

78<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 1918

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IN THE SENATE OF THE UNITED STATES

MAY 15 (legislative day, MAY 9), 1944

Mr. WAGNER introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

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## A BILL

To amend section 13b of the Federal Reserve Act, as amended.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 13b of the Federal Reserve Act, as amended,  
4       is amended to read as follows:

5       “SEC. 13b. (a) Each Federal Reserve bank is author-  
6       ized (1) to guarantee a financing institution against loss of  
7       principal or interest on any loan made to a business enterprise  
8       and (2) to make commitments to purchase and thereafter to  
9       purchase from a financing institution any loan made to a  
10      business enterprise.

11      “(b) Each Federal Reserve bank shall pay to the Board

1 of Governors of the Federal Reserve System, upon request of  
2 the Board, the aggregate amount which the Secretary of the  
3 Treasury has heretofore paid to such bank under the pro-  
4 visions of this section. The amount of \$139,299,557 (the  
5 amount which was paid by the Federal Reserve banks for  
6 stock of the Federal Deposit Insurance Corporation), less  
7 all amounts heretofore paid to the Federal Reserve banks by  
8 the Secretary of the Treasury under the provisions of this  
9 section, shall be paid by the Secretary of the Treasury to  
10 the Board upon its request; and for the purpose of enabling  
11 the Secretary of the Treasury to make such payment, the un-  
12 expended balance of the appropriation made by the last sen-  
13 tence of subsection (e) of this section as originally enacted by  
14 the Act of June 19, 1934, and now carried on the books of  
15 the Treasury under the title 'Payments to Federal Reserve  
16 banks for industrial loans (sec. 13b, Federal Reserve Act, as  
17 amended)' is hereby made available. All amounts paid to  
18 the Board under this section shall constitute a fund which  
19 shall be utilized by the Board, on such basis as the Board  
20 may deem proper, to provide for losses (which may in the  
21 Board's discretion include expenses to the extent not covered  
22 by earnings) heretofore or hereafter incurred by Federal  
23 Reserve banks through operations under this section. From  
24 time to time the Board shall make payments out of such  
25 fund in such sums and to such Federal Reserve banks as the

1 Board may deem necessary to provide for any such losses.  
2 The Board may deposit all or part of such fund with any  
3 Federal Reserve bank, subject to the Board's order, and may,  
4 in its discretion, invest any part of such fund not currently  
5 needed for the purposes of this section in obligations of the  
6 United States or obligations fully guaranteed by the United  
7 States as to principal and interest; and any income derived  
8 from such investments shall be added to and become a part  
9 of such fund. The determination of the existence and amount  
10 of any loss incurred by a Federal Reserve bank through  
11 operations under this section shall be made by such bank  
12 with the approval of the Board. Whenever a payment has  
13 been made under this section to a Federal Reserve bank to  
14 reimburse it for any loss, any amount subsequently recovered  
15 by such bank which reduces the amount of the loss for which  
16 such bank has received reimbursement shall be paid to the  
17 Board and shall become a part of such fund.

18       “(c) The stock of the Federal Deposit Insurance Cor-  
19 poration heretofore subscribed for by and issued to each  
20 Federal Reserve bank is hereby transferred to the United  
21 States. The certificates of stock of the Federal Deposit  
22 Insurance Corporation heretofore issued to the Federal Re-  
23 serve banks shall be surrendered and canceled and appro-  
24 priate evidence of the ownership of such stock by the United  
25 States shall be issued by the Corporation to the Secretary of

1 the Treasury. Neither the Board nor any Federal Reserve  
2 bank shall hereafter have any obligation or liability to the  
3 United States or to the Secretary of the Treasury by reason  
4 of this section, as heretofore or now existing, or by reason  
5 of any action pursuant thereto.

6 “(d) All actions and operations of the Federal Reserve  
7 banks under this section shall be subject to such regulations,  
8 limitations, and conditions as the Board of Governors of the  
9 Federal Reserve System may from time to time prescribe.

10 “(e) The provisions of the Securities Act of 1933 shall  
11 not apply to any obligation evidencing a loan all or part of  
12 which is guaranteed or is the subject of a commitment  
13 pursuant to the provisions of subsection (a) of this section.”

75<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

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By Mr. WAGNER

MAY 15 (legislative day, MAY 9), 1944  
Read twice and referred to the Committee on  
Banking and Currency

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POSSIBLE AMENDMENT TO S. 1918 -- TERMINATION DATE

Add as a new subsection at the end of the bill the following:

( ) No Federal Reserve Bank shall make any guarantee or commitment under this section after December 31, 1949, but this shall not affect the power of any Federal Reserve Bank to disburse funds under, or carry out, any guarantee or commitment made pursuant to this section prior to or on such date, or to take any action deemed by it to be necessary to preserve or protect its interests in any amounts advanced or paid out in carrying on operations under this section. As soon as practicable after such date, the amount of the fund provided for by subsection (b) hereof, as increased or decreased in accordance with such subsection and as determined by the Board of Governors of the Federal Reserve System, shall be paid to and become the property of the United States. Such payment shall be made in such sums and at such times as, in the judgment of the Board, orderly liquidation of operations under this section will permit.

8/23/44

POSSIBLE AMENDMENT TO S. 1918 -- LIMITATION ON  
GUARANTEED PERCENTAGE

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Add at end of subsection (a) the following:

No Federal Reserve Bank under this section shall guarantee,  
or make a commitment to purchase, more than 90 per cent of  
the amount of any loan.

8/23/44

S. 1918  
POSSIBLE AMENDMENT TO H.R. 4804 -- OVERALL LIMITATION

Insert the following new subsection (d) just before the present subsection (d) and change the lettering of subsequent subsections accordingly:

(d) No Federal Reserve Bank shall make any guarantee or commitment under this section if the aggregate amount of guarantees and commitments made by all Federal Reserve Banks under this section and then outstanding equals or exceeds four times the then existing amount of the fund provided for in subsection (b) hereof as such fund may have been increased or decreased in accordance with the provisions of such subsection.