

73^D CONGRESS
1ST SESSION

S. 1631

IN THE SENATE OF THE UNITED STATES

MAY 1 (calendar day, MAY 10), 1933

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

A BILL

To provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, 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 Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the short title of this Act shall be the “Banking Act
4 of 1933.”

5 SEC. 2. As used in this Act and in any provision of
6 law amended by this Act—

7 (a) The terms “banks”, “national bank”, “national
8 banking association”, “member bank”, “board”, “dis-

1 trict ”, and “ reserve bank ” shall have the meanings assigned
2 to them in section 1 of the Federal Reserve Act, as amended.

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

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

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

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

24 (c) The term “ holding company affiliate ” shall include
25 any corporation, business trust, association, or other similar
26 organization—

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

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

10 SEC. 3. (a) The fourth paragraph after paragraph
11 “Eighth” of section 4 of the Federal Reserve Act, as
12 amended, is amended to read as follows:

13 “Said board of directors shall administer the affairs
14 of said bank fairly and impartially and without discrimina-
15 tion in favor of or against any member bank or banks and
16 may, subject to the provisions of law and the orders of
17 the Federal Reserve Board, extend to each member bank
18 such discounts, advancements, and accommodations as may
19 be safely and reasonably made with due regard for the
20 claims and demands of other member banks, the mainte-
21 nance of sound credit conditions, and the accommodation of
22 commerce, industry, and agriculture. The Federal Reserve
23 Board may prescribe regulations further defining within the
24 limitations of this Act the conditions under which discounts,
25 advancements, and accommodations may be extended to

1 member banks. Each Federal reserve bank shall keep
2 itself informed of the general character and amount of the
3 loans and investments of its member banks with a view to
4 ascertaining whether undue use is being made of bank credit
5 for the speculative carrying of or trading in securities, real
6 estate, or commodities, or for any other purpose inconsis-
7 ent with the maintenance of sound credit conditions; and,
8 in determining whether to grant or refuse advances, redis-
9 counts or other credit accommodations, the Federal reserve
10 bank shall give consideration to such information. The
11 chairman of the Federal reserve bank shall report to the
12 Federal Reserve Board any such undue use of bank credit
13 by any member bank, together with his recommendation.
14 Whenever, in the judgment of the Federal Reserve Board,
15 any member bank is making such undue use of bank credit,
16 the Board may, in its discretion, after reasonable notice and
17 an opportunity for a hearing, suspend such bank from the use
18 of the credit facilities of the Federal Reserve System and
19 may terminate such suspension or may renew it from time
20 to time.”

21 (b) The paragraph of section 4 of the Federal Reserve
22 Act, as amended, which commences with the words “The
23 Federal Reserve Board shall classify” is amended by insert-
24 ing before the period at the end thereof a colon and the
25 following: “*Provided*, That whenever any two or more

1 member banks within the same Federal Reserve district are
2 affiliated with the same holding company affiliate, participa-
3 tion by such member banks in any such nomination or
4 election shall be confined to one of such banks, which may
5 be designated for the purpose by such holding company
6 affiliate.”

7 SEC. 4. The first paragraph of section 7 of the Federal
8 Reserve Act, as amended, is amended, effective July 1,
9 1932, to read as follows:

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

17 SEC. 5. (a) The first paragraph of section 9 of the
18 Federal Reserve Act, as amended, is amended by inserting
19 immediately after the words “United States” a comma
20 and the following: “including Morris Plan banks and
21 other incorporated banking institutions engaged in similar
22 business.”

23 (b) The second paragraph of section 9 of the Fed-
24 eral Reserve Act, as amended, is amended by adding
25 at the end thereof the following: “*Provided, however, That*

1 nothing herein contained shall prevent any State member
2 bank from establishing and operating branches in the United
3 States or any dependency or insular possession thereof or in
4 any foreign country, on the same terms and conditions and
5 subject to the same limitations and restrictions as are appli-
6 cable to the establishment of branches by national banks.”

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

10 “Any mutual savings bank having no capital stock, but
11 having surplus and undivided profits not less than the amount
12 of capital required for the organization of a national bank
13 in the same place, may apply for and be admitted to member-
14 ship in the Federal Reserve System in the same manner and
15 subject to the same provisions of law as State banks and trust
16 companies, except that such savings bank shall subscribe for
17 capital stock of the Federal Reserve bank in an amount equal
18 to six-tenths of 1 per centum of its total deposit liabilities as
19 shown by the most recent report of examination of such
20 savings bank preceding its admission to membership. There-
21 after such subscription shall be adjusted semiannually on the
22 same percentage basis in accordance with rules and regula-
23 tions prescribed by the Federal Reserve Board. If any
24 mutual savings bank applying for membership is not per-
25 mitted by the laws under which it was organized to purchase

1 stock in a Federal reserve bank, it shall, upon admission to
2 the system, deposit with the Federal reserve bank an amount
3 equal to the amount which it would have been required to
4 pay in on account of a subscription to capital stock. There-
5 after such deposit shall be adjusted semiannually in the same
6 manner as subscriptions for stock. Such deposit shall be
7 subject to the same conditions with respect to repayment as
8 amounts paid upon subscriptions to capital stock by other
9 member banks and the Federal reserve bank shall pay inter-
10 est thereon at the same rate as dividends are actually paid
11 on outstanding shares of stock of such Federal reserve bank.
12 If the laws under which such savings bank was organized be
13 amended so as to authorize mutual savings banks to subscribe
14 for Federal reserve bank stock such savings bank shall there-
15 upon subscribe for the appropriate amount of stock in the
16 Federal reserve bank, and the deposit hereinbefore provided
17 for in lieu of payment upon capital stock shall be applied
18 upon such subscription. If the laws under which such sav-
19 ings bank was organized be not amended at the next session
20 of the legislature following the admission of such savings
21 bank to membership so as to authorize mutual savings banks
22 to purchase Federal reserve bank stock, or if such laws be so
23 amended and such bank fail within six months thereafter to
24 purchase such stock, all of its rights and privileges as a
25 member bank shall be forfeited and its membership in the

1 Federal Reserve System shall be terminated in the manner
2 prescribed elsewhere in this section with respect to State
3 banks and trust companies. Each mutual savings bank shall
4 comply with all the provisions of law applicable to State
5 member banks and trust companies, with the regulations of
6 the Federal Reserve Board and with the conditions of
7 membership prescribed for such savings bank at the time of
8 admission to membership, except as otherwise hereinbefore
9 provided with respect to capital stock.

