be paid on savings deposits under regulations prescribed
17 by the Federal Reserve Board pursuant to the Federal
18 Reserve Act for member banks of the Federal Reserve
19 System located in or nearest to the place where such de-
20 pository office is situated. Postal savings depositories may
21 deposit funds on time in member banks of the Federal
22 Reserve System subject to the provisions of the Federal
23 Reserve Act and the regulations of the Federal Reserve
24 Board regarding the payment of time deposits and interest
25 thereon.”

Unic. Calendar No. 222

74TH CONGRESS }
1ST SESSION }

H. R. 7617

[Report No. 742]

A BILL

To provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes.

By Mr. STEAGALL

APRIL 19, 1935

Referred to the Committee on Banking and Currency
and ordered to be printed

APRIL 19, 1935

Committed to the Committee of the Whole House on
the state of the Union and ordered to be printed