H. R. 5661

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 1933

Ordered to be printed with the amendment of the Senate

A BILL

To provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That the short title of this Act shall be the "Banking Act of 1933."

TITLE I

SECTION 1. As used in this Act and in any provision of law amended by this Act—

(a) The terms "banks", "national bank", "national banking association", "member bank", "board", "dis-
strict,” and “reserve bank” shall have the meanings assigned
to them in section 1 of the Federal Reserve Act, as amended.

(b) Except where otherwise specifically provided,
the term “affiliate” shall include any corporation, business
trust, association, or other similar organization—

(1) Of which a member bank, directly or indirectly,
owns or controls either a majority of the voting shares or
more than 50 per centum of the number of shares voted for
the election of its directors, trustees, or other persons exer-
cising similar functions at the preceding election; or con-
trols in any manner the election of a majority of its directors,
trustees, or other persons exercising similar functions; or

(2) Of which control is held, directly or indirectly,
through stock ownership or in any other manner, by the
shareholders of a member bank who own or control either
a majority of the shares of such bank or more than 50 per
centum of the number of shares voted for the election of
directors of such bank at the preceding election; or by
trustees for the benefit of the shareholders of any such
bank; or

(3) Of which a majority of its directors, trustees, or
other persons exercising similar functions are directors of
any one member bank.

(c) The term “holding company affiliate” shall include
any corporation, business trust, association, or other similar
organization—
(1) Which owns or controls, directly or indirectly,
either a majority of the shares of capital stock of a member
bank or more than 50 per centum of the number of shares
voted for the election of directors of any one bank at the
preceding election, or controls in any manner the election
of a majority of the directors of any one bank; or

(2) For the benefit of whose shareholders or members
all or substantially all the capital stock of a member bank
is held by trustees.

SEC. 2. (a) The fourth paragraph after paragraph
"Eight" of section 4 of the Federal Reserve Act, as
amended (U.S.C., title 12, sec. 301), is amended to read
as follows:

"Said board of directors shall administer the affairs
of said bank fairly and impartially and without discrimina-
tion in favor of or against any member bank or banks and
may, subject to the provisions of law and the orders of
the Federal Reserve Board, extend to each member bank
such discounts, advancements, and accommodations as may
be safely and reasonably made with due regard for the
claims and demands of other member banks, the mainte-
nance of sound credit conditions, and the accommodation of
commerce, industry, and agriculture. The Federal Reserve
Board may prescribe regulations further defining within the
limitations of this Act the conditions under which discounts,
advancements, and accommodations may be extended to
member banks.—Each Federal Reserve bank shall keep
itself informed of the general character and amount of the
loans and investments of its member banks with a view to
ascertaining whether undue use is being made of bank credit
for the speculative carrying of or trading in securities, real
estate, or commodities, or for any other purpose inconsist-
ent with the maintenance of sound credit conditions; and,
in determining whether to grant or refuse advances, redis-
counts, or other credit accommodations, the Federal Reserve
bank shall give consideration to such information. The
chairman of the Federal Reserve bank shall report to the
Federal Reserve Board any such undue use of bank credit
by any member bank, together with his recommendation.
Whenever, in the judgment of the Federal Reserve Board,
any member bank is making such undue use of bank credit,
the Board may, in its discretion, after reasonable notice and
an opportunity for a hearing, suspend such bank from the use
of the credit facilities of the Federal Reserve System and
may terminate such suspension or may renew it from time
to time."

Sec. 3. The first paragraph of section 7 of the Federal
Reserve Act, as amended (U.S.C., title 12, sec. 289), is
amended, effective July 1, 1933, to read as follows:

"After all necessary expenses of a Federal Reserve bank
shall have been paid or provided for, the stockholders shall
be entitled to receive an annual dividend of 6 per centum on
the paid-in capital stock, which dividend shall be cumulative.
After the aforesaid dividend claims have been fully met,
the net earnings shall be paid into the surplus fund of the
Federal Reserve bank."

Sec. 4. (a) The first paragraph of section 9 of the
Federal Reserve Act, as amended (U.S.C., title 12, sec.
321; Supp. VI, title 12, sec. 321), is amended by inserting
immediately after the words "United States" a comma and
the following: "including Morris Plan banks and other in-
corporated banking institutions engaged in similar business."

(b) The second paragraph of section 9 of the Federal
Reserve Act, as amended (U.S.C., title 12, sec. 320), is
amended by adding at the end thereof the following: "Pro-
vided, however, That nothing herein contained shall prevent
any State member bank from establishing and operating
branches in the United States or any dependency or insular
possession thereof or in any foreign country, on the same
terms and conditions and subject to the same limitations and
restrictions as are applicable to the establishment of branches
by national banks."

c) Section 9 of the Federal Reserve Act, as amended
(U.S.C., title 12, secs. 321–331; Supp. VI, title 12, secs.
321–331), is further amended by adding at the end thereof
the following new paragraphs:
Any mutual savings bank having no capital stock, but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that such savings bank shall subscribe for capital stock of the Federal Reserve bank in an amount equal to six tenths of 1 per centum of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership. Thereafter such subscription shall be adjusted semiannually on the same percentage basis in accordance with rules and regulations prescribed by the Federal Reserve Board. If any mutual savings bank applying for membership is not permitted by the laws under which it was organized to purchase stock in a Federal Reserve bank, it shall, upon admission to the system, deposit with the Federal Reserve bank an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock. Thereafter such deposit shall be adjusted semiannually in the same manner as subscriptions for stock. Such deposit shall be subject to the same conditions with respect to repayment as amounts paid upon subscriptions to capital stock by other member banks and the Federal Reserve bank shall pay inter-
est thereon at the same rate as dividends are actually paid on outstanding shares of stock of such Federal Reserve bank.

If the laws under which such savings bank was organized be amended so as to authorize mutual savings banks to subscribe for Federal Reserve bank stock such savings bank shall thereupon subscribe for the appropriate amount of stock in the Federal Reserve bank, and the deposit hereinbefore provided for in lieu of payment upon capital stock shall be applied upon such subscription. If the laws under which such savings bank was organized be not amended at the next session of the legislature following the admission of such savings bank to membership so as to authorize mutual savings banks to purchase Federal Reserve bank stock, or if such laws be so amended and such bank fail within six months thereafter to purchase such stock, all of its rights and privileges as a member bank shall be forfeited and its membership in the Federal Reserve System shall be terminated in the manner prescribed elsewhere in this section with respect to State banks and trust companies. Each mutual savings bank shall comply with all the provisions of law applicable to State member banks and trust companies, with the regulations of the Federal Reserve Board and with the conditions of membership prescribed for such savings bank at the time of admission to membership, except as otherwise hereinbefore provided with respect to capital stock.
Sec. 5. (a) The second paragraph of section 10 of
the Federal Reserve Act, as amended (U.S.C., title 12,
sec. 242), is amended to read as follows:

"The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the
time they are in office and for two years thereafter to
hold any office, position, or employment in any member
bank. The appointive members of the Federal Reserve
Board shall be ineligible during the time they are in office
and for two years thereafter to hold any office, position, or
employment in any member bank, except that this restric-
tion shall not apply to a member who has served the full
term for which he was appointed. Upon the expiration of
the term of any appointive member of the Federal Reserve
Board in office when this paragraph as amended takes effect,
the President shall fix the term of the successor to such
member at not to exceed twelve years, as designated by the
President at the time of nomination; but in such manner as

provide for the expiration of the term of not more than one
appointive member in any two-year period; and thereafter
each appointive member shall hold office for a term of twelve
years from the expiration of the term of his predecessor. Of
the six persons thus appointed, one shall be designated by
the President as governor and one as vice governor of the
Federal Reserve Board. The governor of the Federal
Reserve Board, subject to its supervision, shall be its active
effective officer. Each member of the Federal Reserve
Board shall within fifteen days after notice of appointment
make and subscribe to the oath of office.”

(b) The fourth paragraph of section 10 of the Federal
Reserve Act, as amended (U.S.C., title 12, sec. 244), is
amended to read as follows:

“... The principal offices of the Board shall be in the Dis-
trict of Columbia. At meetings of the Board the Secretary
of the Treasury shall preside as chairman, and, in his
absence, the governor shall preside. In the absence of
both the Secretary of the Treasury and the governor the
vice governor shall preside. In the absence of the Secre-
tary of the Treasury, the governor, and the vice governor
the Board shall elect a member to act as chairman pro
tempore. The Board shall determine and prescribe the
manner in which its obligations shall be incurred and
its disbursements and expenses allowed and paid; and may
leave on deposit in the Federal Reserve banks the proceeds of
assessments levied upon them to defray its estimated expenses
and the salaries of its members and employees; whose employ-
ment, compensation, leave, and expenses shall be governed
solely by the provisions of this Act, specific amendments
thereof, and rules and regulations of the Board not inconsist-
ent therewith; and funds derived from such assessments shall
not be construed to be Government funds or appropriated
moneys. No member of the Federal Reserve Board shall be
an officer or director of any bank, banking institution, trust
company, or Federal Reserve bank or hold stock in any bank,
banking institution, or trust company; and before entering
upon his duties as a member of the Federal Reserve Board he
shall certify under oath that he has complied with this re-
quirement; and such certification shall be filed with the secre-
tary of the Board. Whenever a vacancy shall occur, other
than by expiration of term, among the six members of the
Federal Reserve Board appointed by the President as above
provided, a successor shall be appointed by the President, by
and with the advice and consent of the Senate, to fill such
vacancy; and when appointed he shall hold office for the
unexpired term of his predecessor.”

Sec. 6. Paragraph (m) of section 14 of the Federal
Reserve Act, as amended (U.S.C., title 12, sec. 248), is
amended to read as follows:

“(m) Upon the affirmative vote of not less than six
of its members the Federal Reserve Board shall have power
to fix from time to time for each Federal Reserve district the
percentage of individual bank capital and surplus which may
be represented by loans secured by stock or bond collateral
made by member banks within such district, but no such loan
shall be made by any such bank to any person in an amount
in excess of 10 per centum of the unimpaired capital and surplus of such bank. Any percentage so fixed by the Federal Reserve Board shall be subject to change from time to time upon ten days' notice, and it shall be the duty of the Board to establish such percentages with a view to preventing the undue use of bank loans for the speculative carrying of securities. The Federal Reserve Board shall have power to direct any member bank to refrain from further increase of its loans secured by stock or bond collateral for any period up to one year under penalty of suspension of all rediscount privileges at Federal Reserve banks."

SEC. 7. The Federal Reserve Act, as amended, is amended by inserting between sections 12 and 13 (U.S.C., title 12, secs. 261, 262, and 342) thereof the following new section:

"SEC. 12A. (a) There is hereby created a Federal Open Market Committee (hereinafter referred to as the 'committee'), which shall consist of as many members as there are Federal Reserve districts. Each Federal Reserve bank by its board of directors shall annually select one member of said committee. The meetings of said committee shall be held at Washington, District of Columbia, at least four times each year, upon the call of the governor of the Federal Reserve Board or at the request of any
three members of the committee; and, in the discretion of
the Board, may be attended by the members of the Board.

"(b) No Federal Reserve bank shall engage in open-
market operations under section 44 of this Act except in
accordance with regulations adopted by the Federal Reserve
Board. The Board shall consider, adopt, and transmit to
the committee and to the several Federal Reserve banks
regulations relating to the open-market transactions of such
banks and the relations of the Federal Reserve System with
foreign central or other foreign banks.

"(c) The time, character, and volume of all purchases
and sales of paper described in section 44 of this Act as
eligible for open-market operations shall be governed with
a view to accommodating commerce and business and with
regard to their bearing upon the general credit situation of
the country.

"(d) If any Federal Reserve bank shall decide not to
participate in open-market operations recommended and ap-
proved as provided in paragraph (b) hereof, it shall file
with the chairman of the committee within thirty days a
notice of its decision, and transmit a copy thereof to the
Federal Reserve Board."

Sec. 8. The eighth paragraph of section 13 of the
Federal Reserve Act, as amended (U.S.C., title 12, see.
347; Supp. VI, title 12, sec. 347), is amended to read as
follows:

"Any Federal Reserve bank may make advances for
periods not exceeding fifteen days to its member banks on
their promissory notes secured by the deposit or pledge
of bonds, notes, certificates of indebtedness, or Treasury
bills of the United States, or by the deposit or pledge of
debentures or other such obligations of Federal inter-
mediate credit banks which are eligible for purchase by
Federal Reserve banks under section 13 (a) of this Act; and
any Federal Reserve bank may make advances for periods
not exceeding ninety days to its member banks on their
promissory notes secured by such notes, drafts, bills of ex-
change, or bankers' acceptances as are eligible for rediscount
or for purchase by Federal Reserve banks under the provi-
sions of this Act. All such advances shall be made at rates
to be established by such Federal Reserve banks; such rates
to be subject to the review and determination of the Federal
Reserve Board. If any member bank to which any such ad-
vance has been made shall, during the life or continuance of
such advance, and despite an official warning of the Reserve
bank of the district or of the Federal Reserve Board to the
contrary, increase its outstanding loans secured by collateral
in the form of stocks, bonds, debentures, or other such obli-
gations; or loans made to members of any organized stock
exchange, investment house, or dealer in securities, upon any
obligation, note, or bill, secured or unsecured, for the purpose
of purchasing and/or carrying stocks, bonds, or other invest-
ment securities (except obligations of the United States).
such advance shall be deemed immediately due and payable,
and such member bank shall be ineligible as a borrower at
the Reserve bank of the district under the provisions of this
paragraph for such period as the Federal Reserve Board
shall determine: Provided, That no temporary carrying or
clearance loans made solely for the purpose of facilitating
the purchase or delivery of securities offered for public sub-
scription shall be included in the loans referred to in this
paragraph:"

Sec. 9. Section 44 of the Federal Reserve Act, as
amended (U.S.C., title 12, secs. 353 to 358), is amended
by adding at the end thereof the following new paragraph:
"(g) The Federal Reserve Board shall receive special
supervision over all relationships and transactions of any
kind entered into by any Federal Reserve bank with any
foreign bank or banker, or with any group of foreign banks
or bankers, and all such relationships and transactions shall
be subject to such regulations, conditions, and limitations as
the Board may prescribe. No officer or other representa-
tive of any Federal Reserve bank shall conduct negotiations
of any kind with the officers or representatives of any
foreign bank or banker without first obtaining the permission of the Federal Reserve Board. The Federal Reserve Board shall have the right, in its discretion, to be represented in any conference or negotiations by such representative or representatives as the Board may designate. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts appertaining to such conferences or negotiations, shall be filed with the Federal Reserve Board in writing by a duly authorized officer of each Federal Reserve bank which shall have participated in such conferences or negotiations."

SEC. 10. (a) Section 10 of the Federal Reserve Act, as amended, is amended by inserting after the sixth paragraph thereof the following new paragraph:

``No member bank shall act as the medium or agent of any nonbanking corporation, partnership, association, business trust, or individual in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in stocks, bonds, and other investment securities. Every violation of this provision by any member bank shall be punishable by a fine of not more than $100 per day during the continuance of such violation; and such fine may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located."
(b) Such section 19 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 142, 374, 461–466; Supp. VI, title 12, sec. 462a), is further amended by adding at the end thereof the following new paragraph:

"The Federal Reserve Board shall from time to time limit by regulation the rate of interest which may be paid by member banks on deposits, and may prescribe different rates for such payment on time and savings deposits having different maturities or subject to different conditions respecting withdrawal or repayment. No member bank shall pay any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all saving deposits having the same require-
ment."

Sec. 11. Section 22 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 375, 376, 503, 593–595; Supp. VI, title 12, sec. 593), is further amended by adding at the end thereof the following new paragraph:

"(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: Provided, That loans heretofore made to any such officer may be renewed or extended not more than two years from the effective
If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the chairman of the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used. Any executive officer of any member bank violating the provisions of this paragraph shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year, or fined not more than $5,000, or both; and any member bank violating the provisions of this paragraph shall be fined not more than $10,000, and may be fined a further sum equal to the amount so loaned or credit so extended."

SEC. 12. The Federal Reserve Act, as amended, is amended by inserting between section 24 and section 25 (U.S.C., title 12, sec. 371 and 601-605; Supp. VI, title 12, sec. 371) hereof the following new section:

"Sec. 24A. Hereafter no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Federal Reserve Board, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corpora-

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tion holding the premises of such bank or (2) make loans
to or upon the security of the stock of any such corporation;
if the aggregate of all such investments and loans will
exceed the amount of the capital stock of such bank."