10 “ Each bank admitted to membership under this section
11 shall obtain from each of its affiliates other than member
12 banks and furnish to the Federal reserve bank of its district
13 and to the Federal Reserve Board not less than three reports
14 during each year. Such reports shall be in such form as
15 the Federal Reserve Board may prescribe, shall be verified
16 by the oath or affirmation of the president or such other
17 officer as may be designated by the board of directors of such
18 affiliate to verify such reports, and shall disclose the infor-
19 mation hereinafter provided for as of dates identical
20 with those fixed by the Federal Reserve Board for
21 reports of the condition of the affiliated member bank.
22 Each such report of an affiliate shall be transmitted as
23 herein provided at the same time as the corresponding
24 report of the affiliated member bank, except that the Fed-
25 eral Reserve Board may, in its discretion, extend such time

1 for good cause shown. Each such report shall contain such
2 information as in the judgment of the Federal Reserve
3 Board shall be necessary to disclose fully the relations
4 between such affiliate and such bank and to enable the Board
5 to inform itself as to the effect of such relations upon the
6 affairs of such bank. The reports of such affiliates shall
7 be published by the bank under the same conditions as
8 govern its own condition reports.

9 “Any such affiliated member bank may be required to
10 obtain from any such affiliate such additional reports as
11 in the opinion of its Federal reserve bank or the Federal
12 Reserve Board may be necessary in order to obtain a full
13 and complete knowledge of the condition of the affiliated
14 member bank. Such additional reports shall be transmitted
15 to the Federal reserve bank and the Federal Reserve Board
16 and shall be in such form as the Federal Reserve Board
17 may prescribe.

18 “Any such affiliated member bank which fails to
19 obtain from any of its affiliates and furnish any report
20 provided for by the two preceding paragraphs of this section
21 shall be subject to a penalty of \$100 for each day during
22 which such failure continues, which, by direction of the
23 Federal Reserve Board, may be collected, by suit or other-
24 wise, by the Federal reserve bank of the district in which
25 such member bank is located. For the purposes of this

1 paragraph and the two preceding paragraphs of this section,
2 the term 'affiliate' shall include holding company affiliates
3 as well as other affiliates.

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

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

19 "Each State member bank affiliated with a holding
20 company affiliate shall obtain from such holding company
21 affiliate, within such time as the Federal Reserve Board shall
22 prescribe, an agreement that such holding company affiliate
23 shall be subject to the same conditions and limitations as are
24 applicable under section 5144 of the Revised Statutes, as
25 amended, in the case of holding company affiliates of national

1 banks. A copy of each such agreement shall be filed with
2 the Federal Reserve Board. Upon the failure of a State
3 member bank affiliated with a holding company affiliate to
4 obtain such an agreement within the time so prescribed, the
5 Federal Reserve Board shall require such bank to surrender
6 its stock in the Federal reserve bank and to forfeit all rights
7 and privileges of membership in the Federal Reserve System
8 as provided in this section. Whenever the Federal Reserve
9 Board shall have revoked the voting permit of any such
10 holding company affiliate, the Federal Reserve Board may,
11 in its discretion, require any or all State member banks
12 affiliated with such holding company affiliate to surrender
13 their stock in the Federal reserve bank and to forfeit all
14 rights and privileges of membership in the Federal Reserve
15 System as provided in this section.

16 “In connection with examinations of State member
17 banks, examiners selected or approved by the Federal
18 Reserve Board shall make such examinations of the affairs
19 of all affiliates of such banks as shall be necessary to disclose
20 fully the relations between such banks and their affiliates
21 and the effect of such relations upon the affairs of such banks.
22 The expense of examination of affiliates of any State member
23 bank may, in the discretion of the Federal Reserve Board,
24 be assessed against such bank and, when so assessed, shall
25 be paid by such bank. In the event of the refusal to give

1 any information requested in the course of the examination
2 of any such affiliate, or in the event of the refusal to permit
3 such examination, or in the event of the refusal to pay
4 any expense so assessed, the Federal Reserve Board may,
5 in its discretion, require any or all State member banks
6 affiliated with such affiliate to surrender their stock in the
7 Federal reserve bank and to forfeit all rights and privileges
8 of membership in the Federal Reserve System, as provided
9 in this section.”

10 SEC. 6. (a) The second paragraph of section 10 of
11 the Federal Reserve Act, as amended, is amended to read
12 as follows:

13 “The Secretary of the Treasury and the Comp-
14 troller of the Currency shall be ineligible during the
15 time they are in office and for two years thereafter to
16 hold any office, position, or employment in any member
17 bank. The appointive members of the Federal Reserve
18 Board shall be ineligible during the time they are in office
19 and for two years thereafter to hold any office, position, or
20 employment in any member bank, except that this restric-
21 tion shall not apply to a member who has served the full
22 term for which he was appointed. Upon the expiration of
23 the term of any appointive member of the Federal Reserve
24 Board in office when this paragraph as amended takes effect,
25 the President shall fix the term of the successor to such

1 member at not to exceed twelve years, as designated by the
2 President at the time of nomination, but in such manner as
3 to provide for the expiration of the term of not more than one
4 appointive member in any two-year period, and thereafter
5 each appointive member shall hold office for a term of twelve
6 years from the expiration of the term of his predecessor. Of
7 the six persons thus appointed, one shall be designated by
8 the President as governor and one as vice governor of the
9 Federal Reserve Board. The governor of the Federal
10 Reserve Board, subject to its supervision, shall be its active
11 executive officer. Each member of the Federal Reserve
12 Board shall within fifteen days after notice of appointment
13 make and subscribe to the oath of office.”

