

April 6, 1939.

A B I L L

To establish an Industrial Loan Corporation and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That section 13b of the Federal Reserve Act is amended to read as follows:

"(a) This section may be cited as the 'Industrial Loan Corporation Law'.

"(b) There is hereby created a body corporate with the name Industrial Loan Corporation (hereinafter called the Corporation). The principal office of the Corporation shall be located in the District of Columbia, but it may designate and utilize as its agents any or all of the Federal Reserve banks, which are hereby authorized to act in such capacity, may establish branch offices, may designate and utilize other persons or other existing institutions as its agents, or, if it seems it desirable, may supply capital for and organize corporations under local laws to act as its agents. The Corporation shall have power (1) to adopt, alter and use a corporate seal, which shall be judicially noticed, (2) to have succession until dissolved by Act of Congress or in accordance with subsection (n) of this section, (3) to sue and be sued, complain and defend, in any court of law or equity, (4) to make

contracts and to lease or acquire such real estate and equipment as may be necessary for the transaction of its business, (5) to prescribe by its board of directors by-laws and rules, regulations and requirements, not inconsistent with law, as to the manner in which its business and operations may be conducted and the powers granted to it by law may be exercised and enjoyed. The Corporation may exercise all powers specifically granted by this section and such incidental powers as may be reasonably necessary to effectuate the provisions of this section in accordance with its purposes and to prevent evasions of such provisions.

"(c) For the purpose of providing funds to a commercial or industrial business, the Corporation is authorized, subject to such regulations and requirements as it may prescribe: (1) to make loans to, discount obligations for and purchase obligations from such a business; (2) to discount for or purchase from a financing institution obligations of such a business or make loans to a financing institution on the security of such obligations; (3) to make commitments to make any such loans, discounts or purchases; and (4) to purchase preferred stock in a corporation engaged in a commercial or industrial business. The Corporation may include in its regulations, among other things, provisions regarding the maximum maturity of any loans made or obligations acquired, regarding the kinds of preferred stock acquired, and regarding the rates of

interest and discount and the purchase price of obligations and preferred stock, and may define for the purposes of this or other subsections of this section the terms 'commercial or industrial business', 'financing institution', 'obligation', and 'preferred stock'. The Corporation may exercise the authority granted in this subsection either directly or in cooperation with financing institutions; but it shall not provide funds for any commercial or industrial business which is able to obtain adequate funds on a reasonable basis from financing institutions, nor shall the amount of funds provided by the Corporation pursuant to this subsection for any one commercial or industrial business and outstanding at any one time exceed \$1,000,000. Loans, discounts and purchases hereunder shall be made upon a reasonably sound basis. All rules, regulations and requirements made under authority of this or any other subsection of this section may be reviewed and revised from time to time by the Board of Governors of the Federal Reserve System.

"(d) The Corporation is authorized and empowered to issue its notes, debentures, bonds, or other such obligations, which may be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and shall mature at such times, be so secured, and bear such rate or rates of interest as may be determined by the Corporation; but the issuance of such obligations and the terms and conditions thereof

shall be subject to the approval of the Board of Governors of the Federal Reserve System. The aggregate of all obligations issued under this section and outstanding at any one time shall not exceed an amount equal to five times the capital stock and surplus of the Corporation, exclusive of the Insurance Fund hereinafter provided for. Such obligations may be issued in payment of any loan, discount, or purchase authorized by this section or may be offered for sale at such price or prices as the Corporation may determine.

"(e) The Corporation is authorized and empowered from time to time to set aside such amount of its capital stock or surplus, or both, as it may deem advisable as an Insurance Fund, for the purpose of insuring financing institutions, which the Corporation finds to be qualified, against losses which they may sustain upon obligations which they may acquire on or after the date on which the Industrial Loan Corporation Law becomes effective from any commercial or industrial business for the purpose of providing funds to such business. Such insurance may be granted upon such terms and conditions as the Corporation may by regulation or otherwise prescribe, including among other things limitations to the extent deemed necessary on the amount of obligations of any one business insured, on the amount of obligations insured for any one financing institution, on the portion of any obligation to which the insurance shall apply, and on the aggregate amount of insurance granted by the Corporation, and requirements for the payment of premiums by the insured institutions.