Sec. 13. The Federal Reserve Act, as amended, is
further amended by inserting after section 25 (a) (U.S.C.,
title 12, secs. 611–631) thereof the following new section:

"Sec. 25. (b) Notwithstanding any other provision
of law all suits of a civil nature at common law or in equity
to which any corporation organized under the laws of the
United States shall be a party, arising out of transactions
involving international or foreign banking, or banking in
a dependency or insular possession of the United States,
or out of other international or foreign financial operations,
either directly or through the agency, ownership, or control
of branches or local institutions in dependencies or insular
possessions of the United States or in foreign countries,
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 any defendant in
any such suit may, at any time before the trial thereof,
remove such suits 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."
"Notwithstanding any other provision of law, all suits of a civil nature at common law or in equity to which any Federal Reserve bank 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 any Federal Reserve bank which is a defendant in any such suit 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 any Federal Reserve bank or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court."

Sec. 14. Paragraph "Seventh" of section 5136 of the Revised Statutes, as amended (U.S.C., title 12, sec. 24; Supp. VI, title 12, sec. 24), is amended to read as follows:

"Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to
the provisions of this title; and generally by engaging in all
forms of banking business and undertaking all types of bank-
ing transactions that may, by the laws of the State in
which such bank is situated, be permitted to banks of
deposit and discount organized and incorporated under the
laws of such State, except insofar as they may be forbidden
by the provisions of any Act of Congress. The business
of dealing in investment securities by the association shall
be limited to purchasing and selling such securities without
recourse, solely upon the order, and for the account of
customers, and in no case for its own account; and the asso-
ciation shall not underwrite any issue of securities: Pro-
vided, That the association may purchase for its own account
investment securities under such limitations and restrictions
as the Comptroller of the Currency may by regulation pre-
scribe, but in no event (1) shall the total amount of any
issue of investment securities of any one obligor or maker
purchased after this section as amended takes effect and held
by the association for its own account exceed at any time 10
per centum of the total amount of such issue outstanding, but
this limitation shall not apply to any such issue the total
amount of which does not exceed $400,000 and does not
exceed 50 per centum of the capital of the association; nor
(2) shall the total amount of the investment securities of
any one obligor or maker purchased after this section as
amended takes effect and held by the association for its own
account exceed at any time 15 per centum of the amount of
the capital stock of the association actually paid in and un-
impair ed and 25 per centum of its unimpaired surplus fund.
As used in this section the term 2 investment securities 2
shall mean marketable obligations evidencing indebtedness
of any person, copartnership, association, or corporation in
the form of bonds, notes, and/or debentures commonly
known as investment securities under such further definition
of the term 2 investment securities 2 as may by regulation
be prescribed by the Comptroller of the Currency. Except
as hereinafter provided or otherwise permitted by law, noth-
ing herein contained shall authorize the purchase by the asso-
ciation of any shares of stock of any corporation. The limi-
tations herein contained as to investment securities shall not
apply to obligations of the United States, or obligations of
any State or of any political subdivision thereof, or obliga-
tions issued under authority of the Federal Farm Loan Act,
as amended, or any other Acts creating Federal corpora-
tions: Provided, That in carrying on the business com-
monly known as the safe-deposit business the association shall
not invest in the capital stock of a corporation organized
under the law of any State to conduct a safe-deposit busi-
ness in an amount in excess of 15 per centum of the capital
stock of the association actually paid in and unimpaired and
15 per centum of its unimpaired surplus."

The restrictions of this section as to dealing in invest-
ment securities shall take effect two years after the date of
the approval of this Act.

Sec. 15. (a) Section 5138 of the Revised Statutes,
as amended (U.S.C., title 12, see. 51; Supp. VI, title 12,
sec. 51), is amended to read as follows:

"Sec. 5138. After this section as amended takes effect,
no national banking association shall be organized with a
less capital than $100,000, except that such associations
with a capital of not less than $50,000 may be organized
in any place the population of which does not exceed six
thousand inhabitants. No such association shall be organ-
ized in a city the population of which exceeds fifty thousand
persons with a capital of less than $200,000; except that
in the outlying districts of such a city where the State laws
permit the organization of State banks with a capital of
$100,000 or less, national banking associations now organ-
ized or hereafter organized may, with the approval of the
Comptroller of the Currency, have a capital of not less than
$100,000."

(b) The tenth paragraph of section 9 of the Federal
Reserve Act, as amended (U.S.C., title 12, see. 320), is
amended to read as follows:
"No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended."

Sec. 16. Section 5139 of the Revised Statutes, as amended (U.S.C., title 12, sec. 52; Supp. VI, title 12, sec. 52), is amended by adding at the end thereof the following new paragraph:

"After two years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any such association shall represent the stock of any other corporation, except a member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank."

Sec. 17. (a) After the expiration of two years after the date of enactment of this Act, it shall be unlawful—

(1) For any person, firm, corporation, association, business trust, or other similar organization, engaged principally in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other se-
To engage at the same extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a banking institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal Reserve Bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality.

(b) Whoever shall willfully violate any of the provisions of this section shall upon conviction be fined not
more than $5,000 or imprisoned not more than five years;
or both; and any officer, director, employee, or agent of
any person, firm, corporation, association, business trust,
or other similar organization who knowingly participates
in any such violation shall be punished by a like fine or
imprisonment or both.

SEC. 18. The first two sentences of section 5197 of
the Revised Statutes (U.S.C., title 12 sec. 85) are
amended to read as follows:

"Any association may take, receive, reserve, and charge
on any loan or discount made, or upon any notes, bills of
exchange, or other evidences of debt, interest at the rate
allowed by the laws of the State, Territory, or District where
the bank is located, or at a rate of 7 per centum in excess
of the discount rate on ninety-day commercial paper in effect
at the Federal Reserve bank in the Federal Reserve district
where the bank is located, whichever may be the greater,
and no more, except that where by the laws of any State
a different rate is limited for banks organized under State
laws, the rate so limited shall be allowed for associations
organized or existing in any such State under this title.
When no rate is fixed by the laws of the State, or Territory,
or District, the bank may take, receive, reserve, or charge a
rate not exceeding 7 per centum, or 4 per centum in excess
of the discount rate on ninety-day commercial paper in
effect at the Federal Reserve bank in the Federal Reserve district where the bank is located, whichever may be the greater, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run."

SEC. 19. In any case in which, in the opinion of the Comptroller of the Currency, it would be to the advantage of the depositors and unsecured creditors of any national banking association whose business has been closed, for such association to resume business upon the retention by the association, for a reasonable period to be prescribed by the Comptroller, of all or any part of its deposits, the Comptroller is authorized, in his discretion, to permit the association to resume business if depositors and unsecured creditors of the association representing at least 85 per centum of its total deposit and unsecured credit liabilities consent in writing to such retention of deposits. Nothing in this section shall be construed to affect in any manner any powers of the Comptroller under the provisions of law in force on the date of enactment of this Act with respect to the reorganization of national banking associations.

SEC. 20. Whenever, in the opinion of the Comptroller of the Currency, and director or officer of a national bank, or of a bank or trust company doing business in the District of Columbia, or whenever, in the opinion of a Fed-
eral Reserve agent, any director or officer of a State member
bank in his district shall have continued to violate any law
relating to such bank or trust company or shall have con-
tinued unsafe or unsound practices in conducting the business
of such bank or trust company, after having been warned
by the Comptroller of the Currency or the Federal Reserve
agent, as the case may be, to discontinue such violations
of law or such unsafe or unsound practices, the Comptroller
of the Currency or the Federal Reserve agent, as the case
may be, may certify the facts to the Federal Reserve Board.
In any such case the Federal Reserve Board may cause
notice to be served upon such director or officer to appear
before such Board to show cause why he should not be
removed from office. A copy of such order shall be sent to
each director of the bank affected, by registered mail. If
after granting the accused director or officer a reasonable
opportunity to be heard, the Federal Reserve Board finds
that he has continued to violate any law relating to such
bank or trust company or has continued unsafe or unsound
practices in conducting the business of such bank or trust
company after having been warned by the Comptroller of
the Currency or the Federal Reserve agent to discontinue
such violation of law or such unsafe or unsound practices;
the Federal Reserve Board, in its discretion, may order that
such director or officer be removed from office. A copy of
such order shall be served upon such director or officer.

A copy of such order shall also be served upon the bank of which he is a director or officer, whereupon such director or officer shall cease to be a director or officer of such bank:

Provided, That such order and the findings of fact upon which it is based shall not be made public or disclosed to anyone except the director or officer involved and the directors of the bank involved, otherwise than in connection with proceedings for a violation of this section. Any such director or officer removed from office as herein provided who thereafter participates in any manner in the management of such bank shall be fined not more than $5,000 or imprisoned for not more than five years, or both, in the discretion of the court.

Sec. 21. After one year from the date of enactment of this Act, notwithstanding any other provision of law, the board of directors, board of trustees, or other similar governing body of every national banking association and of every State bank or trust company which is a member of the Federal Reserve System shall consist of not less than five nor more than twenty-five members; and every director, trustee, or other member of such governing body shall be the bona fide owner in his own right of shares of stock of such banking association, State bank or trust company having a par value in the aggregate of not less than $2,000. If any
national banking association violates the provisions of this
section and continues such violation after thirty days' notice
from the Comptroller of the Currency, the said Comptroller
may appoint a receiver or conservator therefor, in accordance
with the provisions of existing law. If any State bank or
trust company which is a member of the Federal Reserve
System violates the provisions of this section and continues
such violation after thirty days' notice from the Federal
Reserve Board, it shall be subject to the forfeiture of its
membership in the Federal Reserve System in accordance
with the provisions of section 9 of the Federal Reserve Act,
as amended.

Sec. 22. From and after January 1, 1934, no officer
or director of any member bank shall be an officer, director,
or manager of any corporation, partnership, or unincorpo-
rated association engaged primarily in the business of pur-
chasing, selling, or negotiating securities, and no member
bank shall perform the functions of a correspondent bank
on behalf of any such individual, partnership, corporation,
or unincorporated association; and no such individual, part-
nership, corporation, or unincorporated association shall
perform the functions of a correspondent for any member
bank or hold on deposit any funds on behalf of any member
bank, unless in any such case there is a permit therefor
issued by the Federal Reserve Board; and the Board is
authorized to issue such permit if in its judgment it is not
incompatible with the public interest, and to revoke any
such permit whenever it finds after reasonable notice and
opportunity to be heard, that the public interest requires
such revocation.

Sec. 23. The Act entitled "An Act to supplement
existing laws against unlawful restraints and monopolies,
and for other purposes," approved October 15, 1914, as
amended, is hereby amended by adding after section 8
thereof (U.S.C., title 15, sec. 49) the following new section:

"Sec. 8A. That from and after the 1st day of January
1934, no director, officer, or employee of any bank,
banking association, or trust company organized or operat-
ing under the laws of the United States shall be at the same
time a director, officer, or employee of a corporation or a
member of a partnership organized for any purpose what-
soever which shall make loans secured by stock or bond
collateral to any individual, association, partnership, or
corporation other than its own subsidiaries."

Sec. 24. The provisions of section 5451 of the Revised
Statutes and section 23 of the Federal Reserve Act, as
amended (U.S.C., title 12, secs. 63 and 64) (imposing lia-
bility upon shareholders in national banking associations in
addition to the amount invested in shares), shall not apply to
hold any shareholder in any national banking association
individually responsible in any amounts in excess of the amount invested in shares in such association, on account of any shares acquired by him after the date of enactment of this title.

TITLE II

AFFILIATES

SECTION 201. The paragraph of section 4 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 304), which commences with the words "The Federal Reserve Board shall classify..." is amended by inserting before the period at the end thereof a colon and the following: "Provided, That whenever any two or more member banks within the same Federal Reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate."

SEC. 202. Section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 321-331; Supp. VI, title 12, secs. 321-331), is amended by adding at the end thereof the following new paragraphs:

"Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal reserve bank of its district and to the Federal Reserve Board not less than three reports..."
during each year. Such reports shall be in such form as
the Federal Reserve Board may prescribe, shall be verified
by the oath or affirmation of the president or such other
officer as may be designated by the board of directors of
such affiliate to verify such reports, and shall disclose the
information hereinafter provided for as of dates identical
with those fixed by the Federal Reserve Board for
reports of the condition of the affiliated member bank.
Each such report of an affiliate shall be transmitted as
herein provided at the same time as the corresponding
report of the affiliated member bank, except that the Fed-
eral Reserve Board may, in its discretion, extend such time
for good cause shown. Each such report shall contain such
information as in the judgment of the Federal Reserve
Board shall be necessary to disclose fully the relations
between such affiliate and such bank and to enable the Board
to inform itself as to the effect of such relations upon the
affairs of such bank. The reports of such affiliates shall
be published by the bank under the same conditions as
govern its own condition reports.

Any such affiliated member bank may be required to
obtain from any such affiliate such additional reports as
in the opinion of its Federal Reserve bank or the Federal
Reserve Board may be necessary in order to obtain a full
and complete knowledge of the condition of the affiliated
Such additional reports shall be transmitted to the Federal Reserve bank and the Federal Reserve Board and shall be in such form as the Federal Reserve Board may prescribe.

"Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of $400 for each day during which such failure continues, which, by direction of the Federal Reserve Board, may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located. For the purposes of this paragraph and the two preceding paragraphs of this section, the term 'affiliate' shall include holding company affiliates as well as other affiliates.

"State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 of the Revised Statutes, as amended.

"After two years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank, nor shall
the ownership, sale, or transfer of any certificate represent-
ing the stock of any such bank be conditioned in any manner
whatsoever upon the ownership, sale, or transfer of a cer-
tificate representing the stock of any other corporation,
except a member bank.

"Each State member bank affiliated with a holding
company affiliate shall obtain from such holding company
affiliate, within such time as the Federal Reserve Board shall
prescribe, an agreement that such holding company affiliate
shall be subject to the same conditions and limitations as are
applicable under section 5144 of the Revised Statutes, as
amended, in the case of holding company affiliates of national
banks. A copy of each such agreement shall be filed with
the Federal Reserve Board. Upon the failure of a State
member bank affiliated with a holding company affiliate to
obtain such an agreement within the time so prescribed, the
Federal Reserve Board shall require such bank to surrender
its stock in the Federal Reserve bank and to forfeit all rights
and privileges of membership in the Federal Reserve System
as provided in this section. Whenever the Federal Reserve
Board shall have revoked the voting permit of any such
holding company affiliate, the Federal Reserve Board may,
in its discretion, require any or all State member banks
affiliated with such holding company affiliate to surrender
their stock in the Federal Reserve bank and to forfeit all
rights and privileges of membership in the Federal Reserve System as provided in this section.

"In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Federal Reserve Board, be assessed against such bank and when so assessed, shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System, as provided in this section."

Sec. 208. The Federal Reserve Act, as amended, is amended by inserting between sections 23 and 24 thereof (U.S.C., title 12, secs. 64 and 371; Supp. VI, title 12, sec. 371) the following new section:
§ 23A. No member bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, any of its affiliates; or (2) invest any of its funds in the capital stock, bonds, debentures, or other such obligations of any such affiliate; or (3) accept the capital stock, bonds, debentures, or other such obligations of any such affiliate as collateral security for advances made to any person, partnership, association, or corporation, if, in the case of any such affiliate, the aggregate amount of such loans, extensions of credit, repurchase agreements, investments, and advances against such collateral security will exceed 10 per centum of the capital stock and surplus of such member bank; or if, in the case of all such affiliates, the aggregate amount of such loans, extensions of credits, repurchase agreements, investments, and advances against such collateral security will exceed 20 per centum of the capital stock and surplus of such member bank.

Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 per centum more than the amount of the loan or extension of credit, or of at least 40 per centum more than the amount of the loan or extension of credit if it is secured by obligations
of any State, or of any political subdivision or agency thereof. Provided, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, or the Federal land banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.

"For the purposes of this section the term 'affiliate' shall include holding company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated; (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company; (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of the Federal Reserve Act, as amended, or (4) organized under section 25 (a) of the Federal Reserve Act, as amended; but as to any such affiliate, member banks shall continue to be subject to other provisions of
law applicable to loans by such banks and investments by
such banks in stocks, bonds, debentures, or other such
obligations.”