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

16 “ The principal offices of the Board shall be in the Dis-
17 trict of Columbia. At meetings of the Board the Secretary
18 of the Treasury shall preside as chairman, and, in his
19 absence, the governor shall preside. In the absence of
20 both the Secretary of the Treasury and the governor the
21 vice governor shall preside. In the absence of the Secre-
22 tary of the Treasury, the governor, and the vice governor
23 the Board shall elect a member to act as chairman pro
24 tempore. The Board shall determine and prescribe the
25 manner in which its obligations shall be incurred and

1 its disbursements and expenses allowed and paid, and may
2 leave on deposit in the Federal Reserve banks the proceeds of
3 assessments levied upon them to defray its estimated expenses
4 and the salaries of its members and employees, whose employ-
5 ment, compensation, leave, and expenses shall be governed
6 solely by the provisions of this Act, specific amendments
7 thereof, and rules and regulations of the Board not inconsis-
8 tent therewith; and funds derived from such assessments shall
9 not be construed to be Government funds or appropriated
10 moneys. No member of the Federal Reserve Board shall be
11 an officer or director of any bank, banking institution, trust
12 company, or Federal Reserve bank or hold stock in any bank,
13 banking institution, or trust company; and before entering
14 upon his duties as a member of the Federal Reserve Board he
15 shall certify under oath that he has complied with this require-
16 ment, and such certification shall be filed with the secretary of
17 the Board. Whenever a vacancy shall occur, other than by
18 expiration of term, among the six members of the Federal
19 Reserve Board appointed by the President as above provided,
20 a successor shall be appointed by the President, by and with
21 the advice and consent of the Senate, to fill such vacancy,
22 and when appointed he shall hold office for the unexpired
23 term of his predecessor.”

24 SEC. 7. Paragraph (m) of section 11 of the Federal
25 Reserve Act, as amended, is amended to read as follows:

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

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

22 “SEC. 12A. (a) There is hereby created a Federal
23 Open Market Committee (hereinafter referred to as the
24 ‘committee’), which shall consist of as many members as
25 there are Federal reserve districts. Each Federal reserve

1 bank by its board of directors shall annually select one
2 member of said committee. The meetings of said com-
3 mittee shall be held at Washington, District of Columbia,
4 at least four times each year, upon the call of the governor
5 of the Federal Reserve Board or at the request of any
6 three members of the committee, and, in the discretion of
7 the Board, may be attended by the members of the Board.

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

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

22 “(d) If any Federal reserve bank shall decide not to
23 participate in open-market operations recommended and ap-
24 proved as provided in paragraph (b) hereof, it shall file
25 with the chairman of the committee within thirty days a

1 notice of its decision, and transmit a copy thereof to the
2 Federal Reserve Board.

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

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

24 “(c) There is hereby authorized to be appropriated,
25 out of any money in the Treasury not otherwise appropriated,

1 the sum of \$150,000,000, which shall be available
2 for payment by the Secretary of the Treasury for capital
3 stock of the Corporation in an equal amount, which shall
4 be subscribed for by him on behalf of the United States.
5 Payments upon such subscription shall be subject to call in
6 whole or in part by the board of directors of the Corporation.
7 Such stock shall be in addition to the amount of capital stock
8 required to be subscribed for by Federal reserve banks and
9 member banks as hereinafter provided, and the United States
10 shall be entitled to the payment of dividends on such stock
11 to the same extent as member banks are entitled to such pay-
12 ment on the class A stock of the Corporation held by them.
13 Receipts for payments by the United States for or on account
14 of such stock shall be issued by the Corporation to the Secre-
15 tary of the Treasury and shall be evidence of the stock
16 ownership of the United States.

17 “(d) The capital stock of the Corporation shall be
18 divided into shares of \$100 each. Certificates of stock of
19 the Corporation shall be of two classes—class A and class B.
20 Class A stock shall be held by member banks only and they
21 shall be entitled to payment of dividends out of net earnings
22 at the rate of 6 per centum per annum on the capital stock
23 paid in by them, which dividends shall be cumulative, or
24 to the extent of 30 per centum of such net earnings in any
25 one year, whichever amount shall be the greater, but such

1 stock shall have no vote at meetings of stockholders. Class
2 B stock shall be held by Federal reserve banks only and
3 shall not be entitled to the payment of dividends. Every
4 Federal reserve bank shall subscribe to shares of class B
5 stock in the Corporation to an amount equal to one half
6 of the surplus of such bank on January 1, 1933, and its
7 subscriptions shall be accompanied by a certified check pay-
8 able to the Corporation in an amount equal to one half of
9 such subscription. The remainder of such subscription shall
10 be subject to call from time to time by the board of directors
11 upon ninety days' notice.

12 “(e) Every bank which is or which becomes a member
13 of the Federal Reserve System on or before July 1, 1934,
14 shall take all steps necessary to enable it to become a class
15 A stockholder of the Corporation on or before July 1, 1934;
16 and thereafter no State bank shall be admitted to member-
17 ship in the Federal Reserve System until it becomes a
18 class A stockholder of the Corporation, no national bank
19 in the continental United States shall be granted a certificate
20 by the Comptroller of the Currency authorizing it to com-
21 mence the business of banking until it becomes a member
22 of the Federal Reserve System and a class A stockholder
23 of the Corporation, and no national bank in the continental
24 United States for which a receiver or conservator has been
25 appointed shall be permitted to resume the transaction of

1 its banking business until it becomes a class A stockholder
2 of the Corporation. Every member bank shall apply to
3 the Corporation for class A stock of the Corporation in an
4 amount equal to one half of 1 per centum of its total deposit
5 liabilities as computed in accordance with regulations pre-
6 scribed by the Federal Reserve Board; except that in the
7 case of a member bank organized after the date this
8 section takes effect, the amount of such class A stock applied
9 for by such member bank during the first twelve months
10 after its organization shall equal 5 per centum of its
11 paid-up capital and surplus, and beginning after the ex-
12 piration of such twelve months' period the amount of such
13 class A stock of such member bank shall be adjusted
14 annually in the same manner as in the case of other
15 member banks. Upon receipt of such application the
16 Corporation shall request the Federal Reserve Board, in
17 the case of a member State bank, or the Comptroller of the
18 Currency, in the case of a national bank, to certify upon
19 the basis of a thorough examination of such bank whether or
20 not the assets of the applying bank are unquestionably ade-
21 quate to enable it to meet all of its liabilities to depositors
22 and other creditors; and the Federal Reserve Board or
23 the Comptroller of the Currency shall make such certification
24 as soon as practicable. If such certification be in the affirm-
25 ative, the Corporation shall grant such application and the

1 applying bank shall pay one half of its subscription in full
2 and shall thereupon become a class A stockholder of the
3 Corporation: *Provided*, That no member bank shall be
4 required to make such payment or shall become a class A
5 stockholder of the Corporation before July 1, 1934. The
6 remainder of such subscription shall be subject to call from
7 time to time by the board of directors of the Corporation.
8 If such certification be in the negative, the Corporation shall
9 deny such application. If any national bank shall not have
10 become a class A stockholder of the Corporation on or before
11 July 1, 1934, the Comptroller of the Currency shall appoint
12 a receiver or conservator therefor in accordance with the pro-
13 visions of existing law. If any State member bank shall
14 not have become a class A stockholder of the Corporation
15 on or before July 1, 1934, the Federal Reserve Board shall
16 terminate its membership in the Federal Reserve System in
17 accordance with the provisions of section 9 of this Act.

