HIGHLY CONFIDENTIAL June 23, 1937

A BILL

To regulate bank reserves against deposits of nonresident aliens in order to prevent or mitigate injurious credit expansion or contraction or injurious effects upon the foreign trade or commerce of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Foreign Deposit Act of 1937".

Sec. 1. (a) The word "bank", as used in this Act, shall mean any person, firm, corporation, association, business trust or other similar organization engaged in the United States in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit or other evidence of debt or upon request of the depositor.

(b) The term "deposits of nonresident aliens", as used in this Act, shall mean deposits standing to the credit of, or in which any part of the beneficial interest is in, (1) any person who is not a native born or naturalized citizen of the United States or of its territories, dependencies or possessions and who also is not domiciled in the United States, (2) any firm, corporation, association, business trust, or other similar organization which is organized under the laws of a foreign country or which has or maintains either its home office or its principal office outside of the United States, (3) any foreign central bank or any foreign government or political subdivision thereof, or any instrumentality or agency of a foreign government, whether or not such instrumentality or agency is an institution sometimes known as a "foreign central bank" and without regard to the legal capacity in which such deposits are made by or are owing to such instrumentality or agency, and (4) any bank's branch, agency or office located outside of the United States. In any case in which liabilities to any person or organization of a kind described in clauses (1), (2), (3), or (4) of this subsection (b) are created or incurred by any other person, firm, corporation, association, business trust, or organization with or pursuant to an agreement or understanding, express or implied, that deposits shall be made or maintained directly or indirectly with any bank, such deposits shall be considered to be "deposits of nonresident aliens" within the meaning of this Act. The Board may by regulation exempt from the operation of either section 2 or section 3 of this Act, or both, such an amount, not exceeding $25,000, of the deposits due to every depositor as it may deem necessary or appropriate in order to effectuate the provisions of this Act in accordance with the purposes stated in said section 2 and section 3. For this purpose the regulations may make appropriate provision with respect to deposits maintained in two or more banks by one depositor and may, within the limitation specified above, classify deposits and exempt such classes of deposits from either section 2 or section 3 of this Act or both, in whole or in part and either unconditionally or upon specified terms or limitations or for stated periods, as the Board deems necessary in order to administer the Act in the most practicable and workable manner in accordance with its purposes.

(c) Wherever the term "United States" is used in this Act in a geographical sense, it shall be held to mean the States of the United States and the District of Columbia, the territories, dependencies and possessions of the United States, including the Canal Zone.

(d) The Board is authorized, from time to time, further to define the term "bank", "deposits of nonresident aliens", or "United States" in a manner not inconsistent with the definitions given above, to define banking and technical terms used in this Act in so far as such definitions are not inconsistent with the provisions of the Act, and to prescribe such rules and regulations as it may deem necessary, in order to effectuate the purposes of this Act and to prevent evasions thereof.

(e) The term "Board", as used in this Act, shall mean the Board of Governors of the Federal Reserve System.

Sec. 2. Every bank shall establish and maintain with the Federal Reserve bank of the district in which it is located actual net balances equal to such percentages of its deposits of nonresident aliens as the Board may from time to time determine to be necessary and prescribe by regulation in order to prevent or mitigate injurious credit expansion or contraction or to prevent or mitigate injurious effects upon domestic credit conditions or upon the foreign trade and commerce of the United States which may be caused by the inflow of gold into or the outflow of gold from the United States or which may be caused by changes in the amount of bank deposits of nonresident aliens. Such percentages prescribed by the said Board shall be uniform as to all banks having such deposits and may be applied to demand deposits, savings deposits and other time deposits, or any of them, and different percentages may be required with respect to such classes of deposits respectively; but the required amount of such reserve balances shall not exceed in any case the amount of deposits against which they are respectively required to be maintained. A member bank of the Federal Reserve System which is required to maintain reserve balances under this Act with respect to any part of a deposit of any depositor shall not be required to maintain any reserve balances against such part of such deposit of such depositor pursuant to the provisions of section 19 of the Federal Reserve Act.

Sec. 3. No bank, other than a Federal Reserve bank, shall accept or maintain any deposits of nonresident aliens of the kinds specified in clause (3) of subsection (b) of section 1 of this Act except in accordance with such regulations, conditions and limitations as the Board may from time to time determine to be necessary and prescribe in order to prevent or mitigate injurious credit expansion or contraction or to prevent or mitigate injurious effects upon domestic credit conditions or upon the foreign trade and commerce of the United States which may be caused by the inflow of gold into or the outflow of gold from the United States or which may be caused by changes in the amount of bank deposits of nonresident aliens. The prohibition of this section shall not become effective until such date as the Board may determine to be necessary and fix in the regulations which it is authorized but not required to prescribe in order to carry out the purposes of this section. In addition to the authority contained in subsection (e) of section 14 of the Federal Reserve Act, any Federal Reserve bank is authorized to receive deposits of nonresident aliens of the kinds specified in clause (3) of subsection (b) of section 1 of this Act during such period or periods of time as any bank other than a Federal Reserve bank may be prevented, limited or restricted from receiving such deposits pursuant to the provisions of this section.

Sec. 4. Every bank shall obtain from its depositors or their representatives or agents within such period after the enactment of this Act as the Board may prescribe and from time to time thereafter, either at the time of opening of deposit accounts or at other times, such information or statements in the form of affidavits or otherwise, and shall make such reports to the Federal Reserve bank of the district in which it is located, as the said Board may by regulation require for the purpose of effectuating the provisions of this Act.

Sec. 5. (a) No bank shall use the mails or any means or instrumentality of interstate or foreign commerce in order to effect or attempt to effect any act which is prohibited by this Act or by the regulations of the Board pursuant to the provisions of this Act. Any bank which violates or fails to comply with any prohibition or requirement of this Act or any prohibition or requirement prescribed by the Board pursuant to the provisions of this Act shall be subject to a penalty of $_________________ for each day during which such failure continues, which, by direction of the Board, may be collected by suit or otherwise by the Federal Reserve bank of the district in which such bank is located.

(b) Whenever it shall appear to the Board that any bank is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this Act or of any rule or regulation thereunder, it may in its discretion require the Federal Reserve bank of the district in which such bank is located to bring, and thereupon the Federal Reserve bank shall bring, a suit to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Any suit authorized by subsection (a) or (b) of this section may be brought in the proper District Court of the United States, the Supreme Court of the District of Columbia or the United States courts of any territory or other place subject to the jurisdiction of the United States, without regard to the amount involved.

(c) Any depositor or representative or agent thereof who makes any false statement or gives any false information to any bank with respect to any matter regarding which such bank is required to obtain information pursuant to the provisions of section 4 of this Act or regulations issued thereunder, with intent to deceive such bank, any Federal Reserve bank, or the Board of Governors of the Federal Reserve System, shall be guilty of a misdemeanor and fined not more than $______________.

Sec. 6. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.