Sec. 204. Section 5144 of the Revised Statutes, as
amended (U.S.C., title 12, sec. 61), is amended to read
as follows:

“So. 5144. In all elections of directors and in de-
ciding all questions at meetings of shareholders, each share-
holder shall be entitled to one vote on each share of stock
held by him; except (1) that shares of its own stock held
by a national bank as sole trustee shall not be voted, and
shares of its own stock held by a national bank and one
or more persons as trustees may be voted by such other
person or persons, as trustees, in the same manner as if he
or they were the sole trustee; and (2) shares controlled
by any holding company affiliate of a national bank shall
not be voted unless such holding company affiliate shall
have first obtained a voting permit as hereinafter provided;
which permit is in force at the time such shares are voted.
Shareholders may vote by proxies duly authorized in
writing; but no officer, clerk, teller, or bookkeeper of such
bank shall act as proxy; and no shareholder whose liability
is past due and unpaid shall be allowed to vote.

“For the purposes of this section shares shall be
deemed to be controlled by a holding company affiliate if
they are owned or controlled directly or indirectly by such
holding company affiliate; or held by any trustee for the
benefit of the shareholders or members thereof.

"Any such holding company affiliate may make applica-
tion to the Federal Reserve Board for a voting permit
entitling it to cast one vote at all elections of directors and
in deciding all questions at meetings of shareholders of such
bank on each share of stock controlled by it or authoriz-
ing the trustee or trustees holding the stock for its benefit
or for the benefit of its shareholders so to vote the same.
The Federal Reserve Board may, in its discretion, grant or
withhold such permit as the public interest may require.
In acting upon such application, the Board shall consider
the financial condition of the applicant, the general character
of its management, and the probable effect of the granting
of such permit upon the affairs of such bank; but no such
permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in
making the application for such permit, agree (1) to
receive, on dates identical with those fixed for the examina-
tion of banks with which it is affiliated, examiners duly
authorized to examine such banks, who shall make such
examinations of such holding company affiliate as shall be
necessary to disclose fully the relations between such banks
and such holding company affiliate and the effect of such
relations upon the affairs of such banks, such examinations
to be at the expense of the holding company affiliate so
examined; (2) that the reports of such examiners shall
contain such information as shall be necessary to disclose
fully the relations between such affiliate and such banks
and the effect of such relations upon the affairs of such
banks; (3) that such examiners may examine each bank
owned or controlled by the holding company affiliate, both
individually and in conjunction with other banks owned or
controlled by such holding company affiliate; and (4) that
publication of individual or consolidated statements of con-
dition of such banks may be required;

“(b) After five years after the enactment of the
Banking Act of 1933, every such holding company affiliate
(1) shall possess, and shall continue to possess during
the life of such permit, free and clear of any lien, pledge,
or hypothecation of any nature, readily marketable assets
other than bank stock in an amount not less than 12 per
centum of the aggregate par value of all bank stocks con-
trolled by such holding company affiliate, which amount
shall be increased by not less than 2 per centum per annum
of such aggregate par value until such assets shall amount to
25 per centum of the aggregate par value of such bank stocks;
and (2) shall reinvest in readily marketable assets other than
bank stock all net earnings over and above 6 per centum
per annum on the book value of its own shares outstanding
until such assets shall amount to such 25 per centum of the
aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this
section, after five years after the enactment of the Banking Act of 1933, (1) any such holding company affiliate
the shareholders or members of which shall be individu-
ally and severally liable in proportion to the number
of shares of such holding company affiliate held by them
respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks,
shall be required only to establish and maintain out of net earnings ever and above 6 per centum per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount not less than 4 per centum of the aggregate par value of bank stocks controlled by it,
and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;
(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended; and

(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as securities company); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within five years after the filing of such application, divest itself of its
ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Federal Reserve Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Federal Reserve Board may, in its discretion, revoke any such voting permit after giving sixty days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard. Whenever the Federal Reserve Board shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the
rights, privileges, and franchises of any or all national banks
the stock of which is controlled by such holding company
affiliate shall, in the discretion of the Federal Reserve Board,
be subject to forfeiture in accordance with section 2 of the
Federal Reserve Act, as amended."

SEC. 205. After two years from the date of the enact-
ment of this Act, no member bank shall be affiliated in any
manner described in section 1 (b) of this title with any cor-
poration, association, business trust, or other similar organiza-
tion engaged principally in the issue, flotation, underwriting,
public sale, or distribution at wholesale or retail or through
syndicate participation of stocks, bonds, debentures, notes,
or other securities.

For every violation of this section the member bank
involved shall be subject to a penalty not exceeding $1,000
per day for each day during which such violation continues.
Such penalty may be assessed by the Federal Reserve Board,
in its discretion, and, when so assessed, may be collected by
the Federal Reserve bank by suit or otherwise.

If any such violation shall continue for six calendar
months after the member bank shall have been warned by
the Federal Reserve Board to discontinue the same; (a) in
the case of a national bank, all rights, privileges, and
franchises granted to it under the National Bank Act may
be forfeited in the manner prescribed in section 2 of the Fed-
eral Reserve Act, as amended, or; (b) in the case of a State
member bank, all of its rights and privileges of membership
in the Federal Reserve System may be forfeited in the
manner prescribed in section 9 of the Federal Reserve Act,
as amended.

Sec. 206. (a) The second sentence of the first para-
graph of section 5200 of the Revised Statutes, as amended
(U.S.C., title 12, sec. 84; Supp. VI, title 12, sec. 84),
is amended by inserting before the period at the end thereof
the following: "and shall include in the case of obligations
of a corporation all obligations of all subsidiaries thereof in
which such corporation owns or controls a majority
interest."

(b) The amendment made by this section shall not
apply to such obligations of subsidiaries held by such asso-
ciation on the date this section takes effect.

Sec. 207. Section 5214 of the Revised Statutes, as
amended (U.S.C., title 12, sec. 161; Supp. VI, title 12,
sec. 161), is amended by adding at the end thereof the
following new paragraph:

"Each national banking association shall obtain from
each of its affiliates other than member banks and furnish
to the Comptroller of the Currency not less than three
reports during each year, in such form as the Comptroller
may prescribe, verified by the oath or affirmation of the
president or such other officer as may be designated by the
board of directors of such affiliate to verify such reports,
disclosing the information hereinafter provided for as of
dates identical with those for which the Comptroller shall
during such year require the reports of the conditions of the
association. For the purpose of this section the term
‘affiliate’ shall include holding company affiliates as well
as other affiliates. Each such report of an affiliate shall
be transmitted to the Comptroller at the same time as the
 corresponding report of the association, except that the
Comptroller may, in his discretion, extend such time for
good cause shown. Each such report shall contain such
information as in the judgment of the Comptroller of the
Currency shall be necessary to disclose fully the relations
between such affiliate and such bank and to enable the
Comptroller to inform himself as to the effect of such rela-
tions upon the affairs of such bank. The reports of such
affiliates shall be published by the association under the same
conditions as govern its own condition reports. The Com-
troller shall also have power to call for additional reports
with respect to any such affiliate whenever in his judgment
the same are necessary in order to obtain a full and com-
plete knowledge of the conditions of the association with
which it is affiliated. Such additional reports shall be
transmitted to the Comptroller of the Currency in such form
as he may prescribe. Any such affiliated bank which fails to obtain and furnish any report required under this section shall be subject to a penalty of $100 for each day during which such failure continues."

Sec. 208 (a) The first paragraph of section 5240 of The Revised Statutes, as amended (U.S.C., title 12, sec. 481), is amended by inserting before the period at the end thereof a colon and the following proviso: "Provided, That in making the examination of any national bank the examiners shall include such an examination of the affairs of all its affiliates other than member banks as shall be necessary to disclose fully the relations between such bank and such affiliates and the effect of such relations upon the affairs of such bank; and in the event of the refusal to give any information required in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, all the rights, privileges, and franchises of the bank shall be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended. The Comptroller of the Currency shall have power, and he is hereby authorized, to publish the report of his examination of any national banking association or affiliate which shall not within one hundred and twenty days after notification of the recommendations or suggestions of the Comptroller, based on said examination, have com-
plied with the same to his satisfaction. Ninety days' notice
prior to such publicity shall be given to the bank or
affiliate."

(b) Section 5240 of the Revised Statutes, as amended
(U.S.C., title 12, see. 481), is further amended by adding
after the first paragraph thereof the following new
paragraph:

"The examiner making the examination of any affiliate
of a national bank shall have power to make a thorough
examination of all the affairs of the affiliate; and in doing
so he shall have power to administer oaths and to examine
any of the officers, directors, employees, and agents thereof
under oath and to make a report of his findings to the
Comptroller of the Currency. The expense of examinations
of such affiliates may be assessed by the Comptroller of the
Currency upon the affiliates examined in proportion to assets
or resources held by the affiliates upon the dates of examina-
tion of the various affiliates. If any such affiliate shall
refuse to pay such expenses or shall fail to do so within
sixty days after the date of such assessment, then such
expenses may be assessed against the affiliated national bank
and, when so assessed, shall be paid by such national bank:
Provided, however, That, if the affiliation is with two or
more national banks, such expenses may be assessed against,
and collected from, any or all of such national banks in such
proportions as the Comptroller of the Currency may prescribe. If any affiliate of a national bank shall refuse to permit an examiner to make an examination of the affiliate or shall refuse to give any information required in the course of any such examination, the national bank with which it is affiliated shall be subject to a penalty of not more than $100 for each day that any such refusal shall continue. Such penalty may be assessed by the Comptroller of the Currency and collected in the same manner as expenses of examinations."

TITLE III

FEDERAL DEPOSIT INSURANCE CORPORATION

SECTION 301. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the "Corporation"), whose duty it shall be to purchase, hold, and liquidate as hereinafter provided, the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks, and to make loans to State banks and trust companies as hereinafter provided, which have been closed by action of the appropriate State authorities, or by vote of their directors.

(b) The management of the Corporation shall be vested in a board of directors, consisting of five members, one of whom shall be the Comptroller of the Currency, one
a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President, by and with the advice and consent of the Senate, who shall hold their offices during a term of six years. Not more than two of the appointive members of the board shall be members of the same political party. The terms of the appointive members first appointed shall be for two, four, and six years, as designated by the President. The appointive members of the board shall receive compensation at the rate of $10,000 per annum, payable monthly out of the funds of the Corporation, but no other member of the board shall receive additional compensation for service as a member.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $150,000,000; which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal Reserve banks and member and nonmember banks as hereinafter provided and the United States shall be entitled to the payment of divi-
dends on such stock to the same extent as member and
nonmember banks are entitled to such payment on the
class A stock of the Corporation held by them. Receipts
for payments by the United States for or on account of
such stock shall be issued by the Corporation to the Secre-
tary of the Treasury and shall be evidence of the stock
ownership of the United States.

(d) The capital stock of the Corporation shall be
divided into shares of $100 each. Certificates of stock of
the Corporation shall be of two classes, class A and class B.
Class A stock shall be held by member and nonmember
banks only and they shall be entitled to payment of divi-
dends out of net earnings at the rate of 6 per centum per
annum on the capital stock paid in by them, which divi-
dends shall be cumulative, or to the extent of 30 per
centum of such net earnings in any one year, whichever
amount shall be the greater, but such stock shall have no
vote at meetings of stockholders. Class B stock shall be
held by Federal Reserve banks only and shall not be
entitled to the payment of dividends. Every Federal
Reserve bank shall subscribe to shares of class B stock in
the Corporation to an amount equal to one half of the
surplus of such bank on January 1, 1933, and its subscrip-
tions shall be accompanied by a certified check payable to
the Corporation in an amount equal to one half of such
subscription. The remainder of such subscription shall be
subject to call from time to time by the board of directors
upon ninety days' notice.

(e) Every member bank shall subscribe to the class A
capital stock of the Corporation in an amount equal to one
half of 4 per centum of its total net outstanding time
and demand deposits on January 1, 1933, as computed in
accordance with regulations of the Federal Reserve Board
governing the computation of reserves. One half of such
subscription shall be paid in full within ninety days after
receipt of notice from the chairman of the board of directors
of the Corporation, and the remainder of such subscription
shall be subject to call from time to time by the board
of directors of the Corporation.

(f) The amount of the outstanding class A stock
of the Corporation held by member banks shall be
annually adjusted as hereinafter provided as of the last
preceding call date as member banks increase their time
and demand deposits or as additional banks become mem-
bers, or subscribe to the stock of the Corporation, and such
stock may be decreased in amount as member banks reduce
their time and demand deposits or cease to be members.
Shares of the capital stock of the Corporation owned by
member banks shall not be transferred or hypothecated.

When a member bank increases its time and demand
deposits, it shall, at the beginning of each calendar year, subscribe for an additional amount of capital stock of the Corporation equal to one half of 1 per centum of such increase in deposits. One half of the amount of such additional stock shall be paid for at the time of the subscription therefor and the balance shall be subject to call by the board of directors of the Corporation. A bank admitted to membership in the Federal Reserve System at any time after the organization of the Corporation shall be required to subscribe for an amount of class A capital stock equal to one half of 1 per centum of the time and demand deposits of the applicant bank as of the date of such admission, paying therefor its par value plus one half of 1 per centum a month from the period of the last dividend on the class A stock of the Corporation. When a member bank reduces its time and demand deposits it shall surrender, not later than the 1st day of January thereafter, a proportionate amount of its holdings in the capital stock of the Corporation, and when a member bank voluntarily liquidates it shall surrender all its holdings of the capital stock of the Corporation and be released from its stock subscription not previously called. The shares so surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board, a sum equal to its cash-paid subscriptions on the shares surrendered and its proportionate
share of dividends not to exceed one half of 1 per centum
a month, from the period of the last dividend on such stock,
less any liability of such member bank to the Corporation:

Sec. 302. (a) Any State bank or trust company,
not a member bank of the Federal Reserve System, with
the approval of the State authority having supervision of
such bank or trust company and certification to the Corpo-
ation by such authority that such bank or trust company,
is in solvent condition, after examination by, and approval
of, the Corporation, shall be entitled to the privileges of
this title upon agreeing to comply with this title and upon
subscribing to the same amount of stock as would be required
if such bank or trust company became a member bank.
The Corporation is authorized to prescribe rules and regu-
lations for the further examination of such bank or trust
company and fix the compensation of examiners employed
for such examination. All the provisions of subsections (e),
and (f) of section 301 and of section 303 shall apply to such
State bank or trust company and to its holding of such stock
as if it were a member bank. If at any time the board of
directors of the Corporation is of opinion that any such State
bank or trust company has failed to comply with the provi-
sions of this title applicable to such State bank or trust com-
pany or that the continued participation by any such State
bank or trust company is detrimental to the safe and econom-
ical carrying out of the duties of the Corporation under this
title, the board shall give notice thereof to such State bank or
trust company and, after hearing, the board may by order
require the withdrawal of such State bank or trust company
from participation in the benefits of this title, which order shall
become effective at such time, not less than thirty days after
the issuance thereof, as the board may fix, and the Corpora-
tion shall pay to such State bank or trust company the
amount paid for stock held by it (and its stock shall be
retired and canceled).

(b) In case any State bank or trust company, not
a member of the Federal Reserve System, is prohibited by
State law, or by the State authority, from complying with
the requirement of subscribing for stock in the Corporation
pursuant to subsection (a) of this section, it shall be entitled
to the privileges of this title upon complying with the other
requirements of such subsection, and upon making a deposit
in lawful money with the Corporation equal to the face
amount of stock which it would be required to subscribe for
if it become a member bank. The Corporation shall pay
interest on any such deposit to the bank or trust company
making such deposit at a rate equal to the rate of the divi-
dend paid on stock of member banks. Such deposit shall
be adjusted in like manner as holdings of stock in the Corpo-
ation by member banks are adjusted under subsection (f)
of section 301. Upon insolvency of the State bank or trust company making the deposit, such deposit and accrued interest thereon shall be applied in the same manner as cash-paid subscriptions and dividends are applied under section 303. The provisions of the last sentence of subsection (a) of this section shall apply to any bank or trust company making such deposit, except that in lieu of payments by the Corporation to the bank or trust company of amounts paid for stock the Corporation shall return to such bank or trust company the amount of the deposit.

SEC. 303. If any member bank shall be declared insolvent, the stock held by it in the Corporation shall be canceled, without impairment of the liability of such bank, and all cash-paid subscriptions on such stock, with its proportionate share of dividends not to exceed one half of 1 per centum per month from the period of last dividend on such stock shall be first applied to all debts of the insolvent bank or the receiver thereof to the Corporation, and the balance, if any, shall be paid to the receiver of the insolvent bank.

SEC. 304. Upon the appointment of all the appointive members of the board of the Corporation, the Corporation shall become a body corporate and as such shall have power—
First. To adopt and use a corporate seal.