18 “(f) Any State bank or trust company which has ap-
19 plied for membership in the Federal Reserve System or for
20 conversion into a national banking association may, with the
21 consent of the Corporation, obtain the benefits of this sec-
22 tion, pending action on such application, by subscribing and
23 paying for the same amount of stock of the Corporation as
24 it would be required to subscribe and pay for upon becom-
25 ing a member bank. Thereupon the provisions of this sec-

1 tion applicable to member banks shall be applicable to such
2 State bank or trust company to the same extent as if it
3 were already a member bank: *Provided*, That if the appli-
4 cation of such State bank or trust company for membership
5 in the Federal Reserve System or for conversion into a
6 national banking association be approved and it shall not
7 complete its membership in the Federal Reserve System or
8 its conversion into a national banking association within a
9 reasonable time, or if such application shall be disapproved,
10 then the amount paid by such bank or trust company on
11 account of its subscription to the capital stock of the Corpo-
12 ration shall be repaid to it and it shall no longer be subject
13 to the provisions or entitled to the privileges of this section.

14 “(g) If any mutual savings bank which hereafter be-
15 comes a member of the Federal Reserve System is not per-
16 mitted by the laws under which it was organized to purchase
17 stock in the Corporation, it shall apply to the Corporation
18 for admission to the benefits of this section and, if such
19 application be granted after appropriate certification in
20 accordance with this section, it shall deposit with the Cor-
21 poration an amount equal to the amount which it would have
22 been required to pay in on account of a subscription to
23 capital stock of the Corporation. Thereafter such deposit
24 shall be adjusted in the same manner as subscriptions for
25 stock by class A stockholders. Such deposit shall be subject

1 to the same conditions with respect to repayment as amounts
2 paid on subscriptions to class A stock by other member banks
3 and the Corporation shall pay interest thereon at the same
4 rate as dividends are actually paid on outstanding shares
5 of class A stock. As long as such deposit is maintained
6 with the Corporation, such mutual savings bank shall, for
7 the purposes of this section, be deemed to be a class A stock-
8 holder of the Corporation. If the laws under which such
9 savings bank was organized be amended so as to authorize
10 mutual savings banks to subscribe for class A stock of the
11 Corporation, such savings bank shall within six months
12 thereafter subscribe for an appropriate amount of such
13 class A stock and the deposit hereinafter provided for in lieu
14 of payment upon class A stock shall be applied upon such
15 subscription. If the law under which such savings bank
16 was organized be not amended at the next session of the
17 legislature following the admission of such savings bank
18 to the benefits of this section so as to authorize mutual savings
19 banks to purchase class A stock, or, if the law be so amended
20 and such bank shall fail within six months thereafter to
21 purchase such class A stock, the deposit previously made
22 with the Corporation shall be returned to such savings bank
23 and it shall no longer be entitled to the benefits of this section,
24 unless it shall have been closed in the meantime on account
25 of inability to meet the demands of its depositors.

1 “(h) The amount of the outstanding class A stock
2 of the Corporation held by member banks shall be annually
3 adjusted as hereinafter provided as of the last preceding
4 call date as member banks increase their time and demand
5 deposits or as additional banks become members or sub-
6 scribe to the stock of the Corporation, and such stock may be
7 decreased in amount as member banks reduce their time
8 and demand deposits or cease to be members. Shares of
9 the capital stock of the Corporation owned by member
10 banks shall not be transferred or hypothecated. When a
11 member bank increases its time and demand deposits it
12 shall, at the beginning of each calendar year, subscribe
13 for an additional amount of capital stock of the Corporation
14 equal to one half of 1 per centum of such increase in de-
15 posits. One half of the amount of such additional stock shall
16 be paid for at the time of the subscription therefor, and the
17 balance shall be subject to call by the board of directors of
18 the Corporation. A bank organized on or before the date
19 this section takes effect and admitted to membership in the
20 Federal Reserve System at any time after the organization
21 of the Corporation shall be required to subscribe for an
22 amount of class A capital stock equal to one half of 1 per
23 centum of the time and demand deposits of the appli-
24 cant bank as of the date of such admission, paying there-
25 for its par value plus one half of 1 per centum a month

1 from the period of the last dividend on the class A stock
2 of the Corporation. When a member bank reduces its
3 time and demand deposits it shall surrender, not later
4 than the 1st day of January thereafter, a proportionate
5 amount of its holdings in the capital stock of the Corporation,
6 and when a member bank voluntarily liquidates it shall sur-
7 render all its holdings of the capital stock of the Corporation
8 and be released from its stock subscription not previously
9 called. The shares so surrendered shall be canceled and
10 the member bank shall receive in payment therefor, under
11 regulations to be prescribed by the Federal Reserve Board,
12 a sum equal to its cash-paid subscriptions on the shares
13 surrendered and its proportionate share of dividends not to
14 exceed one half of 1 per centum a month, from the period
15 of the last dividend on such stock, less any liability of such
16 member bank to the Corporation.

17 “(i) If any member bank shall be declared insol-
18 vent, or shall cease to be a member bank, the stock held by
19 it in the Corporation shall be canceled, without impairment
20 of the liability of such bank, and all cash-paid subscriptions
21 on such stock, with its proportionate share of dividends not
22 to exceed one half of 1 per centum per month from the
23 period of last dividend on such stock shall be first applied
24 to all debts of the insolvent bank or the receiver thereof

1 to the Corporation, and the balance, if any, shall be paid
2 to the receiver of the insolvent bank.

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

6 “First. To adopt and use a corporate seal.

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

9 “Third. To make contracts.