"(f) The net earnings of the Corporation, after making adequate provision for losses incurred or contemplated, shall be transferred to its surplus. Upon the liquidation or dissolution of the Corporation all assets remaining after the payment of all indebtedness of the Corporation shall be paid to and become the property of the United States.

"(g) The Corporation is authorized to sell, exchange, or otherwise dispose of any obligations or preferred stock which it has acquired, with or without its endorsement or guaranty and upon such terms and conditions as it may deem advisable. The provisions of the Securities Act of 1933 shall not apply to any obligations issued by the Corporation under subsection (d) of this section, nor to transactions by any person in connection with any acquisition by the Corporation of obligations or preferred stock or any commitment to acquire them under subsection (e) of this section, nor, after any such obligations or stock are so acquired by the Corporation, to any subsequent sale, exchange or other disposition of them by any person.

"(h) Any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or

by any State, county, municipality, or local taxing authority. The Corporation, its franchise, loans and other assets, its capital stock, its surplus, its reserves, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or other taxing authority; except that any real property of the Corporation (other than that which it finds necessary to provide quarters for the transaction of its business) shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. Notwithstanding any other provision of law, all suits of a civil nature at common law or in equity to which the Corporation shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such suits; and when the Corporation is a defendant in any such suit, it may, at any time before the trial thereof, remove such suit from a State court into the district court of the United States for the proper district by following the procedure for the removal of causes otherwise provided by law. No attachment or execution shall be issued against the Corporation or its property

before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court.

"(i) The Corporation is authorized and empowered to take such steps as it may deem appropriate to encourage and assist in the formation of committees of representatives of small businesses and others in local communities to explain to possible or prospective applicants for funds the facilities of the Corporation provided in this section and to advise with and assist prospective applicants in connection with their requests for financial assistance from the Corporation.

"(j) The management of the Corporation shall be vested in a board of directors of three members, who shall be designated from time to time by the Board of Governors of the Federal Reserve System from among its members. One of said directors may be designated as chairman of the board of directors by the said Board of Governors. The said Board of Governors shall also designate from time to time three alternate members of the board of directors of the Corporation from among the remaining members of the said Board of Governors or members of its staff. Any such alternate member may act in lieu of any member of the board of directors at any time. At meetings of the board of directors three members shall be necessary for a quorum. Every director and alternate, and the chairman of the board in his capacity as such, shall serve during

the pleasure of the Board of Governors of the Federal Reserve System. The Corporation may utilize, as its officers and employees, any employees of the Board of Governors of the Federal Reserve System with the consent of the said Board of Governors, and may utilize as its officers and employees any officers or employees of any Federal Reserve bank. If the Corporation should find it advisable, it may employ additional officers or employees, and the employment, compensation, retirement benefits, leave, and expenses of such additional officers and employees shall be governed solely by the provisions of this section, specific amendments thereof, and rules and regulations of the Corporation not inconsistent therewith. No director of the Corporation and no officer or employee of the Board of Governors or of any Federal Reserve bank shall receive any compensation from the Corporation by reason of any services which he may perform for it. The Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may deposit in any Federal Reserve bank its funds, which shall not be construed to be Government funds or appropriated monies. The Corporation may invest its funds in direct obligations of, or obligations guaranteed as to principal and interest by, the United States and may purchase its own obligations. The Corporation shall reimburse the Board of Governors of the Federal Reserve System and

the Federal Reserve banks and its other agents for their expenses in carrying out the provisions of this section on such basis as may be determined by the Board of Governors of the Federal Reserve System.