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

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

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

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

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this section and such incidental powers as shall be necessary to carry out the powers so granted.
Sec. 305. The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation with the consent of any Federal Reserve bank or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Sec. 306. (a) The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed. Notwithstanding any other provision of law, whenever any national bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors, the Comptroller of the Currency shall appoint the Corporation receiver for such bank. As soon as possible thereafter the Corporation shall organize a new national bank to assume the insured deposit liabilities of such closed bank,
to receive new deposits and otherwise to perform temporarily the functions provided for it in this paragraph. For the purposes of this subsection, the term insured deposit liability shall mean with respect to the owner of any claim arising out of a deposit liability of such closed bank the following percentages of the net amount due to such owner by such closed bank on account of deposit liabilities: 400 per centum of the amount by which such net amount does not exceed $10,000; and 75 per centum of the amount, if any, by which such net amount exceeds $10,000 but does not exceed $50,000; and 50 per centum of the amount, if any, by which such net amount exceeds $50,000: Provided, That, in determining the amount due to such owner for the purpose of fixing such percentage, there shall be added together all net amounts due to such owner in the same capacity or the same right, on account of deposits, regardless of whether such deposits be maintained in his name or in the names of others for his benefit. For the purposes of this subsection, the term insured deposit liabilities shall mean the aggregate amount of all such insured deposit liabilities of such closed bank. The Corporation shall determine as expeditiously as possible the net amounts due to depositors of the closed bank and shall make available to the new bank an amount equal to the insured deposit liabilities of such closed bank, whereupon
such new bank shall assume the insured deposit liability of
such closed bank to each of its depositors; and the Corpora-
tion shall be subrogated to all rights against the closed bank
of the owners of such deposits and shall be entitled to receive
the same dividends from the proceeds of the assets of such
closed bank as would have been payable to each such deposi-
tor until such dividends shall equal the insured deposit liabil-
ity to such depositor assumed by the new bank, whereupon
all further dividends shall be payable to such depositor. Of
the amount thus made available by the Corporation to the
new bank, such portion shall be paid to it in cash as may be
necessary to enable it to meet immediate cash demands and
the remainder shall be credited to it on the books of the Cor-
poration subject to withdrawal on demand and shall bear
interest at the rate of 3 per centum per annum until with-
drawn. The new bank may, with the approval of the Cor-
poration, accept new deposits, which, together with all
amounts made available to the new bank by the Corporation,
shall be kept on hand in cash, invested in direct obligations
of the United States, or deposited with the Corporation or
with a Federal Reserve bank. Such new bank shall main-
tain on deposit with the Federal Reserve bank of its district
the reserves required by law of member banks but shall not
be required to subscribe for stock of the Federal Reserve
bank until its own capital stock has been subscribed
and paid for in the manner hereinafter provided. The articles of association and organization certificate of such new bank may be executed by such representatives of the Corporation as it may designate; the new bank shall not be required to have any directors at the time of its organization, but shall be managed by an executive officer to be designated by the Corporation; and no capital stock need be paid in by the Corporation; but in other respects such bank shall be organized in accordance with the existing provisions of law relating to the organization of national banks; and, until the requisite amount of capital stock for such bank has been subscribed and paid for in the manner hereinafter provided, such bank shall transact no business except that authorized by this subsection and such business as may be incidental to its organization. When in the judgment of the Corporation it is desirable to do so, the Corporation shall offer capital stock of the new bank for sale on such terms and conditions as the Corporation shall deem advisable, in an amount sufficient in the opinion of the Corporation to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5158 of the Revised Statutes, as amended, for the organization of a national bank in the place where such new bank is located, giving the stockholders of the closed bank the first opportunity to purchase such stock. Upon proof that an
adequate amount of capital stock of the new bank has been
subscribed and paid for in cash by subscribers satisfactory
to the Comptroller of the Currency, he shall issue to such
bank a certificate of authority to commence business and
thereafter it shall be managed by directors elected by its own
shareholders and may exercise all of the powers granted by
law to national banking associations. If an adequate amount
of capital for such new bank is not subscribed and paid in,
the Corporation may offer to transfer its business to any
other banking institution in the same place which will take
over its assets, assume its liabilities, and pay to the Corpora-
tion for such business such amount as the Corporation may
decom adequate. Unless the capital stock of the new bank is
sold or its assets acquired and its liabilities assumed by
another banking institution, in the manner herein prescribed,
within two years from the date of its organization, the Cor-
poration shall place the new bank in voluntary liquidation
and wind up its affairs. The Corporation shall open on its
books a deposit insurance account and, as soon as possible
after taking possession of any closed national bank, the Cor-
poration shall make an estimate of the amount which will
be available from all sources for application in satisfaction
of the portion of the claims of depositors to which it has been
subrogated and shall debit to such deposit insurance account
the excess, if any, of the amount made available by the Cor-
poration to the new bank for depositors over and above the
amount of such estimate. It shall be the duty of the Corpo-
ration to realize as rapidly as possible upon the assets of such
closed bank, having due regard to the condition of credit in
the district in which such closed bank is located; to enforce
the individual liability of the stockholders and directors
thereof; and to wind up the affairs of such closed bank in
conformity with the provisions of law relating to the liquidation
of closed national banks; except as herein otherwise pro-
vided, retaining for its own account such portion of the
amount realized from such liquidation as it shall be entitled
to receive on account of its subrogation to the claims of
depositors and paying to depositors and other creditors the
amount available for distribution to them, after deducting
therefrom their share of the costs of the liquidation of the
closed bank. If the total amount realized by the Corpora-
tion on account of its subrogation to the claims of depositors
be less than the amount of the estimate hereinabove provided
for, the deposit insurance account shall be charged with the
deficiency and, if the total amount so realized shall exceed
the amount of such estimate, such account shall be credited
with such excess. With respect to such closed national
banks, the Corporation shall have all the rights, powers, and
privileges now possessed by or hereafter given receivers of
insolvent national banks and shall be subject to the obliga-

tions and penalties not inconsistent with the provisions of this paragraph to which such receivers are now or may hereafter become subject.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment be tendered by the appropriate State authority and be authorized or permitted by State law. Thereupon the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new national bank, in the manner prescribed by this subsection, an amount equal to the insured deposit liabilities of such closed State bank; and the Corporation and such new
national bank shall perform all of the functions and duties
and shall have all the rights and privileges with respect to
such State bank and the depositors thereof which are pre-
scribed by this subsection with respect to closed national
banks holding class A stock in the Corporation: *Provided,*
That the rights of depositors and other creditors of such State
bank shall be determined in accordance with the applicable
provisions of State law: *And provided further,* That, with
respect to such State bank, the Corporation shall possess the
powers and privileges provided by State law with respect to
a receiver of such State bank, except insofar as the same
are in conflict with the provisions of this subsection.

Whenever any State member bank which is a class A
stockholder of the Corporation shall have been closed by action
of its board of directors or by the appropriate State authority,
as the case may be, on account of inability to meet the demands
of its depositors; and the applicable State law does not permit
the appointment of the Corporation as receiver of such bank;
the Corporation shall organize a new national bank, in
accordance with the provisions of this subsection, to assume
the insured deposit liabilities of such closed State bank, to
receive new deposits, and otherwise to perform temporarily
the functions provided for in this subsection. Upon satis-
factory recognition of the right of the Corporation to receive

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dividends on the same basis as in the case of a closed national
bank under this subsection; such recognition being accorded
by State law, by allowance of claims by the appropriate
State authority, by assignment of claims by depositors, or
by any other effective method, the Corporation shall make
available to such new bank, in accordance with the pro-
visions of this subsection, the amount of insured deposit
liabilities as to which such recognition has been accorded;
and such new bank shall assume such insured deposit liabili-
ties and shall in other respects comply with the provisions
of this subsection respecting new banks organized to assume
insured deposit liabilities of closed national banks. Insofar
as possible in view of the applicable provisions of State law,
the Corporation shall proceed with respect to the receiver of
such closed bank and with respect to the new bank organized
to assume its insured deposit liabilities in the manner pre-
scribed by this subsection with respect to closed national
banks and new banks organized to assume their insured
deposit liabilities, except that the Corporation shall have
none of the powers, duties, or responsibilities of a receiver
with respect to the winding up of the affairs of such closed
State bank. The Corporation, in its discretion, however,
may purchase and liquidate any or all of the assets of such
bank.
Whenever the net debit balance of the deposit insurance account of the Corporation shall equal or exceed one fourth of 1 per centum of the total deposit liabilities of all class A stockholders as of the date of the last preceding call report, the Corporation shall levy upon such stockholders an assessment equal to one fourth of 1 per centum of their total deposit liabilities and shall credit the amount collected from such assessment to such deposit insurance account. No bank which is a holder of class A stock shall pay any dividends until all assessments levied upon it by the Corporation shall have been paid in full; and any director or officer of any such bank who participates in the declaration or payment of any such dividend may, upon conviction, be fined not more than $1,000; or imprisoned for not more than one year, or both.

The term "receiver" as used in this section shall mean a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator, commission, person, or other agency charged by State law with the responsibility and the duty of winding up the affairs of an insolvent State member bank.

For the purposes of this section only, the term "national bank" shall include all national banking associations and all banks, banking associations, trust companies,
savings banks, and other banking institutions located in the
District of Columbia which are members of the Federal
Reserve System; and the term 'State member bank' shall
include all State banks, banking associations, trust compa-
nies, savings banks, and other banking institutions organized
under the laws of any State, which are members of the
Federal Reserve System.

In any determination of the insured deposit liabilities
of any closed bank or of the total deposit liabilities of any
bank which is a holder of class A stock of the Corporation,
for the purposes of this subsection, there shall be excluded
the amounts of all deposits of such bank which are payable
only at an office thereof located in a foreign country.

The Corporation may make such rules, regulations,
and contracts as it may deem necessary in order to carry
out the provisions of this section.

Money of the Corporation not otherwise employed
shall be invested in securities of the Government of the
United States, except that for temporary periods, in the
discretion of the board of directors, funds of the Corporation
may be deposited in any Federal Reserve bank or with the
Treasurer of the United States. When designated for that
purpose by the Secretary of the Treasury, the Corporation
shall be a depositary of public moneys, except receipts from
customs, under such regulations as may be prescribed by
the said Secretary, and may also be employed as a financial
agent of the Government. It shall perform all such reason-
able duties as depositary of public moneys and financial
agent of the Government as may be required of it.

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

c) Receivers or liquidators of State banks which
are now or may hereafter become insolvent or suspended
shall be entitled to offer the assets of such banks for sale
to the Corporation or as security for loans from the Cor-
poration, upon receiving permission from the appropriate
State authority in accordance with express provision of
State law in the case of State banks, or from the Com-
troller of the Currency in the case of national banks. The
proceeds of every such sale or loan shall be utilized for the
same purposes and in the same manner as other funds real-
ized from the liquidation of the assets of such banks. The
Comptroller of the Currency may, in his discretion, pay
dividends on proved claims at any time after the expiration
of the period of advertisement made pursuant to section 5235
of the Revised Statutes, and no liability shall attach to the
Comptroller of the Currency or to the receiver of any
national bank by reason of any such payment for failure to
pay dividends to a claimant whose claim is not proved at
the time of any such payment.

(d) The Corporation is authorized and empowered
to issue and to have outstanding at any one time in an
amount aggregating not more than three times the amount
of its capital; its notes; debentures; bonds; or other such obli-
gations; to be redeemable at the option of the Corporation
before maturity in such manner as may be stipulated in
such obligations; and to bear such rate or rates of interest,
and to mature at such time or times as may be determined
by the Corporation: Provided, That the Corporation may
sell on a discount basis short-term obligations payable at
maturity without interest. The notes; debentures; bonds;
and other such obligations of the Corporation may be
secured by assets of the Corporation in such manner as
shall be prescribed by its board of directors. Such obli-
gations may be offered for sale at such price or prices as the
Corporation may determine.

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

(f) In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this Act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other such obligations.
(g) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

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

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

(j) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged, or otherwise intrusted to it, or (2) with intent to defraud the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.

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

(l) The provisions of sections 142, 143, 144, 145, 146, and 147 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 292 to 297, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the Corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.

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

Sec. 307. No member bank of the Federal Reserve System shall, after the date of enactment of this Act, and no State bank or trust company, not a member bank, shall, after it has become entitled to participation in the benefits of this title, pay interest at a greater rate than 3 per centum per annum with respect to any time deposit (as defined in section 10 of the Federal Reserve Act, as amended) made in such bank.

Sec. 308. Section 9 of the Act entitled "An Act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes," approved June 25, 1910, as amended (U.S.C., title 39, sec. 759), is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "Provided, That no such security shall be required in case of such part of the deposits as are insured under title III of the Banking Act of 1933."

Sec. 309. A national bank, reserve bank, or other member bank as defined by section 1 of title I of this Act, or any bank or trust company whose deposits are guaranteed in any respect under the provisions of this title, or any employee of any such bank, shall not either directly or indirectly act as
an agent or broker for any partnership; association, or cor-
poration engaged in the business of writing or selling any
form of insurance. Any individual, partnership, association,
or corporation violating this section of this Act shall be guilty
of a misdemeanor and shall be punished by a fine not ex-
ceeding $1,000 or imprisonment not exceeding one year,
or both.

Sec. 310. Terms used in this title shall have the mean-
ing assigned to such terms under the Federal Reserve Act, as
amended (U.S.C., title 12, ch. 3; Supp. VI, title 12, ch. 3).

Sec. 311. The foregoing provisions of this title shall
take effect at such time as the President by proclamation
declares that such surveys have been made as he finds nece-
sary for the proper execution of such provisions, but in no
event shall such provisions take effect later than one year
after the enactment of this Act.

Sec. 312. The right to alter, amend, or repeal this Act
is hereby expressly reserved. 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 appli-
cation of such provision to other persons or circumstances,
shall not be affected thereby.

That the short title of this Act shall be the "Banking Act
of 1933."
Sec. 2. As used in this Act and in any provision of law amended by this Act—

(a) The terms "banks"; "national bank"; "national banking association"; "member bank"; "board"; "district"; and "reserve bank" shall have the meanings assigned to them in section 1 of the Federal Reserve Act, as amended.

(b) Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions; or

(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control either a majority of the shares of such bank or more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election, or by trustees for the benefit of the shareholders of any such bank; or
(3) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one member bank.

(c) The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

Sec. 3 (a) The fourth paragraph after paragraph "Eighth" of section 4 of the Federal Reserve Act, as amended, is amended to read as follows:

"Said board of directors shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and may, subject to the provisions of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the
claims and demands of other member banks, the mainte-
nance of sound credit conditions, and the accommodation of 
commerce, industry, and agriculture. The Federal Reserve 
Board may prescribe regulations further defining within the 
limitations of this Act the conditions under which discounts, 
advancements, and the accommodations may be extended to 
member banks. Each Federal reserve bank shall keep 
itself informed of the general character and amount of the 
loans and investments of its member banks with a view to 
ascertaining whether undue use is being made of bank credit 
for the speculative carrying of or trading in securities, real 
estate, or commodities, or for any other purpose inconsist-
et with the maintenance of sound credit conditions; and, 
in determining whether to grant or refuse advances, redis-
counts or other credit accommodations, the Federal reserve 
bank shall give consideration to such information. The 
chairman of the Federal reserve bank shall report to the 
Federal Reserve Board any such undue use of bank credit 
by any member bank, together with his recommendation. 
Whenever, in the judgment of the Federal Reserve Board, 
any member bank is making such undue use of bank credit, 
the Board may, in its discretion, after reasonable notice and 
an opportunity for a hearing, suspend such bank from the use 
of the credit facilities of the Federal Reserve System and
may terminate such suspension or may renew it from time
to time.”

(b) The paragraph of section 4 of the Federal Reserve
Act, as amended, which commences with the words “The
Federal Reserve Board shall classify” is amended by insert-
ing before the period at the end thereof a colon and the
following: “Provided, That whenever any two or more
member banks within the same Federal Reserve district are
affiliated with the same holding company affiliate, participa-
tion by such member banks in any such nomination or
election shall be confined to one of such banks, which may
be designated for the purpose by such holding company
affiliate.”

Sec. 4. The first paragraph of section 7 of the Federal
Reserve Act, as amended, is amended, effective July 1,
1932, to read as follows:

“After all necessary expenses of a Federal Reserve bank
shall have been paid or provided for, the stockholders shall
be entitled to receive an annual dividend of 6 per centum on
the paid-in capital stock, which dividend shall be cumulative.
After the aforesaid dividend claims have been fully met,
the net earnings shall be paid into the surplus fund of the
Federal Reserve bank.”