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

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

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

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

5 “(k) The board of directors shall administer the
6 affairs of the Corporation fairly and impartially and without
7 discrimination in favor of or against any member bank or
8 banks and may, subject to the provisions of law, extend to
9 each national bank which is closed by action of the Comp-
10 troller of the Currency, or by vote of its directors, and to
11 each State member bank which is closed by action of the
12 appropriate State authorities, or by vote of its directors, such
13 accommodations as may be safely and reasonably made
14 with due regard for the claims and demands of other mem-
15 ber banks. The board of directors of the Corporation shall
16 determine and prescribe the manner in which its obligations
17 shall be incurred and its expenses allowed and paid. The
18 Corporation shall be entitled to the free use of the United
19 States mails in the same manner as the executive depart-
20 ments of the Government. The Corporation with the con-
21 sent of any Federal reserve bank or of any board, commis-
22 sion, independent establishment, or executive department
23 of the Government, including any field service thereof, may
24 avail itself of the use of information, services, and facilities
25 thereof in carrying out the provisions of this section.

1 “(1) Effective on and after July 1, 1934 (thus afford-
2 ing ample time for examination and preparation), the
3 Corporation shall insure the time and demand deposits of
4 all member banks which are class A stockholders of the
5 Corporation as hereinafter prescribed. Notwithstanding
6 any other provision of law, whenever any national bank
7 which is a class A stockholder of the Corporation shall
8 have been closed by action of its board of directors or by
9 the Comptroller of the Currency, as the case may be, on
10 account of inability to meet the demands of its depositors,
11 the Comptroller of the Currency shall appoint the Corpo-
12 ration receiver for such bank. As soon as possible there-
13 after the Corporation shall organize a new national bank
14 to assume the insured deposit liabilities of such closed bank,
15 to receive new deposits and otherwise to perform tempo-
16 rarily the functions provided for it in this paragraph. For
17 the purposes of this subsection, the term ‘insured deposit
18 liability’ shall mean with respect to the owner of any claim
19 arising out of a deposit liability of such closed bank the
20 following percentages of the net amount due to such
21 owner by such closed bank on account of deposit lia-
22 bilities: 100 per centum of the amount by which such
23 net amount does not exceed \$10,000; and 75 per centum
24 of the amount, if any, by which such net amount exceeds
25 \$10,000 but does not exceed \$50,000; and 50 per centum

1 of the amount, if any, by which such net amount exceeds
2 \$50,000: *Provided, That*, in determining the amount due
3 to such owner for the purpose of fixing such percentage,
4 there shall be added together all net amounts due to such
5 owner in the same capacity or the same right, on account
6 of deposits, regardless of whether such deposits be main-
7 tained in his name or in the names of others for his benefit.
8 For the purposes of this subsection, the term 'insured de-
9 posit liabilities' shall mean the aggregate amount of all
10 such insured deposit liabilities of such closed bank. The
11 Corporation shall determine as expeditiously as possible the
12 net amounts due to depositors of the closed bank and shall
13 make available to the new bank an amount equal to the
14 insured deposit liabilities of such closed bank, whereupon
15 such new bank shall assume the insured deposit liability of
16 such closed bank to each of its depositors, and the Corpora-
17 tion shall be subrogated to all rights against the closed bank
18 of the owners of such deposits and shall be entitled to receive
19 the same dividends from the proceeds of the assets of such
20 closed bank as would have been payable to each such deposi-
21 tor until such dividends shall equal the insured deposit liabil-
22 ity to such depositor assumed by the new bank, whereupon
23 all further dividends shall be payable to such depositor. Of
24 the amount thus made available by the Corporation to the
25 new bank, such portion shall be paid to it in cash as may be

1 necessary to enable it to meet immediate cash demands and
2 the remainder shall be credited to it on the books of the Cor-
3 poration subject to withdrawal on demand and shall bear
4 interest at the rate of 3 per centum per annum until with-
5 drawn. The new bank may, with the approval of the Cor-
6 poration, accept new deposits, which, together with all
7 amounts made available to the new bank by the Corporation,
8 shall be kept on hand in cash, invested in direct obligations
9 of the United States, or deposited with the Corporation or
10 with a Federal Reserve bank. Such new bank shall main-
11 tain on deposit with the Federal Reserve bank of its district
12 the reserves required by law of member banks but shall not
13 be required to subscribe for stock of the Federal Re-
14 serve bank until its own capital stock has been subscribed
15 and paid for in the manner hereinafter provided. The
16 articles of association and organization certificate of such
17 new bank may be executed by such representatives of the
18 Corporation as it may designate; the new bank shall not
19 be required to have any directors at the time of its organiza-
20 tion, but shall be managed by an executive officer to be desig-
21 nated by the Corporation; and no capital stock need be paid
22 in by the Corporation; but in other respects such bank shall
23 be organized in accordance with the existing provisions of
24 law relating to the organization of national banks; and,
25 until the requisite amount of capital stock for such bank has

1 been subscribed and paid for in the manner hereinafter pro-
2 vided, such bank shall transact no business except that
3 authorized by this subsection and such business as may be
4 incidental to its organization. When in the judgment of the
5 Corporation it is desirable to do so, the Corporation shall
6 offer capital stock of the new bank for sale on such terms and
7 conditions as the Corporation shall deem advisable, in an
8 amount sufficient in the opinion of the Corporation to make
9 possible the conduct of the business of the new bank on a
10 sound basis, but in no event less than that required by section
11 5158 of the Revised Statutes, as amended, for the organiza-
12 tion of a national bank in the place where such new bank is
13 located, giving the stockholders of the closed bank the first
14 opportunity to purchase such stock. Upon proof that an
15 adequate amount of capital stock of the new bank has been
16 subscribed and paid for in cash by subscribers satisfactory
17 to the Comptroller of the Currency, he shall issue to such
18 bank a certificate of authority to commence business and
19 thereafter it shall be managed by directors elected by its own
20 shareholders and may exercise all of the powers granted by
21 law to national banking associations. If an adequate amount
22 of capital for such new bank is not subscribed and paid in,
23 the Corporation may offer to transfer its business to any
24 other banking institution in the same place which will take
25 over its assets, assume its liabilities, and pay to the Corpora-