"(k) The Corporation shall have a capital stock and surplus which shall be subscribed for and paid in by the twelve Federal Reserve banks in the amounts and out of the funds hereinafter provided. The Secretary of the Treasury is hereby authorized and directed, within thirty days after the Industrial Loan Corporation Law becomes effective, to purchase from each Federal Reserve bank the stock of the Federal Deposit Insurance Corporation heretofore subscribed for by such bank and to pay to such bank therefor an amount equal to the entire sum which the said Secretary was originally given authority to pay to such bank under the provisions of this section less the difference between the aggregate amounts paid to such bank by the Secretary of the Treasury and the aggregate amounts paid to the Secretary of the Treasury by such bank under the provisions of this section prior to the date on which the Industrial Loan Corporation Law becomes effective. When the payment of such amount has been made by the Secretary of the Treasury to such bank, the United States shall become and be the owner of all the stock in the Federal Deposit Insurance Corporation heretofore subscribed for or held by the said Federal Reserve bank and all rights of the said Federal Reserve bank with respect to said stock shall be transferred to and vested in the

United States. Any and all of the obligations and liabilities to the United States and to the Secretary of the Treasury which have been imposed upon or incurred by any Federal Reserve bank under this section at any time prior to the date on which the Industrial Loan Corporation Law becomes effective shall on said date be completely discharged and terminated, and no Federal Reserve bank shall, after said date, have any obligation or liability to the United States or the Secretary of the Treasury by reason of any provisions of this section. The amount required to be paid to each Federal Reserve bank by the Secretary of the Treasury under the provisions of this section shall be paid out of the miscellaneous receipts of the Treasury created by the increment resulting from the reduction of the weight of the gold dollar under the President's proclamation of January 31, 1934, and there is hereby authorized to be appropriated, out of such receipts, such sums as shall be required for this purpose.

"(1) Upon the receipt by each Federal Reserve bank from the Secretary of the Treasury of the amount specified in subsection (k) hereof, such Federal Reserve bank shall forthwith pay the entire amount so received to the Industrial Loan Corporation, and out of the aggregate amounts paid to the Industrial Loan Corporation in this manner the Corporation shall set aside \$100,000,000 as its capital and the remainder as surplus and shall issue to each Federal Reserve bank capital stock in an amount which bears the same ratio to \$100,000,000 as the amount of stock in the Federal Deposit Insurance

Corporation heretofore subscribed for by such Federal Reserve bank bears to the aggregate amount of such stock heretofore subscribed for by all of the Federal Reserve banks. No stock in the Industrial Loan Corporation shall be transferable, have any voting rights or be entitled to any dividends. With respect to funds paid by the Secretary of the Treasury to any Federal Reserve bank under this section prior to the date on which the Industrial Loan Corporation Law becomes effective, such bank shall pay to the Industrial Loan Corporation (1) the amount of such funds which is on said date on hand and uninvested, except that amounts sufficient to cover any outstanding commitments may be held until the expiration of such commitments, and (2) all amounts realized by the bank from the liquidation from time to time of assets acquired prior to said date through the use of such funds and assets thereafter acquired through the use of such funds pursuant to commitments outstanding on said date; and all the said amounts so paid shall become a part of the surplus of the said Corporation.

"(m) When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a fiscal agent of the Government; and it shall perform all such reasonable duties, as depository of public money and fiscal agent of the Government, as may be required of it. Obligations of the Corporation shall be lawful investments, and may be accepted as security, for all

fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government.

"(n) Whenever it shall appear to the Board of Governors of the Federal Reserve System, either by reason of a decrease in the volume of the operations of the Corporation or otherwise, that there is no longer a reasonable need for the continuance of the facilities of the Corporation, the said Board may order the dissolution of the Corporation, and thereupon the Corporation shall be liquidated and its affairs wound up under regulations prescribed by the said Board.

"(o) The Corporation shall annually prepare a full report of its operations, and this report shall be included by the Board of Governors of the Federal Reserve System in the annual report made by it to the Speaker of the House of Representatives in accordance with the provisions of section 10 of this Act."

Sec. 2. Subsections (h), (i), and (k) of section 22 of the Federal Reserve Act are amended by inserting after the words "federal Reserve bank" wherever they occur in such subsections the words "or the Industrial Loan Corporation"; and subsection (j) of said section 22 is amended by inserting after the words "Federal Reserve bank" the words "and of the Industrial Loan Corporation".

Sec. 3. The third paragraph of section 24 of the Federal Reserve Act is amended by striking out the word "established" where it appears in said paragraph and by substituting the words "the Industrial Loan Corporation" for the words "a Federal Reserve bank" wherever they appear in said paragraph.

Sec. 4. Sections 1, 2, and 3 of this Act shall become effective on the first day of the second calendar month following the date of its enactment.