Sec. 5. (a) The first paragraph of section 9 of the
Federal Reserve Act, as amended, is amended by inserting
immediately after the words "United States" a comma and the following: "including Morris Plan banks and other incorporated banking institutions engaged in similar business."

(b) The second paragraph of section 9 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following: "Provided, however, That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks."

(c) Section 9 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraphs:

"Any mutual savings bank having no capital stock (and any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to member-
ship in the Federal Reserve System in the same manner and
subject to the same provisions of law as State banks and trust
companies, except that such savings bank shall subscribe for
capital stock of the Federal Reserve bank in an amount equal
to six-tenths of 1 per centum of its total deposit liabilities as
shown by the most recent report of examination of such
savings bank preceding its admission to membership. There-
after such subscription shall be adjusted semiannually on the
same percentage basis in accordance with rules and regula-
tions prescribed by the Federal Reserve Board. If any
mutual savings bank applying for membership is not per-
mitted by the laws under which it was organized to purchase
stock in a Federal reserve bank, it shall, upon admission to
the system, deposit with the Federal reserve bank an amount
equal to the amount which it would have been required to
pay in on account of a subscription to capital stock. There-
after such deposit shall be adjusted semiannually in the same
manner as subscriptions for stock. Such deposit shall be
subject to the same conditions with respect to repayment as
amounts paid upon subscriptions to capital stock by other
member banks and the Federal reserve bank shall pay inter-
est thereon at the same rate as dividends are actually paid
on outstanding shares of stock of such Federal reserve bank.
If the laws under which such savings bank was organized be
amended so as to authorize mutual savings banks to subscribe
for Federal reserve bank stock such savings bank shall there-
upon subscribe for the appropriate amount of stock in the
Federal reserve bank, and the deposit hereinbefore provided
for in lieu of payment upon capital stock shall be applied
upon such subscription. If the laws under which such sav-
ings bank was organized be not amended at the next session
of the legislature following the admission of such savings
bank to membership so as to authorize mutual savings banks
to purchase Federal reserve bank stock, or if such laws be so
amended and such bank fail within six months thereafter to
purchase such stock, all of its rights and privileges as a
member bank shall be forfeited and its membership in the
Federal Reserve System shall be terminated in the manner
prescribed elsewhere in this section with respect to State
banks and trust companies. Each mutual savings bank shall
comply with all the provisions of law applicable to State
member banks and trust companies, with the regulations of
the Federal Reserve Board and with the conditions of
membership prescribed for such savings bank at the time of
admission to membership, except as otherwise hereinbefore
provided with respect to capital stock.

"Each bank admitted to membership under this section
shall obtain from each of its affiliates other than member
banks and furnish to the Federal reserve bank of its district
and to the Federal Reserve Board not less than three reports
during each year. Such reports shall be in such form as
the Federal Reserve Board may prescribe, shall be verified
by the oath or affirmation of the president or such other
officer as may be designated by the board of directors of such
affiliate to verify such reports, and shall disclose the infor-

mation hereinafter provided for as of dates identical

with those fixed by the Federal Reserve Board for
reports of the condition of the affiliated member bank.

Each such report of an affiliate shall be transmitted as

herein provided at the same time as the corresponding

report of the affiliated member bank, except that the Fed-

eral Reserve Board may, in its discretion, extend such time

for good cause shown. Each such report shall contain such

information as in the judgment of the Federal Reserve

Board shall be necessary to disclose fully the relations between

such affiliate and such bank and to enable the Board to inform

itself as to the effect of such relations upon the affairs of such

bank. The reports of such affiliates shall be published by the

bank under the same conditions as govern its own condition

reports.

"Any such affiliated member bank may be required to

obtain from any such affiliate such additional reports as in

the opinion of its Federal reserve bank or the Federal Reserve

Board may be necessary in order to obtain a full and

complete knowledge of the condition of the affiliated member
bank. Such additional reports shall be transmitted to the
Federal reserve bank and the Federal Reserve Board and
shall be in such form as the Federal Reserve Board may
prescribe.

"Any such affiliated member bank which fails to
obtain from any of its affiliates and furnish any report
provided for by the two preceding paragraphs of this section
shall be subject to a penalty of $100 for each day during
which such failure continues, which, by direction of the
Federal Reserve Board, may be collected, by suit or other-
wise, by the Federal reserve bank of the district in which
such member bank is located. For the purposes of this
paragraph and the two preceding paragraphs of this section,
the term 'affiliate' shall include holding company affiliates
as well as other affiliates.

"State member banks shall be subject to the same
limitations and conditions with respect to the purchasing,
selling, underwriting, and holding of investment securities
and stock as are applicable in the case of national banks
under paragraph 'Seventh' of section 5136 of the Revised
Statutes, as amended.

"After one year from the date of the enactment of
the Banking Act of 1933, no certificate representing the
stock of any State member bank shall represent the stock
of any other corporation, except a member bank or a corpo-
ration existing on the date this paragraph takes effect engaged solely in holding the bank premises of such State member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

“Each State member bank affiliated with a holding company affiliate shall obtain from such holding company affiliate, within such time as the Federal Reserve Board shall prescribe, an agreement that such holding company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. A copy of each such agreement shall be filed with the Federal Reserve Board. Upon the failure of a State member bank affiliated with a holding company affiliate to obtain such an agreement within the time so prescribed, the Federal Reserve Board shall require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Federal Reserve Board shall have revoked the voting permit of any such holding company affiliate, the Federal Reserve Board may,
in its discretion, require any or all State member banks affiliated with such holding company affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

“In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Federal Reserve Board, be assessed against such bank and, when so assessed, shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System, as provided in this section.”
Sec. 6. (a) The second paragraph of section 10 of the Federal Reserve Act, as amended, is amended to read as follows:

"The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office when this paragraph as amended takes effect, the President shall fix the term of the successor to such member at not to exceed twelve years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one appointive member in any two-year period, and thereafter each appointive member shall hold office for a term of twelve years from the expiration of the term of his predecessor. Of the six persons thus appointed, one shall be designated by the President as governor and one as vice governor of the Federal Reserve Board. The governor of the Federal
Reserve Board, subject to its supervision, shall be its active executive officer. Each member of the Federal Reserve Board shall within fifteen days after notice of appointment make and subscribe to the oath of office.”

(b) The fourth paragraph of section 10 of the Federal Reserve Act, as amended, is amended to read as follows:

“The principal offices of the Board shall be in the District of Columbia. At meetings of the Board the Secretary of the Treasury shall preside as chairman, and, in his absence, the governor shall preside. In the absence of both the Secretary of the Treasury and the governor the vice governor shall preside. In the absence of the Secretary of the Treasury, the governor, and the vice governor the Board shall elect a member to act as chairman pro tempore. The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal Reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, whose employment, compensation, leave, and expenses shall be governed solely by the provisions of this Act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith; and funds derived from such assessments shall not be construed to be Government funds or appropriated
moneys. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath that he has complied with this requirement, and such certification shall be filed with the secretary of the Board. Whenever a vacancy shall occur, other than by expiration of term, among the six members of the Federal Reserve Board appointed by the President as above provided, a successor shall be appointed by the President, by and with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of his predecessor."

Sec. 7. Paragraph (m) of section 11 of the Federal Reserve Act, as amended, is amended to read as follows: "(m) Upon the affirmative vote of not less than six of its members the Federal Reserve Board shall have power to fix from time to time for each Federal reserve district the percentage of individual bank capital and surplus which may be represented by loans secured by stock or bond collateral made by member banks within such district, but no such loan shall be made by any such bank to any person in an amount in excess of 10 per centum of the unimpaired capital and surplus of such bank. Any percentage so fixed by the Fed-
eral Reserve Board shall be subject to change from time to
time upon ten days’ notice, and it shall be the duty of the
Board to establish such percentages with a view to prevent-
ing the undue use of bank loans for the speculative carrying
of securities. The Federal Reserve Board shall have power
to direct any member bank to refrain from further increase
of its loans secured by stock or bond collateral for any period
up to one year under penalty of suspension of all rediscount
privileges at Federal reserve banks.”

Sec. 8. The Federal Reserve Act, as amended, is
amended by inserting between sections 12 and 13 thereof
the following new sections:

“Sec. 12A. (a) There is hereby created a Federal
Open Market Committee (hereinafter referred to as the
‘committee’), which shall consist of as many members as
there are Federal reserve districts. Each Federal reserve
bank by its board of directors shall annually select one
member of said committee. The meetings of said com-
mittee shall be held at Washington, District of Columbia,
at least four times each year, upon the call of the governor
of the Federal Reserve Board or at the request of any
three members of the committee, and, in the discretion of
the Board, may be attended by the members of the Board.

“(b) No Federal reserve bank shall engage in open-
market operations under section 14 of this Act except in
accordance with regulations adopted by the Federal Reserve Board. The Board shall consider, adopt, and transmit to the committee and to the several Federal reserve banks regulations relating to the open-market transactions of such banks and the relations of the Federal Reserve System with foreign central or other foreign banks.

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

“(d) If any Federal reserve bank shall decide not to participate in open-market operations recommended and approved as provided in paragraph (b) hereof, it shall file with the chairman of the committee within thirty days a notice of its decision, and transmit a copy thereof to the Federal Reserve Board.

“SEC. 12B. (a) There is hereby created a Federal Bank Deposit Insurance Corporation (hereinafter referred to as the ‘Corporation’), whose duty it shall be to purchase, hold, and liquidate, as hereinafter provided, the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks which have been closed
by action of the appropriate State authorities, or by vote of their directors; and on and after July 1, 1934, to insure, as hereinafter provided, the time and demand deposits of all member banks which shall have become class A stockholders of the Corporation.

"(b) The management of the Corporation shall be vested in a board of directors consisting of five members, one of whom shall be the Comptroller of the Currency, one a member of the Federal Reserve Board designated by the Board for the purpose, and three selected annually by the governors of the twelve Federal reserve banks under such procedure as may be prescribed by the Federal Reserve Board. No member of such board of directors shall receive any additional compensation for his services as such member.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $150,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal reserve banks and member banks as hereinafter provided, and the United States
shall be entitled to the payment of dividends on such stock
to the same extent as member banks are entitled to such pay-
ment on the class A stock of the Corporation held by them.
Receipts for payments by the United States for or on account
of such stock shall be issued by the Corporation to the Secre-
tary of the Treasury and shall be evidence of the stock
ownership of the United States.

“(d) The capital stock of the Corporation shall be
divided into shares of $100 each. Certificates of stock of
the Corporation shall be of two classes—class A and class B.
Class A stock shall be held by member banks only and they
shall be entitled to payment of dividends out of net earnings
at the rate of 6 per centum per annum on the capital stock
paid in by them, which dividends shall be cumulative, or
to the extent of 30 per centum of such net earnings in any
one year, whichever amount shall be the greater, but such
stock shall have no vote at meetings of stockholders. Class
B stock shall be held by Federal reserve banks only and
shall not be entitled to the payment of dividends. Every
Federal reserve bank shall subscribe to shares of class B
stock in the Corporation to an amount equal to one half
of the surplus of such bank on January 1, 1933, and its
subscriptions shall be accompanied by a certified check pay-
able to the Corporation in an amount equal to one half of
such subscription. The remainder of such subscription shall
be subject to call from time to time by the board of directors
upon ninety days’ notice.

“(e) Every bank which is or which becomes a member
of the Federal Reserve System on or before July 1, 1934,
shall take all steps necessary to enable it to become a class
A stockholder of the Corporation on or before July 1, 1934;
and thereafter no State bank shall be admitted to member-
ship in the Federal Reserve System until it becomes a
class A stockholder of the Corporation, no national bank
in the continental United States shall be granted a certificate
by the Comptroller of the Currency authorizing it to com-
mence the business of banking until it becomes a member
of the Federal Reserve System and a class A stockholder
of the Corporation, and no national bank in the continental
United States for which a receiver or conservator has been
appointed shall be permitted to resume the transaction of
its banking business until it becomes a class A stockholder
of the Corporation. Every member bank shall apply to
the Corporation for class A stock of the Corporation in an
amount equal to one half of 1 per centum of its total deposit
liabilities as computed in accordance with regulations pre-
scribed by the Federal Reserve Board; except that in the
case of a member bank organized after the date this sec-
tion takes effect, the amount of such class A stock applied
for by such member bank during the first twelve months
after its organization shall equal 5 per centum of its paid-up capital and surplus, and beginning after the expiration of such twelve months' period the amount of such class A stock of such member bank shall be adjusted annually in the same manner as in the case of other member banks. Upon receipt of such application the Corporation shall request the Federal Reserve Board, in the case of a member State bank, or the Comptroller of the Currency, in the case of a national bank, to certify upon the basis of a thorough examination of such bank whether or not the assets of the applying bank are unquestionably adequate to enable it to meet all of its liabilities to depositors and other creditors; and the Federal Reserve Board or the Comptroller of the Currency shall make such certification as soon as practicable. If such certification be in the affirmative, the Corporation shall grant such application and the applying bank shall pay one half of its subscription in full and shall thereupon become a class A stockholder of the Corporation: Provided, That no member bank shall be required to make such payment or shall become a class A stockholder of the Corporation before July 1, 1934. The remainder of such subscription shall be subject to call from time to time by the board of directors of the Corporation. If such certification be in the negative, the Corporation shall deny such application. If any national bank shall not have
become a class A stockholder of the Corporation on or before July 1, 1934, the Comptroller of the Currency shall appoint a receiver or conservator therefor in accordance with the provisions of existing law. If any State member bank shall not have become a class A stockholder of the Corporation on or before July 1, 1934, the Federal Reserve Board shall terminate its membership in the Federal Reserve System in accordance with the provisions of section 9 of this Act.

"(f) Any State bank or trust company which has applied for membership in the Federal Reserve System or for conversion into a national banking association may, with the consent of the Corporation, obtain the benefits of this section, pending action on such application, by subscribing and paying for the same amount of stock of the Corporation as it would be required to subscribe and pay for upon becoming a member bank. Thereupon the provisions of this section applicable to member banks shall be applicable to such State bank or trust company to the same extent as if it were already a member bank: Provided, That if the application of such State bank or trust company for membership in the Federal Reserve System or for conversion into a national banking association be approved and it shall not complete its membership in the Federal Reserve System or its conversion into a national banking association within a

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reasonable time, or if such application shall be disapproved, then the amount paid by such bank or trust company on account of its subscription to the capital stock of the Corporation shall be repaid to it and it shall no longer be subject to the provisions or entitled to the privileges of this section.

“(g) If any mutual savings bank which hereafter becomes a member of the Federal Reserve System is not permitted by the laws under which it was organized to purchase stock in the Corporation, it shall apply to the Corporation for admission to the benefits of this section and, if such application be granted after appropriate certification in accordance with this section, it shall deposit with the Corporation an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock of the Corporation. Thereafter such deposit shall be adjusted in the same manner as subscriptions for stock by class A stockholders. Such deposit shall be subject to the same conditions with respect to repayment as amounts paid on subscriptions to class A stock by other member banks and the Corporation shall pay interest thereon at the same rate as dividends are actually paid on outstanding shares of class A stock. As long as such deposit is maintained with the Corporation, such mutual savings bank shall, for the purposes of this section, be deemed to be a class A stockholder of the Corporation. If the laws under which such
savings bank was organized be amended so as to authorize mutual savings banks to subscribe for class A stock of the Corporation, such savings bank shall within six months thereafter subscribe for an appropriate amount of such class A stock and the deposit hereinafter provided for in lieu of payment upon class A stock shall be applied upon such subscription. If the law under which such savings bank was organized be not amended at the next session of the legislature following the admission of such savings bank to the benefits of this section so as to authorize mutual savings banks to purchase class A stock, or, if the law be so amended and such bank shall fail within six months thereafter to purchase such class A stock, the deposit previously made with the Corporation shall be returned to such savings bank and it shall no longer be entitled to the benefits of this section, unless it shall have been closed in the meantime on account of inability to meet the demands of its depositors.