1 tion for such business such amount as the Corporation may
2 deem adequate. Unless the capital stock of the new bank is
3 sold or its assets acquired and its liabilities assumed by
4 another banking institution, in the manner herein prescribed,
5 within two years from the date of its organization, the Cor-
6 poration shall place the new bank in voluntary liquidation
7 and wind up its affairs. The Corporation shall open on its
8 books a deposit insurance account and, as soon as possible
9 after taking possession of any closed national bank, the Cor-
10 poration shall make an estimate of the amount which will
11 be available from all sources for application in satisfaction
12 of the portion of the claims of depositors to which it has been
13 subrogated and shall debit to such deposit insurance account
14 the excess, if any, of the amount made available by the Cor-
15 poration to the new bank for depositors over and above the
16 amount of such estimate. It shall be the duty of the Corpo-
17 ration to realize as rapidly as possible upon the assets of such
18 closed bank, having due regard to the condition of credit in
19 the district in which such closed bank is located; to enforce
20 the individual liability of the stockholders and directors
21 thereof; and to wind up the affairs of such closed bank in
22 conformity with the provisions of law relating to the liquida-
23 tion of closed national banks, except as herein otherwise pro-
24 vided, retaining for its own account such portion of the
25 amount realized from such liquidation as it shall be entitled

1 to receive on account of its subrogation to the claims of de-
2 positors and paying to depositors and other creditors the
3 amount available for distribution to them, after deducting
4 therefrom their share of the costs of the liquidation of the
5 closed bank. If the total amount realized by the Corpora-
6 tion on account of its subrogation to the claims of depositors
7 be less than the amount of the estimate hereinabove provided
8 for, the deposit insurance account shall be charged with the
9 deficiency and, if the total amount so realized shall exceed
10 the amount of such estimate, such account shall be credited
11 with such excess. With respect to such closed national banks,
12 the Corporation shall have all the rights, powers, and privi-
13 leges now possessed by or hereafter given receivers of insol-
14 vent national banks and shall be subject to the obligations and
15 penalties not inconsistent with the provisions of this para-
16 graph to which such receivers are now or may hereafter
17 become subject.

18 “ Whenever any State member bank which is a class A
19 stockholder of the Corporation shall have been closed by
20 action of its board of directors or by the appropriate State
21 authority, as the case may be, on account of inability to
22 meet the demands of its depositors, the Corporation shall
23 accept appointment as receiver thereof, if such appointment
24 be tendered by the appropriate State authority and be au-

1 thorized or permitted by State law. Thereupon the Cor-
2 poration shall organize a new national bank, in accordance
3 with the provisions of this subsection, to assume the insured
4 deposit liabilities of such closed State bank, to receive new
5 deposits and otherwise to perform temporarily the functions
6 provided for in this subsection. Upon satisfactory recogni-
7 tion of the right of the Corporation to receive dividends on
8 the same basis as in the case of a closed national bank under
9 this subsection, such recognition being accorded by State
10 law, by allowance of claims by the appropriate State au-
11 thority, by assignment of claims by depositors, or by any
12 other effective method, the Corporation shall make available
13 to such new national bank, in the manner prescribed by this
14 subsection, an amount equal to the insured deposit liabilities
15 of such closed State bank; and the Corporation and such new
16 national bank shall perform all of the functions and duties
17 and shall have all the rights and privileges with respect to
18 such State bank and the depositors thereof which are pre-
19 scribed by this subsection with respect to closed national banks
20 holding class A stock in the Corporation: *Provided*, That
21 the rights of depositors and other creditors of such State bank
22 shall be determined in accordance with the applicable pro-
23 visions of State law: *And provided further*, That, with
24 respect to such State bank, the Corporation shall possess the
25 powers and privileges provided by State law with respect to

1 a receiver of such State bank, except insofar as the same
2 are in conflict with the provisions of this subsection.

3 “ Whenever any State member bank which is a class A
4 stockholder of the Corporation shall have been closed by action
5 of its board of directors or by the appropriate State authority,
6 as the case may be, on account of inability to meet the demands
7 of its depositors, and the applicable State law does not permit
8 the appointment of the Corporation as receiver of such bank,
9 the Corporation shall organize a new national bank, in
10 accordance with the provisions of this subsection, to assume
11 the insured deposit liabilities of such closed State bank, to
12 receive new deposits, and otherwise to perform temporarily
13 the functions provided for in this subsection. Upon satis-
14 factory recognition of the right of the Corporation to receive
15 dividends on the same basis as in the case of a closed national
16 bank under this subsection, such recognition being accorded
17 by State law, by allowance of claims by the appropriate
18 State authority, by assignment of claims by depositors, or
19 by any other effective method, the Corporation shall make
20 available to such new bank, in accordance with the pro-
21 visions of this subsection, the amount of insured deposit
22 liabilities as to which such recognition has been accorded;
23 and such new bank shall assume such insured deposit liabili-
24 ties and shall in other respects comply with the provisions
25 of this subsection respecting new banks organized to assume

1 insured deposit liabilities of closed national banks. Insofar
2 as possible in view of the applicable provisions of State law,
3 the Corporation shall proceed with respect to the receiver of
4 such closed bank and with respect to the new bank organized
5 to assume its insured deposit liabilities in the manner pre-
6 scribed by this subsection with respect to closed national
7 banks and new banks organized to assume their insured
8 deposit liabilities, except that the Corporation shall have
9 none of the powers, duties, or responsibilities of a receiver
10 with respect to the winding up of the affairs of such closed
11 State bank. The Corporation, in its discretion, however,
12 may purchase and liquidate any or all of the assets of such
13 bank.

14 “ Whenever the net debit balance of the deposit insur-
15 ance account of the Corporation shall equal or exceed one
16 fourth of 1 per centum of the total deposit liabilities of all
17 class A stockholders as of the date of the last preceding call
18 report, the Corporation shall levy upon such stockholders
19 an assessment equal to one fourth of 1 per centum of their
20 total deposit liabilities and shall credit the amount collected
21 from such assessment to such deposit insurance account. No
22 bank which is a holder of class A stock shall pay any divi-
23 dends until all assessments levied upon it by the Corporation
24 shall have been paid in full; and any director or officer of
25 any such bank who participates in the declaration or pay-

1 ment of any such dividend may, upon conviction, be fined
2 not more than \$1,000, or imprisoned for not more than one
3 year, or both.

4 “The term ‘receiver’ as used in this section shall
5 mean a receiver, liquidating agent, or conservator of a
6 national bank, and a receiver, liquidating agent, conserva-
7 tor, commission, person, or other agency charged by State
8 law with the responsibility and the duty of winding up the
9 affairs of an insolvent State member bank.