"(h) The amount of the outstanding class A stock of the Corporation held by member banks shall be annually adjusted as hereinafter provided as of the last preceding call date as member banks increase their time and demand deposits or as additional banks become members or subscribe to the stock of the Corporation, and such stock may be decreased in amount as member banks reduce their time and demand deposits or cease to be members. Shares of
the capital stock of the Corporation owned by member
banks shall not be transferred or hypothecated. When a
member bank increases its time and demand deposits it
shall, at the beginning of each calendar year, subscribe
for an additional amount of capital stock of the Corporation
equal to one half of 1 per centum of such increase in de-
posits. One half of the amount of such additional stock shall
be paid for at the time of the subscription therefor, and the
balance shall be subject to call by the board of directors of
the Corporation. A bank organized on or before the date
this section takes effect and admitted to membership in the
Federal Reserve System at any time after the organization
of the Corporation shall be required to subscribe for an
amount of class A capital stock equal to one half of 1 per
centum of the time and demand deposits of the appli-
cant bank as of the date of such admission, paying there-
for its par value plus one half of 1 per centum a month
from the period of the last dividend on the class A stock
of the Corporation. When a member bank reduces its
time and demand deposits it shall surrender, not later
than the 1st day of January thereafter, a proportionate
amount of its holdings in the capital stock of the Corporation,
and when a member bank voluntarily liquidates it shall sur-
render all its holdings of the capital stock of the Corporation
and be released from its stock subscription not previously
called. The shares so surrendered shall be canceled and 
the member bank shall receive in payment therefor, under 
regulations to be prescribed by the Federal Reserve Board, 
a sum equal to its cash-paid subscriptions on the shares 
surrendered and its proportionate share of dividends not to 
exceed one half of 1 per centum a month, from the period 
of the last dividend on such stock, less any liability of such 
member bank to the Corporation.

"(i) If any member bank shall be declared insolvent, 
on shall cease to be a member bank, the stock held by it in 
the Corporation shall be canceled, without impairment of the 
liability of such bank, and all cash-paid subscriptions on such 
stock, with its proportionate share of dividends not to exceed 
one half of 1 per centum per month from the period of last 
dividend on such stock shall be first applied to all debts of the 
insolvent bank or the receiver thereof to the Corporation, and 
the balance, if any, shall be paid to the receiver of the insolvent 
bank.

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

"First. To adopt and use a corporate seal.

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

"Third. To make contracts.
“Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

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

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

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

“(k) The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination in favor of or against any member bank or banks and may, subject to the provisions of law, extend to each national bank which is closed by action of the Comp-
troller of the Currency, or by vote of its directors, and to each State member bank which is closed by action of the appropriate State authorities, or by vote of its directors, such accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation with the consent of any Federal reserve bank or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

"(l) Effective on and after July 1, 1934 (thus affording ample time for examination and preparation), the Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed. Notwithstanding any other provision of law, whenever any national bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the Comptroller of the Currency, as the case may be, or
account of inability to meet the demands of its depositors,
the Comptroller of the Currency shall appoint the Corpo-
ration receiver for such bank. As soon as possible there-
after the Corporation shall organize a new national bank
to assume the insured deposit liabilities of such closed bank,
to receive new deposits and otherwise to perform tempo-
rarily the functions provided for it in this paragraph. For
the purposes of this subsection, the term ‘insured deposit
liability’ shall mean with respect to the owner of any claim
arising out of a deposit liability of such closed bank the
following percentages of the net amount due to such
owner by such closed bank on account of deposit lia-
bilities: 100 per centum of such net amount not exceeding
$10,000; and 75 per centum of the amount, if any, by which
such net amount exceeds $10,000 but does not exceed $50,000;
and 50 per centum of the amount, if any, by which such net
amount exceeds $50,000: Provided, That, in determining the
amount due to such owner for the purpose of fixing such per-
centage, there shall be added together all net amounts due to
such owner in the same capacity or the same right, on account
of deposits, regardless of whether such deposits be main-
tained in his name or in the names of others for his benefit.
For the purposes of this subsection, the term ‘insured de-
posit liabilities’ shall mean the aggregate amount of all
such insured deposit liabilities of such closed bank. The
Corporation shall determine as expeditiously as possible the net amounts due to depositors of the closed bank and shall make available to the new bank an amount equal to the insured deposit liabilities of such closed bank, whereupon such new bank shall assume the insured deposit liability of such closed bank to each of its depositors, and the Corporation shall be subrogated to all rights against the closed bank of the owners of such deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor until such dividends shall equal the insured deposit liability to such depositor assumed by the new bank, whereupon all further dividends shall be payable to such depositor. Of the amount thus made available by the Corporation to the new bank, such portion shall be paid to it in cash as may be necessary to enable it to meet immediate cash demands and the remainder shall be credited to it on the books of the Corporation subject to withdrawal on demand and shall bear interest at the rate of 3 per centum per annum until withdrawn. The new bank may, with the approval of the Corporation, accept new deposits, which, together with all amounts made available to the new bank by the Corporation, shall be kept on hand in cash, invested in direct obligations of the United States, or deposited with the Corporation or with a Federal Reserve bank. Such new bank shall main-
tain on deposit with the Federal Reserve bank of its district
the reserves required by law of member banks but shall not
be required to subscribe for stock of the Federal Re-
serve bank until its own capital stock has been subscribed
and paid for in the manner hereinafter provided. The
articles of association and organization certificate of such
new bank may be executed by such representatives of the
Corporation as it may designate; the new bank shall not
be required to have any directors at the time of its organiza-
tion, but shall be managed by an executive officer to be desig-
nated by the Corporation; and no capital stock need be paid
in by the Corporation; but in other respects such bank shall
be organized in accordance with the existing provisions of
law relating to the organization of national banks; and,
until the requisite amount of capital stock for such bank has
been subscribed and paid for in the manner hereinafter pro-
vided, such bank shall transact no business except that
authorized by this subsection and such business as may be
incidental to its organization. When in the judgment of the
Corporation it is desirable to do so, the Corporation shall
offer capital stock of the new bank for sale on such terms and
conditions as the Corporation shall deem advisable, in an
amount sufficient in the opinion of the Corporation to make
possible the conduct of the business of the new bank on a
sound basis, but in no event less than that required by section
5138 of the Revised Statutes, as amended, for the organization of a national bank in the place where such new bank is located, giving the stockholders of the closed bank the first opportunity to purchase such stock. Upon proof that an adequate amount of capital stock of the new bank has been subscribed and paid for in cash by subscribers satisfactory to the Comptroller of the Currency, he shall issue to such bank a certificate of authority to commence business and thereafter it shall be managed by directors elected by its own shareholders and may exercise all of the powers granted by law to national banking associations. If an adequate amount of capital for such new bank is not subscribed and paid in, the Corporation may offer to transfer its business to any other banking institution in the same place which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the Corporation may deem adequate. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by another banking institution, in the manner herein prescribed, within two years from the date of its organization, the Corporation shall place the new bank in voluntary liquidation and wind up its affairs. The Corporation shall open on its books a deposit insurance account and, as soon as possible after taking possession of any closed national bank, the Corporation shall make an estimate of the amount which will
be available from all sources for application in satisfaction of the portion of the claims of depositors to which it has been subrogated and shall debit to such deposit insurance account the excess, if any, of the amount made available by the Corporation to the new bank for depositors over and above the amount of such estimate. It shall be the duty of the Corporation to realize as rapidly as possible upon the assets of such closed bank, having due regard to the condition of credit in the district in which such closed bank is located; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided, retaining for its own account such portion of the amount realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors and paying to depositors and other creditors the amount available for distribution to them, after deducting therefrom their share of the costs of the liquidation of the closed bank. If the total amount realized by the Corporation on account of its subrogation to the claims of depositors be less than the amount of the estimate hereinabove provided for, the deposit insurance account shall be charged with the deficiency and, if the total amount so realized shall exceed the amount of such estimate, such account shall be credited
with such excess. With respect to such closed national banks, the Corporation shall have all the rights, powers, and privileges now possessed by or hereafter given receivers of insolvent national banks and shall be subject to the obligations and penalties not inconsistent with the provisions of this paragraph to which such receivers are now or may hereafter become subject.

"Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment be tendered by the appropriate State authority and be authorized or permitted by State law. Thereupon the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any
other effective method, the Corporation shall make available to such new national bank, in the manner prescribed by this subsection, an amount equal to the insured deposit liabilities of such closed State bank; and the Corporation and such new national bank shall perform all of the functions and duties and shall have all the rights and privileges with respect to such State bank and the depositors thereof which are prescribed by this subsection with respect to closed national banks holding class A stock in the Corporation: Provided, That the rights of depositors and other creditors of such State bank shall be determined in accordance with the applicable provisions of State law: And provided further, That, with respect to such State bank, the Corporation shall possess the powers and privileges provided by State law with respect to a receiver of such State bank, except insofar as the same are in conflict with the provisions of this subsection.

"Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, and the applicable State law does not permit the appointment of the Corporation as receiver of such bank, the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to
receive new deposits, and otherwise to perform temporarily
the functions provided for in this subsection. Upon satis-
factory recognition of the right of the Corporation to receive
dividends on the same basis as in the case of a closed national
bank under this subsection, such recognition being accorded
by State law, by allowance of claims by the appropriate
State authority, by assignment of claims by depositors, or
by any other effective method, the Corporation shall make
available to such new bank, in accordance with the pro-
visions of this subsection, the amount of insured deposit
liabilities as to which such recognition has been accorded;
and such new bank shall assume such insured deposit liabili-
ties and shall in other respects comply with the provisions
of this subsection respecting new banks organized to assume
insured deposit liabilities of closed national banks. Insofar
as possible in view of the applicable provisions of State law,
the Corporation shall proceed with respect to the receiver of
such closed bank and with respect to the new bank organized
to assume its insured deposit liabilities in the manner pre-
scribed by this subsection with respect to closed national
banks and new banks organized to assume their insured
deposit liabilities, except that the Corporation shall have
none of the powers, duties, or responsibilities of a receiver
with respect to the winding up of the affairs of such closed
State bank. The Corporation, in its discretion, however,
may purchase and liquidate any or all of the assets of such bank.

"Whenever the net debit balance of the deposit insurance account of the Corporation shall equal or exceed one fourth of 1 per centum of the total deposit liabilities of all class A stockholders as of the date of the last preceding call report, the Corporation shall levy upon such stockholders an assessment equal to one fourth of 1 per centum of their total deposit liabilities and shall credit the amount collected from such assessment to such deposit insurance account. No bank which is a holder of class A stock shall pay any dividends until all assessments levied upon it by the Corporation shall have been paid in full; and any director or officer of any such bank who participates in the declaration or payment of any such dividend may, upon conviction, be fined not more than $1,000, or imprisoned for not more than one year, or both.

"The term 'receiver' as used in this section shall mean a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator, commission, person, or other agency charged by State law with the responsibility and the duty of winding up the affairs of an insolvent State member bank.

"For the purposes of this section only, the term 'national bank' shall include all national banking associa-
tions and all banks, banking associations, trust companies, savings banks, and other banking institutions located in the District of Columbia which are members of the Federal Reserve System; and the term ‘State member bank’ shall include all State banks, banking associations, trust companies, savings banks, and other banking institutions organized under the laws of any State, which are members of the Federal Reserve System.

“In any determination of the insured deposit liabilities of any closed bank or of the total deposit liabilities of any bank which is a holder of class A stock of the Corporation, for the purposes of this subsection, there shall be excluded the amounts of all deposits of such bank which are payable only at an office thereof located in a foreign country.

“The Corporation may make such rules, regulations, and contracts as it may deem necessary in order to carry out the provisions of this section.

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

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

"(n) Receivers or liquidators of member banks which are now or may hereafter become insolvent or suspended shall be entitled to offer the assets of such banks for sale to the Corporation or as security for loans from the Corporation, upon receiving permission from the appropriate State authority in accordance with express provisions of State law in the case of State member banks, or from the Comptroller of the Currency in the case of national banks. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such banks. The Comptroller of the Currency may, in his discretion, pay
dividends on proved claims at any time after the expiration of the period of advertisement made pursuant to section 5235 of the Revised Statutes, and no liability shall attach to the Comptroller of the Currency or to the receiver of any national bank by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment.

“(o) The Corporation is authorized and empowered to issue and to have outstanding at any one time in an amount aggregating not more than twice the amount of its capital, its notes, debentures, bonds, or other such obligations, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest, and to mature at such time or times as may be determined by the Corporation: Provided, That the Corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the Corporation may be secured by assets of the Corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the corporation may determine.

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

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

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

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

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

“(u) Whoever, being connected in any capacity with
the Corporation, (1) embezzles, abstracts, purloins, or
willfully misapplies any moneys, funds, securities, or other
things of value, whether belonging to it or pledged, or
otherwise intrusted to it, or (2) with intent to defraud the
Corporation or any other body, politic or corporate, or
any individual, or to deceive any officer, auditor, or exam-
iner of the Corporation, makes any false entry in any
book, report, or statement of or to the Corporation, or
without being duly authorized draws any order or issues,
puts forth, or assigns any note, debenture, bond, or other
such obligation, or draft, bill of exchange, mortgage, judg-
ment, or decree thereof, shall be punished by a fine of not
more than $10,000, or by imprisonment for not more than
five years, or both.

“(v) No individual, association, partnership, or corpo-
ration shall use the words ‘Federal Bank Deposit Insurance
Corporation’, or a combination of any three of these five
words, as the name or a part thereof under which he or it
shall do business. No individual, association, partnership, or Corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its deposit liabilities are insured or in anywise guaranteed by the Federal Bank Deposit Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no class A stockholder of the Federal Bank Deposit Insurance Corporation shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its deposit liabilities are insured by the Federal Bank Deposit Insurance Corporation.

Every individual, partnership, association, or corporation violating this subdivision shall be punished by a fine of not exceeding $1,000, or by imprisonment not exceeding one year, or both.

"(w) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), in so far as applicable, are extended to apply to contracts or agreements with the Corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.
"(x) The Secret Service Division of the Treasury Department is authorized to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.

"Sec. 12G. (a) There is hereby created a Temporary Federal Bank Deposit Insurance Fund (hereinafter referred to as the ‘Fund’), which shall become operative on July 1, 1933, and whose duty it shall be to insure deposits as hereinafter provided until July 1, 1934.

"(b) Each member bank licensed before July 1, 1933, by the Secretary of the Treasury, pursuant to the authority vested in him by the proclamation of the President issued March 10, 1933, shall, on or before July 1, 1933, become a member of the Fund; each member bank so licensed after such date, and each State bank or trust company which becomes a member of the Federal Reserve System after such date, shall, upon being so licensed or so admitted to membership, become a member of the Fund; and any State bank or trust company and/or mutual savings bank which is not a member of the Federal Reserve System may, upon application therefor, become a member of the Fund on or before January 1, 1934, if such application is accompanied by a certificate of the State banking authority that such State bank or trust company or mutual savings bank is, on
the date of such application, solvent with respect to its unrestricted deposits.

"(c) The Fund shall insure the amounts owed to each of the depositors of each of its members, but not to exceed $2,500 in the case of any one depositor; but the provisions of this section shall not apply to any impounded deposit or any impounded portion thereof. Any restrictions heretofore or hereafter proclaimed by the Secretary of the Treasury shall not render a deposit ineligible for insurance.

"(d) Each member of the Fund which shall become a member on or before July 1, 1933, shall file with the Fund on or before such date, a certified statement under oath showing the number of its depositors and the total amount of its deposits as of June 15, 1933, which are eligible for insurance under this section, together with a certified check in an amount equal to one half of 1 per centum of the total amount of the deposits so certified; and each member bank, State bank, and trust company which shall become a member of the Fund after July 1, 1933, shall at the time of its admission to membership file with the Fund such a statement showing the number of its depositors and the total amount of its deposits as of the fifteenth day of the month preceding the month in which it was so admitted, which are eligible for insurance under this section, together with a certified check in an amount
equal to one half of 1 per centum of the total amount of the deposits so certified. A similar statement shall be filed by each such member on January 1, 1934, showing the number of its depositors and the total amount of its deposits as of December 15, 1933, which are eligible for such insurance, together with a certified check in an amount equal to one half of 1 per centum of the increase, if any, in the total amount of such deposits since the date covered by the statement filed upon its admission to membership in the Fund.

"(e) If at any time prior to July 1, 1934, the Fund requires additional funds with which to meet its obligations under this section, each member of the Fund shall be subject to one additional assessment only in an amount not exceeding the total amount theretofore paid to the Fund by such member.

"(f) During the period that deposits are insured under this section, no member of the Fund shall pay interest at a rate in excess of 2½ per centum per annum on the amount of any of its deposits so insured.

"(g) Whenever any member of the Fund shall have been closed by the appropriate legal authorities, the Fund shall pay to the depositors of such member as soon as possible thereafter the amount of their deposits on the date of such closing which are insured under this section. After such
payment the Fund shall be subrogated to all rights against
the closed bank of the owners of such insured deposits and
shall be entitled to receive the same dividends from the
proceeds of the assets of such closed bank as would have
been payable to each such depositor with respect to his
insured deposit.

"(h) In the event that the Fund shall be unable to pay
any of its obligations, when due, the Secretary of the Treas-
ury shall pay the amount thereof, which is hereby authorized
to be appropriated out of any money in the Treasury not
otherwise appropriated. If any such advances are made
by the Secretary of the Treasury, they shall be subsequently
reimbursed to the Treasury by the Federal Bank Deposit
Insurance Corporation by means of a special annual assess-
ment on the members of the Fund of one fourth of 1 per
centum of the total insured deposits of such members on
January 1, 1934, which the Corporation is hereby author-
ized to collect until such time as such advances shall have
been fully reimbursed, but no such assessment shall be made
after the expiration of ten years after July 1, 1934.

"(i) In the event that the Fund shall pay all of its
obligations without recourse to the provisions of subsection
(h) of this section, any balance remaining in the Fund
on July 1, 1934, shall be transferred to the Federal Bank
Deposit Insurance Corporation and credited to its deposit insurance account.

"(j) The Fund shall be a body corporate with power to adopt and use a corporate seal; to make contracts; to sue and be sued, complain and defend in any court of law or equity, State or Federal; to appoint by its board of directors, which shall consist of the members of the Federal Reserve Board, such officers and employees as may be necessary to carry out the powers granted to the Fund by this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees; to prescribe by its board of directors bylaws, not inconsistent with law, regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed; and to exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by this section and such incidental powers as shall be necessary to carry out the powers so granted. No member of the board of directors of the Fund shall receive any additional compensation for his services as such member.

"(k) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $10,000,000, which shall be made im-
mediately available to the Fund for the purpose of paying
any of its expenses or obligations.

"(l) All functions of the Fund shall cease on July 1, 1934; except that it may proceed to collect any liquidating dividends to which it may be entitled under subsection (g) of this section. The net proceeds of all such collections after July 1, 1934, shall be paid to the Federal Bank Deposit Insurance Corporation for credit to its deposit insurance account, unless there is a balance due the Treasury under subsection (h) of this section, in which event such collections shall first be paid into the Treasury to the extent of such balance."

Sec. 9. (a) The eighth paragraph of section 13 of the Federal Reserve Act, as amended, is amended to read as follows:

"Any Federal reserve bank may make advances for periods not exceeding fifteen days to its member banks on their promissory notes secured by the deposit or pledge of bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or by the deposit or pledge of debentures or other such obligations of Federal intermediate credit banks which are eligible for purchase by Federal reserve banks under section 13 (a) of this Act; and any Federal reserve bank may make advances for periods not exceeding ninety days to its member banks on their
promissory notes secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this Act. All such advances shall be made at rates to be established by such Federal reserve banks, subject to the review and determination of the Federal Reserve Board. If any member bank to which any such advance has been made shall, during the life or continuance of such advance, and despite an official warning of the reserve bank of the district or of the Federal Reserve Board to the contrary, increase its outstanding loans secured by collateral in the form of stocks, bonds, debentures, or other such obligations, or loans made to members of any organized stock exchange, investment house, or dealer in securities, upon any obligation, note, or bill, secured or unsecured, for the purpose of purchasing and/or carrying stocks, bonds, or other investment securities (except obligations of the United States) such advance shall be deemed immediately due and payable, and such member bank shall be ineligible as a borrower at the reserve bank of the district under the provisions of this paragraph for such period as the Federal Reserve Board shall determine: Provided, That no temporary carrying or clearance loans made solely for the purpose of facilitating the purchase or delivery of securities offered for public sub-
scription shall be included in the loans referred to in this paragraph.”

(b) The paragraph of section 13 of the Federal Reserve Act, as amended, beginning “That in addition to the powers now vested in national banking associations” is amended (effective six months hence) to read as follows:

“Any national banking association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which such association is located, receiving for such services a reasonable fee or commission; but no such association shall in any case guarantee either the principal or interest of any such loan.”

Sec. 10. Section 14 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following new paragraph:

“(g) The Federal Reserve Board shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker, or with any group of foreign banks or bankers, and all such relationships and transactions shall
be subject to such regulations, conditions, and limitations as the Board may prescribe. No officer or other representative of any Federal reserve bank shall conduct negotiations of any kind with the officers or representatives of any foreign bank or banker without first obtaining the permission of the Federal Reserve Board. The Federal Reserve Board shall have the right, in its discretion, to be represented in any conference or negotiations by such representative or representatives as the Board may designate. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts appertaining to such conferences or negotiations, shall be filed with the Federal Reserve Board in writing by a duly authorized officer of each Federal reserve bank which shall have participated in such conferences or negotiations."

Sec. 11. (a) Section 19 of the Federal Reserve Act, as amended, is amended by inserting after the sixth paragraph thereof the following new paragraph:

"No member bank shall act as the medium or agent of any nonbanking corporation, partnership, association, business trust, or individual in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in stocks, bonds, and other investment securities. Every violation of this provision by any member bank shall
be punishable by a fine of not more than $100 per day during
the continuance of such violation; and such fine may be
collected, by suit or otherwise, by the Federal reserve bank
of the district in which such member bank is located.”

(b) Such section 19 of the Federal Reserve Act, as
amended, is further amended by adding at the end thereof
the following new paragraphs:

“No member bank shall, directly or indirectly by any
device whatsoever, pay any interest on any deposit which is
payable on demand: Provided, That nothing herein contained
shall be construed as prohibiting the payment of interest in
accordance with the terms of any certificate of deposit or
other contract heretofore entered into in good faith which
is in force on the date of the enactment of this paragraph;
but no such certificate of deposit or other contract shall be
renewed or extended unless it shall be modified to conform
to this paragraph, and every member bank shall take such
action as may be necessary to conform to this paragraph
as soon as possible consistently with its contractual obliga-
tions: Provided, however, That this paragraph shall not
apply to any deposit of such bank which is payable only at
an office thereof located in a foreign country.

“The Federal Reserve Board shall from time to time
limit by regulation the rate of interest which may be paid
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by member banks on time deposits, and may prescribe different rates for such payment on time and savings deposits having different maturities or subject to different conditions respecting withdrawal or repayment. No member bank shall pay any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all saving deposits having the same requirement.”

(c) Section 8 of the Act entitled “An Act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes”, approved June 25, 1910, as amended, is amended by striking out the first sentence thereof and inserting in lieu thereof the following: “Any depositor may withdraw the whole or any part of the funds deposited to his or her credit with the accrued interest only on notice given sixty days in advance and under such regulations as the Postmaster General may prescribe; but withdrawal of any part of such funds may be made upon demand, but no interest shall be paid on any funds so withdrawn:

Provided, That Postal Savings depositories may deposit funds in member banks on time under regulations to be prescribed by the Postmaster General.”

Sec. 12. Section 22 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraph:
"(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers. If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the chairman of the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used. Any executive officer of any member bank violating the provisions of this paragraph shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year, or fined not more than $5,000, or both; and any member bank violating the provisions of this paragraph shall be fined not more than $10,000, and may be fined a further sum equal to the amount so loaned or credit so extended."

Sec. 13. The Federal Reserve Act, as amended, is amended by inserting between sections 23 and 24 thereof the following new section:

"Sec. 23A. No member bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, any of its affiliates, or (2) invest
any of its funds in the capital stock, bonds, debentures, or
other such obligations of any such affiliate. or (3) accept the
capital stock, bonds, debentures, or other such obligations of
any such affiliate as collateral security for advances made
to any person, partnership, association, or corporation, if, in
the case of any such affiliate, the aggregate amount of such
loans, extensions of credit, repurchase agreements, invest-
ments, and advances against such collateral security will
exceed 10 per centum of the capital stock and surplus of
such member bank, or if, in the case of all such affiliates,
the aggregate amount of such loans, extensions of credits,
repurchase agreements, investments, and advances against
such collateral security will exceed 20 per centum of the
capital stock and surplus of such member bank.

"Within the foregoing limitations, each loan or exten-
sion of credit of any kind or character to an affiliate shall be
secured by collateral in the form of stocks, bonds, debentures,
or other such obligations having a market value at the time
of making the loan or extension of credit of at least 20 per
centum more than the amount of the loan or extension of
credit, or of at least 10 per centum more than the amount of
the loan or extension of credit if it is secured by obligations
of any State, or of any political subdivision or agency
thereof: Provided, That the provisions of this paragraph
shall not apply to loans or extensions of credit secured by
obligations of the United States Government, the Federal intermediate credit banks, or the Federal land banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.

"For the purposes of this section the term 'affiliate' shall include holding company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated, (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company, (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of the Federal Reserve Act, as amended, or (4) organized under section 25 (a) of the Federal Reserve Act, as amended; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations."
SEC. 14. The Federal Reserve Act, as amended, is amended by inserting between section 24 and section 25 thereof the following new section:

"SEC. 24A. Hereafter no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Federal Reserve Board, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank or (2) make loans to or upon the security of the stock of any such corporation, if the aggregate of all such investments and loans will exceed the amount of the capital stock of such bank."

SEC. 15. The Federal Reserve Act, as amended, is further amended by inserting after section 25 (a) thereof the following new section:

"SEC. 25. (b) Notwithstanding any other provision of law all suits of a civil nature at common law or in equity to which any corporation organized under the laws of the United States shall be a party, arising out of transactions involving international or foreign banking, or banking in a dependency or insular possession of the United States, or out of other international or foreign financial operations, either directly or through the agency, ownership, or control of branches or local institutions in dependencies or insular possessions of the United States or in foreign countries,"
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 any defendant in any such suit may, at any time before the trial thereof, remove such suits 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.

"Notwithstanding any other provision of law, all suits of a civil nature at common law or in equity to which any Federal Reserve bank 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 any Federal Reserve bank which is a defendant in any such suit 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 any Federal Reserve bank or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court."

Sec. 16. Paragraph "Seventh" of section 5136 of the Revised Statutes, as amended, is amended to read as follows:
"Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title; and generally by engaging in all forms of banking business and undertaking all types of banking transactions that may, by the laws of the State in which such bank is situated, be permitted to banks of deposit and discount organized and incorporated under the laws of such State, except in so far as they may be forbidden by the provisions of any Act of Congress. The business of dealing in investment securities by the association shall be limited to purchasing and selling such securities without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities: Provided, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe, but in no event (1) shall the total amount of any issue of investment securities of any one obligor or maker
purchased after this section as amended takes effect and held
by the association for its own account exceed at any time 10
per centum of the total amount of such issue outstanding, but
this limitation shall not apply to any such issue the total
amount of which does not exceed $100,000 and does not
exceed 50 per centum of the capital of the association, nor
(2) shall the total amount of the investment securities of
any one obligor or maker purchased after this section as
amended takes effect and held by the association for its own
account exceed at any time 15 per centum of the amount of
the capital stock of the association actually paid in and un-
impaired and 25 per centum of its unimpaired surplus fund.
As used in this section the term ‘investment securities’
shall mean marketable obligations evidencing indebtedness
of any person, copartnership, association, or corporation in
the form of bonds, notes and/or debentures commonly
known as investment securities under such further definition
of the term ‘investment securities’ as may by regulation
be prescribed by the Comptroller of the Currency. Except
as hereinafter provided or otherwise permitted by law, noth-
ing herein contained shall authorize the purchase by the asso-
ciation of any shares of stock of any corporation. The limi-
tations herein contained as to investment securities shall not
apply to obligations of the United States, or obligations of
any State or of any political subdivision thereof, or obliga-
tions issued under authority of the Federal Farm Loan Act, as amended: Provided, That in carrying on the business commonly known as the safe-deposit business the association shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount in excess of 15 per centum of the capital stock of the association actually paid in and unimpaired and 15 per centum of its unimpaired surplus.”

The restrictions of this section as to dealing in investment securities shall take effect one year after the date of the approval of this Act.

Sec. 17. (a) Section 5138 of the Revised Statutes, as amended, is amended to read as follows:

“Sec. 5138. After this section as amended takes effect, no national banking association shall be organized with a less capital than $100,000, except that such associations with a capital of not less than $50,000 may be organized in any place the population of which does not exceed six thousand inhabitants. No such association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than $200,000, except that in the outlying districts of such a city where the State laws permit the organization of State banks with a capital of $100,000 or less, national banking associations now organized or here-
after organized may, with the approval of the Comptroller of
the Currency, have a capital of not less than $100,000.”

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

“No applying bank shall be admitted to membership
in a Federal reserve bank unless it possesses a paid-up unim-
paired capital sufficient to entitle it to become a national
banking association in the place where it is situated under
the provisions of the National Bank Act, as amended: Pro-
vided, That this paragraph shall not apply to State banks
and trust companies organized prior to the date this para-
graph as amended takes effect and having a capital of not
less than $25,000.”

Sec. 18. Section 5139 of the Revised Statutes, as
amended, is amended by adding at the end thereof the fol-
lowing new paragraph:

“After one year from the date of the enactment of
the Banking Act of 1933, no certificate representing the
stock of any such association shall represent the stock of
any other corporation, except a member bank or a corpora-
tion existing on the date this paragraph takes effect engaged
solely in holding the bank premises of such association, nor
shall the ownership, sale, or transfer of any certificate repre-
senting the stock of any such association be conditioned in
any manner whatsoever upon the ownership, sale, or transfer
of a certificate representing the stock of any other corpora-
tion, except a member bank."

Sec. 19. Section 5144 of the Revised Statutes, as
amended, is amended to read as follows:

"Sec. 5144. In all elections of directors, each share-
holder shall have the right to vote the number of shares owned
by him for as many persons as there are directors to be elected,
or to cumulate such shares and give one candidate as many
votes as the number of directors multiplied by the number of
his shares shall equal, or to distribute them on the same prin-
ciple among as many candidates as he shall think fit; and
in deciding all other questions at meetings of shareholders,
each shareholder shall be entitled to one vote on each share
of stock held by him; except (1) that shares of its own stock
held by a national bank as sole trustee shall not be voted, and
shares of its own stock held by a national bank and one
or more persons as trustees may be voted by such other
person or persons, as trustees, in the same manner as if he
or they were the sole trustee, and (2) shares controlled
by any holding company affiliate of a national bank shall
not be voted unless such holding company affiliate shall
have first obtained a voting permit as hereinafter provided,
which permit is in force at the time such shares are voted.
Shareholders may vote by proxies duly authorized in
writing; but no officer, clerk, teller, or bookkeeper of such
bank shall act as proxy; and no shareholder whose liability
is past due and unpaid shall be allowed to vote.

“For the purposes of this section shares shall be
deemed to be controlled by a holding company affiliate if
they are owned or controlled directly or indirectly by such
holding company affiliate, or held by any trustee for the
benefit of the shareholders or members thereof.

“Any such holding company affiliate may make appli-
cation to the Federal Reserve Board for a voting permit
entitling it to cast one vote at all elections of directors and
in deciding all questions at meetings of shareholders of such
bank on each share of stock controlled by it or authoriz-
ing the trustee or trustees holding the stock for its benefit
or for the benefit of its shareholders so to vote the same.
The Federal Reserve Board may, in its discretion, grant or
withhold such permit as the public interest may require.
In acting upon such application, the Board shall consider
the financial condition of the applicant, the general character
of its management, and the probable effect of the granting
of such permit upon the affairs of such bank, but no such
permit shall be granted except upon the following conditions:
“(a) Every such holding company affiliate shall, in
making the application for such permit, agree (1) to
receive, on dates identical with those fixed for the examina-
tion of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;

"(b) After five years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount
shall be increased by not less than 2 per centum per annum of such aggregate par value until such assets shall amount to 25 per centum of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per centum per annum on the book value of its own shares outstanding until such assets shall amount to such 25 per centum of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after five years after the enactment of the Banking Act of 1933, (1) any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 per centum per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount of not less than 12 per centum of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for
losses incurred in such banks, but any deficiency in such
assets resulting from such use shall be made up within such
period as the Federal Reserve Board may by regulation
prescribe;

“(d) Every officer, director, agent, and employee of
every such holding company affiliate shall be subject to the
same penalties for false entries in any book, report, or state-
ment of such holding company affiliate as are applicable to
officers, directors, agents, and employees of member banks
under section 5209 of the Revised Statutes, as amended;
and

“(e) Every such holding company affiliate shall, in its
application for such voting permit, (1) show that it does not
own, control, or have any interest in, and is not participating
in the management or direction of, any corporation, business
trust, association, or other similar organization formed for
the purpose of, or engaged principally in, the issue, flota-
tion, underwriting, public sale, or distribution, at wholesale
or retail or through syndicate participation, of stocks, bonds,
debentures, notes, or other securities of any sort (herein-
after referred to as ‘securities company’); (2) agree that
during the period that the permit remains in force it will
not acquire any ownership, control, or interest in any such
securities company or participate in the management or
direction thereof; (3) agree that if, at the time of filing
the application for such permit, it owns, controls, or has an
interest in, or is participating in the management or direc-
tion of, any such securities company, it will, within five
years after the filing of such application, divest itself of its
ownership, control, and interest in such securities company
and will cease participating in the management or direction
thereof, and will not thereafter, during the period that the
permit remains in force, acquire any further ownership,
control, or interest in any such securities company or par-
ticipate in the management or direction thereof; and (4)
agree that thenceforth it will declare dividends only out of
actual net earnings.