10 “For the purposes of this section only, the term
11 ‘national bank’ shall include all national banking associa-
12 tions and all banks, banking associations, trust companies,
13 savings banks, and other banking institutions located in the
14 District of Columbia which are members of the Federal
15 Reserve System; and the term ‘State member bank’ shall
16 include all State banks, banking associations, trust compa-
17 nies, savings banks, and other banking institutions organized
18 under the laws of any State, which are members of the
19 Federal Reserve System.

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

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

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

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

24 “(n) Receivers or liquidators of member banks
25 which are now or may hereafter become insolvent or sus-

1 pended shall be entitled to offer the assets of such banks for
2 sale to the Corporation or as security for loans from the Cor-
3 poration, upon receiving permission from the appropriate
4 State authority in accordance with express provision of State
5 law in the case of State member banks, or from the Comp-
6 troller of the Currency in the case of national banks. The
7 proceeds of every such sale or loan shall be utilized for the
8 same purposes and in the same manner as other funds real-
9 ized from the liquidation of the assets of such banks. The
10 Comptroller of the Currency may, in his discretion, pay
11 dividends on proved claims at any time after the expiration
12 of the period of advertisement made pursuant to section 5235
13 of the Revised Statutes, and no liability shall attach to the
14 Comptroller of the Currency or to the receiver of any
15 national bank by reason of any such payment for failure to
16 pay dividends to a claimant whose claim is not proved at
17 the time of any such payment.

18 “(o) The Corporation is authorized and empowered
19 to issue and to have outstanding at any one time in an
20 amount aggregating not more than twice the amount of
21 its capital, its notes, debentures, bonds, or other such obli-
22 gations, to be redeemable at the option of the Corporation
23 before maturity in such manner as may be stipulated in
24 such obligations, and to bear such rate or rates of interest,
25 and to mature at such time or times as may be determined

1 by the Corporation: *Provided*, That the Corporation may
2 sell on a discount basis short-term obligations payable at
3 maturity without interest. The notes, debentures, bonds,
4 and other such obligations of the Corporation may be
5 secured by assets of the Corporation in such manner as
6 shall be prescribed by its board of directors. Such obliga-
7 tions may be offered for sale at such price or prices as the
8 corporation may determine.

9 “(p) All notes, debentures, bonds, or other such obli-
10 gations issued by the Corporation shall be exempt, both
11 as to principal and interest, from all taxation (except estate
12 and inheritance taxes) now or hereafter imposed by the
13 United States, by any Territory, dependency, or possession
14 thereof, or by any State, county, municipality, or local taxing
15 authority. The Corporation, including its franchise, its capi-
16 tal, reserves, and surplus, and its income, shall be exempt
17 from all taxation now or hereafter imposed by the United
18 States, by any Territory, dependency, or possession thereof,
19 or by any State, county, municipality, or local taxing author-
20 ity, except that any real property of the Corporation shall be
21 subject to State, Territorial, county, municipal, or local tax-
22 ation to the same extent according to its value as other real
23 property is taxed.

24 “(q) In order that the Corporation may be sup-
25 plied with such forms of notes, debentures, bonds, or other

1 such obligations as it may need for issuance under this Act,
2 the Secretary of the Treasury is authorized to prepare such
3 forms as shall be suitable and approved by the Corporation,
4 to be held in the Treasury subject to delivery, upon order
5 of the Corporation. The engraved plates, dies, bed pieces,
6 and other material executed in connection therewith shall
7 remain in the custody of the Secretary of the Treasury.
8 The Corporation shall reimburse the Secretary of the Treas-
9 ury for any expenses incurred in the preparation, custody,
10 and delivery of such notes, debentures, bonds, or other
11 such obligations.

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

15 “(s) Whoever, for the purpose of obtaining any loan
16 from the Corporation, or any extension or renewal
17 thereof, or the acceptance, release, or substitution of security
18 therefor, or for the purpose of inducing the Corporation to
19 purchase any assets, or for the purpose of influencing in any
20 way the action of the Corporation under this section, makes
21 any statement, knowing it to be false, or willfully overvalues
22 any security, shall be punished by a fine of not more than
23 \$5,000, or by imprisonment for not more than two years, or
24 both.

1 “(t) Whoever (1) falsely makes, forges, or counter-
2 feits any obligation or coupon, in imitation of or pur-
3 porting to be an obligation or coupon issued by the Cor-
4 poration, or (2) passes, utters, or publishes, or attempts
5 to pass, utter, or publish, any false, forged, or counterfeited
6 obligation or coupon purporting to have been issued by the
7 Corporation, knowing the same to be false, forged, or coun-
8 terfeited, or (3) falsely alters any obligation or coupon
9 issued or purporting to have been issued by the Corporation,
10 or (4) passes, utters, or publishes, or attempts to pass, utter,
11 or publish, as true, any falsely altered or spurious obligation
12 or coupon, issued or purporting to have been issued by the
13 Corporation, knowing the same to be falsely altered or
14 spurious, shall be punished by a fine of not more than
15 \$10,000, or by imprisonment for not more than five years,
16 or both.

17 “(u) Whoever, being connected in any capacity with
18 the Corporation, (1) embezzles, abstracts, purloins, or
19 willfully misapplies any moneys, funds, securities, or other
20 things of value, whether belonging to it or pledged, or
21 otherwise intrusted to it, or (2) with intent to defraud the
22 Corporation or any other body, politic or corporate, or
23 any individual, or to deceive any officer, auditor, or exam-
24 iner of the Corporation, makes any false entry in any
25 book, report, or statement of or to the Corporation, or

1 without being duly authorized draws any order or issues,
2 puts forth, or assigns any note, debenture, bond, or other
3 such obligation, or draft, bill of exchange, mortgage, judg-
4 ment, or decree thereof, shall be punished by a fine of not
5 more than \$10,000, or by imprisonment for not more than
6 five years, or both.

7 “ (v) No individual, association, partnership, or corpo-
8 ration shall use the words ‘ Federal Bank Deposit Insurance
9 Corporation ’, or a combination of any three of these five
10 words, as the name or a part thereof under which he or it
11 shall do business. No individual, association, partnership,
12 or corporation shall advertise or otherwise represent falsely
13 by any device whatsoever that his or its deposit liabilities
14 are insured or in anywise guaranteed by the Federal
15 Bank Deposit Insurance Corporation, or by the Govern-
16 ment of the United States, or by any instrumentality thereof;
17 and no class A stockholder of the Federal Bank Deposit
18 Insurance Corporation shall advertise or otherwise repre-
19 sent falsely by any device whatsoever the extent to which
20 or the manner in which its deposit liabilities are insured
21 by the Federal Bank Deposit Insurance Corporation.
22 Every individual, partnership, association, or corporation
23 violating this subdivision shall be punished by a fine of not
24 exceeding \$1,000, or by imprisonment not exceeding one
25 year, or both.