“If at any time it shall appear to the Federal Reserve
Board that any holding company affiliate has violated any
of the provisions of the Banking Act of 1933 or of any
agreement made pursuant to this section, the Federal Re-
serve Board may, in its discretion, revoke any such voting
permit after giving sixty days' notice by registered mail of
its intention to the holding company affiliate and affording
it an opportunity to be heard. Whenever the Federal Re-
serve Board shall have revoked any such voting permit, no
national bank whose stock is controlled by the holding com-
pany affiliate whose permit is so revoked shall receive depos-
its of public moneys of the United States, nor shall any such

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national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

“Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Federal Reserve Board, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended.”

Sec. 20. After one year from the date of the enactment of this Act, no member bank shall be affiliated in any manner described in section 2 (b) hereof with any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities.

For every violation of this section the member bank involved shall be subject to a penalty not exceeding $1,000 per day for each day during which such violation continues. Such penalty may be assessed by the Federal Reserve Board, in its discretion, and, when so assessed, may be collected by the Federal reserve bank by suit or otherwise.
If any such violation shall continue for six calendar months after the member bank shall have been warned by the Federal Reserve Board to discontinue the same, (a) in the case of a national bank, all the rights, privileges, and franchises granted to it under the National Bank Act may be forfeited in the manner prescribed in section 2 of the Federal Reserve Act, as amended, or, (b) in the case of a State member bank, all of its rights and privileges of membership in the Federal Reserve System may be forfeited in the manner prescribed in section 9 of the Federal Reserve Act, as amended.

Sec. 21. (a) After the expiration of one year after the date of enactment of this Act it shall be unlawful—

(1) For any person, firm, corporation, association, business trust, or other similar organization, engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a banking institution or private banker subject to examination
and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal Reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality.

(b) Whoever shall willfully violate any of the provisions of this section shall upon conviction be fined not more than $5,000 or imprisoned not more than five years, or both, and any officer, director, employee, or agent of any person, firm, corporation, association, business trust, or other similar organization who knowingly participates in any such violation shall be punished by a like fine or imprisonment or both.

Sec. 22. Paragraph (c) of section 5155 of the Revised Statutes, as amended, is amended to read as follows:
"(c) A national banking association may with the approval of the Comptroller of the Currency establish and operate new branches within the limits of the city, town, or village, or at any point within the State in which said association is situated, if such establishment and operation are at the time expressly authorized to State banks by the law of the State in question and subject to the restrictions as to location imposed by the law of the State on State banks. No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than $500,000: Provided, That in States with a population of less than one million, and which have no cities located therein with a population exceeding one hundred thousand, the capital shall be not less than $250,000: Provided, That in States with a population of less than one-half million, and which have no cities located therein with a population exceeding fifty thousand, the capital shall not be less than $100,000."

Paragraph (d) of section 5155 of the Revised Statutes, as amended, is amended to read as follows:

“(d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations
situated in the various places where such association and
its branches are situated.”

SEC. 23. (a) Sections 1 and 3 of the Act entitled
"An Act to provide for the consolidation of national banking
associations", approved November 7, 1918, as amended, are
amended by striking out the words “county, city, town, or
village” wherever they occur in each such section, and
inserting in lieu thereof the words “State, county, city,
town, or village.”

(b) Section 3 of such Act of November 7, 1918, as
amended, is further amended by striking out the second
sentence thereof and inserting in lieu thereof the following:
“The capital stock of such consolidated association shall
not be less than that required under existing law for the
organization of a national banking association in the place
in which such consolidated association is located. Upon
such a consolidation, or upon a consolidation of two or more
national banking associations under section 1 of this Act,
the corporate existence of each of the constituent banks and
national banking associations participating in such consoli-
dation shall be merged into and continued in the consoli-
dated national banking association and the consolidated
association shall be deemed to be the same corporation as
each of the constituent institutions. All the rights, fran-
chises, and interests of each of such constituent banks and
national banking associations in and to every species of
property, real, personal, and mixed, and choses in action
thereunto belonging, shall be deemed to be transferred to and
vested in such consolidated national banking association
without any deed or other transfer; and such consolidated
national banking association, by virtue of such consolidation
and without any order or other action on the part of any
court or otherwise, shall hold and enjoy the same and all
rights of property, franchises, and interests, including ap-
pointments, designations, and nominations and all other
rights and interests as trustee, executor, administrator,
registrar of stocks and bonds, guardian of estates, assignee,
receiver, committee of estates of lunatics and in every other
fiduciary capacity, in the same manner and to the same extent
as such rights, franchises, and interests were held or en-
joyed by any such constituent institution at the time of such
consolidation: Provided, however, That where any such
constituent institution at the time of such consolidation was
acting under appointment of any court as trustee, executor,
administrator, registrar of stocks and bonds, guardian of
estates, assignee, receiver, committee of estates of lunatics
or in any other fiduciary capacity, the consolidated national
banking association shall be subject to removal by a court
of competent jurisdiction in the same manner and to the
same extent as was such constituent corporation prior to
the consolidation, and nothing herein contained shall be con-
strued to impair in any manner the right of any court to
remove such a consolidated national banking association and
to appoint in lieu thereof a substitute trustee, executor, or
other fiduciary, except that such right shall not be exercised
in such a manner as to discriminate against national bank-
ing associations, nor shall any such consolidated association
be removed solely because of the fact that it is a national
banking association."

Sec. 24. The first two sentences of section 5197 of the
Revised Statutes are amended to read as follows:

"Any association may take, receive, reserve, and charge
on any loan or discount made, or upon any notes, bills of
exchange, or other evidences of debt, interest at the rate
allowed by the laws of the State, Territory, or District where
the bank is located, or at a rate of 1 per centum in excess
of the discount rate on ninety-day commercial paper in effect
at the Federal Reserve bank in the Federal Reserve district
where the bank is located, whichever may be the greater,
and no more, except that where by the laws of any State
a different rate is limited for banks organized under State
laws, the rate so limited shall be allowed for associations
organized or existing in any such State under this title.
When no rate is fixed by the laws of the State, or Territory,
or District, the bank may take, receive, reserve, or charge a
rate not exceeding 7 per centum, or 1 per centum in excess of the discount rate on ninety-day commercial paper in effect at the Federal Reserve bank in the Federal Reserve district where the bank is located, whichever may be the greater, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run.”

SEC. 25. (a) The second sentence of the first paragraph of section 5200 of the Revised Statutes, as amended, is amended by inserting before the period at the end thereof the following: “and shall include in the case of obligations of a corporation all obligations of all subsidiaries thereof in which such corporation owns or controls a majority interest.”

(b) The amendment made by this section shall not apply to such obligations of subsidiaries held by such association on the date this section takes effect.

SEC. 26. Section 5211 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

“Each national banking association shall obtain from each of its affiliates other than member banks and furnish to the Comptroller of the Currency not less than three reports during each year, in such form as the Comptroller may prescribe, verified by the oath or affirmation of the
president or such other officer as may be designated by the board of directors of such affiliate to verify such reports, disclosing the information hereinafter provided for as of dates identical with those for which the Comptroller shall during such year require the reports of the condition of the association. For the purpose of this section the term ‘affiliate’ shall include holding company affiliates as well as other affiliates. Each such report of an affiliate shall be transmitted to the Comptroller at the same time as the corresponding report of the association, except that the Comptroller may, in his discretion, extend such time for good cause shown. Each such report shall contain such information as in the judgment of the Comptroller of the Currency shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Comptroller to inform himself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the association under the same conditions as govern its own condition reports. The Comptroller shall also have power to call for additional reports with respect to any such affiliate whenever in his judgment the same are necessary in order to obtain a full and complete knowledge of the conditions of the association with which it is affiliated. Such additional reports shall be transmitted to the Comptroller of the Currency in such form
as he may prescribe. Any such affiliated bank which fails to obtain and furnish any report required under this section shall be subject to a penalty of $100 for each day during which such failure continues."

SEC. 27. (a) The first paragraph of section 5240 of the Revised Statutes, as amended, is amended by inserting before the period at the end thereof a colon and the following proviso: “Provided, That in making the examination of any national bank the examiners shall include such an examination of the affairs of all its affiliates other than member banks as shall be necessary to disclose fully the relations between such bank and such affiliates and the effect of such relations upon the affairs of such bank; and in the event of the refusal to give any information required in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, all the rights, privileges, and franchises of the bank shall be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended. The Comptroller of the Currency shall have power, and he is hereby authorized, to publish the report of his examination of any national banking association or affiliate which shall not within one hundred and twenty days after notification of the recommendations or suggestions of the Comptroller, based on said examination, have complied with the same to his satisfaction. Ninety days’ notice
prior to such publicity shall be given to the bank or affiliate.”

(b) Section 5240 of the Revised Statutes, as amended, is further amended by adding after the first paragraph thereof the following new paragraph:

“The examiner making the examination of any affiliate of a national bank shall have power to make a thorough examination of all the affairs of the affiliate, and in doing so he shall have power to administer oaths and to examine any of the officers, directors, employees, and agents thereof under oath and to make a report of his findings to the Comptroller of the Currency. The expense of examinations of such affiliates may be assessed by the Comptroller of the Currency upon the affiliates examined in proportion to assets or resources held by the affiliates upon the dates of examination of the various affiliates. If any such affiliate shall refuse to pay such expenses or shall fail to do so within sixty days after the date of such assessment, then such expenses may be assessed against the affiliated national bank and, when so assessed, shall be paid by such national bank: Provided, however, That, if the affiliation is with two or more national banks, such expenses may be assessed against, and collected from, any or all of such national banks in such proportions as the Comptroller of the Currency may prescribe. If any affiliate of a national bank shall refuse
to permit an examiner to make an examination of the affiliate or shall refuse to give any information required in the course of any such examination, the national bank with which it is affiliated shall be subject to a penalty of not more than $100 for each day that any such refusal shall continue. Such penalty may be assessed by the Comptroller of the Currency and collected in the same manner as expenses of examinations.”

Sec. 28. In any case in which, in the opinion of the Comptroller of the Currency, it would be to the advantage of the depositors and unsecured creditors of any national banking association whose business has been closed, for such association to resume business upon the retention by the association, for a reasonable period to be prescribed by the Comptroller, of all or any part of its deposits, the Comptroller is authorized, in his discretion, to permit the association to resume business if depositors and unsecured creditors of the association representing at least 85 per centum of its total deposit and unsecured credit liabilities consent in writing to such retention of deposits. Nothing in this section shall be construed to affect in any manner any powers of the Comptroller under the provisions of law in force on the date of enactment of this Act with respect to the reorganization of national banking associations.

Sec. 29. Whenever, in the opinion of the Comptroller of the Currency, any director or officer of a national
bank, or of a bank or trust company doing business in the
District of Columbia, or whenever, in the opinion of a Fed-
eral Reserve agent, any director or officer of a State member
bank in his district shall have continued to violate any law
relating to such bank or trust company or shall have con-
tinued unsafe or unsound practices in conducting the business
of such bank or trust company, after having been warned
by the Comptroller of the Currency or the Federal Reserve
agent, as the case may be, to discontinue such violations
of law or such unsafe or unsound practices, the Comptroller
of the Currency or the Federal Reserve agent, as the case
may be, may certify the facts to the Federal Reserve Board.
In any such case the Federal Reserve Board may cause
notice to be served upon such director or officer to appear
before such Board to show cause why he should not be
removed from office. A copy of such order shall be sent to
each director of the bank affected, by registered mail. If
after granting the accused director or officer a reasonable
opportunity to be heard, the Federal Reserve Board finds
that he has continued to violate any law relating to such
bank or trust company or has continued unsafe or unsound
practices in conducting the business of such bank or trust
company after having been warned by the Comptroller of
the Currency or the Federal Reserve agent to discontinue
such violation of law or such unsafe or unsound practices,
the Federal Reserve Board, in its discretion, may order that such director or officer be removed from office. A copy of such order shall be served upon such director or officer. A copy of such order shall also be served upon the bank of which he is a director or officer, whereupon such director or officer shall cease to be a director or officer of such bank:

Provided, That such order and the findings of fact upon which it is based shall not be made public or disclosed to anyone except the director or officer involved and the directors of the bank involved, otherwise than in connection with proceedings for a violation of this section. Any such director or officer removed from office as herein provided who thereafter participates in any manner in the management of such bank shall be fined not more than $5,000, or imprisoned for not more than five years, or both, in the discretion of the court.

Sec. 30. After one year from the date of enactment of this Act, notwithstanding any other provision of law, the board of directors, board of trustees, or other similar governing body of every national banking association and of every State bank or trust company which is a member of the Federal Reserve System shall consist of not less than five nor more than twenty-five members; and every director, trustee, or other member of the governing body of a national banking association, State bank, or trust company, which
has a paid-in and unimpaired capital in excess of $50,000 shall be the bona fide owner in his own right of shares of stock of such banking association, State bank or trust company having a par value in the aggregate of not less than $2,000. If any national banking association violates the provisions of this section and continues such violation after thirty days’ notice from the Comptroller of the Currency, the said Comptroller may appoint a receiver or conservator therefor, in accordance with the provisions of existing law. If any State bank or trust company which is a member of the Federal Reserve System violates the provisions of this section and continues such violation after thirty days’ notice from the Federal Reserve Board, it shall be subject to the forfeiture of its membership in the Federal Reserve System in accordance with the provisions of section 9 of the Federal Reserve Act, as amended.

Sec. 31. From and after January 1, 1934, no officer or director of any member bank shall be an officer, director, or manager of any corporation, partnership, or unincorporated association engaged primarily in the business of purchasing, selling, or negotiating securities, and no member bank shall perform the functions of a correspondent bank on behalf of any such individual, partnership, corporation, or unincorporated association; and no such individual, partnership, corporation, or unincorporated association shall
perform the functions of a correspondent for any member
bank or hold on deposit any funds on behalf of any member
bank, unless in any such case there is a permit therefor
issued by the Federal Reserve Board; and the Board is
authorized to issue such permit if in its judgment it is not
incompatible with the public interest, and to revoke any
such permit whenever it finds after reasonable notice and
opportunity to be heard, that the public interest requires
such revocation.

SEC. 32. The Act entitled "An Act to supplement
existing laws against unlawful restraints and monopolies,
and for other purposes", approved October 15, 1914, as
amended, is hereby amended by adding after section 8
thereof the following new section:

"SEC. 8A. That from and after the 1st day of Janu-
ary 1934, no director, officer, or employee of any bank,
banking association, or trust company, organized or operat-
ing under the laws of the United States shall be at the same
time a director, officer, or employee of a corporation or a
member of a partnership organized for any purpose what-
soever which shall make loans secured by stock or bond
collateral to any individual, association, partnership, or
corporation other than its own subsidiaries."

SEC. 33. Nothing in this Act shall be construed to
prohibit a national banking association from holding stock in
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a corporation organized by such association to liquidate a part
of its assets pursuant to the direction of the Comptroller of the
Currency.

Sec. 34. The right to alter, amend, or repeal this
Act is hereby expressly reserved. If any provision of
this Act, or the application thereof to any person or cir-
cumstances, is held invalid, the remainder of the Act, and the
application of such provision to other persons or circum-
stances, shall not be affected thereby.

Passed the House of Representatives May 23, 1933.

Attest: SOUTH TRIMBLE,
Clerk.

Passed the Senate amended May 15 (calendar day,
May 25), 1933.

Attest: EDWIN A. HALSEY,
Secretary.
A BILL

H. R. 5661

73rd Congress

In the House of Representatives, May 26, 1933

Ordered to be printed with the amendment of the

Speaker, numbered

and for other purposes.

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