1 “(w) The provisions of sections 112, 113, 114, 115,
2 116, and 117 of the Criminal Code of the United States
3 (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), in
4 so far as applicable, are extended to apply to contracts or
5 agreements with the Corporation under this section, which for
6 the purposes hereof shall be held to include loans, advances,
7 extensions, and renewals thereof, and acceptances, releases,
8 and substitutions of security therefor, purchases or sales of
9 assets, and all contracts and agreements pertaining to the
10 same.

11 “(x) The Secret Service Division of the Treasury
12 Department is authorized to detect, arrest, and deliver
13 into the custody of the United States marshal having
14 jurisdiction any person committing any of the offenses
15 punishable under this section.”

16 SEC. 9. The eighth paragraph of section 13 of the
17 Federal Reserve Act, as amended, is amended to read as
18 follows:

19 “Any Federal reserve bank may make advances for
20 periods not exceeding fifteen days to its member banks on
21 their promissory notes secured by the deposit or pledge
22 of bonds, notes, certificates of indebtedness, or Treasury
23 bills of the United States, or by the deposit or pledge of
24 debentures or other such obligations of Federal inter-
25 mediate credit banks which are eligible for purchase by

1 Federal reserve banks under section 13 (a) of this Act; and
2 any Federal reserve bank may make advances for periods
3 not exceeding ninety days to its member banks on their
4 promissory notes secured by such notes, drafts, bills of ex-
5 change, or bankers' acceptances as are eligible for rediscount
6 or for purchase by Federal reserve banks under the provi-
7 sions of this Act. All such advances shall be made at rates
8 to be established by such Federal reserve banks, subject to
9 the review and determination of the Federal Reserve Board.
10 If any member bank to which any such advance has been
11 made shall, during the life or continuance of such advance,
12 and despite an official warning of the reserve bank of the
13 district or of the Federal Reserve Board to the contrary,
14 increase its outstanding loans secured by collateral in the
15 form of stocks, bonds, debentures, or other such obligations,
16 or loans made to members of any organized stock exchange,
17 investment house, or dealer in securities, upon any obliga-
18 tion, note, or bill, secured or unsecured, for the purpose of
19 purchasing and/or carrying stocks, bonds, or other invest-
20 ment securities (except obligations of the United States)
21 such advance shall be deemed immediately due and payable,
22 and such member bank shall be ineligible as a borrower at
23 the reserve bank of the district under the provisions of this
24 paragraph for such period as the Federal Reserve Board
25 shall determine: *Provided*, That no temporary carrying or

1 clearance loans made solely for the purpose of facilitating
2 the purchase or delivery of securities offered for public sub-
3 scription shall be included in the loans referred to in this
4 paragraph.”

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

8 “(g) The Federal Reserve Board shall exercise special
9 supervision over all relationships and transactions of any
10 kind entered into by any Federal reserve bank with any
11 foreign bank or banker, or with any group of foreign banks
12 or bankers, and all such relationships and transactions shall
13 be subject to such regulations, conditions, and limitations as
14 the Board may prescribe. No officer or other representa-
15 tive of any Federal reserve bank shall conduct negotiations
16 of any kind with the officers or representatives of any
17 foreign bank or banker without first obtaining the permis-
18 sion of the Federal Reserve Board. The Federal Reserve
19 Board shall have the right, in its discretion, to be represented
20 in any conference or negotiations by such representative or
21 representatives as the Board may designate. A full report
22 of all conferences or negotiations, and all understandings or
23 agreements arrived at or transactions agreed upon, and all
24 other material facts appertaining to such conferences or
25 negotiations, shall be filed with the Federal Reserve Board

1 in writing by a duly authorized officer of each Federal reserve
2 bank which shall have participated in such conferences or
3 negotiations.”

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

7 “ No member bank shall act as the medium or agent of
8 any nonbanking corporation, partnership, association, busi-
9 ness trust, or individual in making loans on the security of
10 stocks, bonds, and other investment securities to brokers or
11 dealers in stocks, bonds, and other investment securities.
12 Every violation of this provision by any member bank shall
13 be punishable by a fine of not more than \$100 per day dur-
14 ing the continuance of such violation; and such fine may be
15 collected, by suit or otherwise, by the Federal reserve bank
16 of the district in which such member bank is located.”

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

20 “ No member bank shall, directly or indirectly by any
21 device whatsoever, pay any interest on any deposit which is
22 payable unconditionally on demand: *Provided*, That nothing
23 herein contained shall be construed as prohibiting the pay-
24 ment of interest in accordance with the terms of any certifi-
25 cate of deposit or other contract heretofore entered into

1 in good faith which is in force on the date of the enactment
2 of this paragraph; but no such certificate of deposit or other
3 contract shall be renewed or extended unless it shall be
4 modified to conform to this paragraph, and every member
5 bank shall take such action as may be necessary to conform
6 to this paragraph as soon as possible consistently with its
7 contractual obligations: *Provided, however,* That this para-
8 graph shall not apply to any deposit of such bank which is
9 payable only at an office thereof located in a foreign country.

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

19 (c) Section 8 of the Act entitled "An Act to estab-
20 lish postal savings depositories for depositing savings at
21 interest with the security of the Government for repayment
22 thereof, and for other purposes", approved June 25, 1910,
23 as amended, is amended by striking out the first sentence
24 thereof and inserting in lieu thereof the following: "No
25 deposit shall be made with any postal savings depository

1 for a period of less than sixty days, and no depositor may
2 withdraw the whole or any part of the funds deposited to
3 his or her credit, or the accrued interest thereon, at any
4 time prior to the expiration of sixty days after the funds
5 sought to be withdrawn were deposited. Any funds not
6 withdrawn at the expiration of the period for which they
7 were deposited shall be deemed to be redeposited for a
8 period of sixty days; and all funds deposited with any postal
9 savings depository on the date this section, as amended,
10 takes effect, shall be deemed to be deposited on such date
11 for a period of sixty days. All withdrawals shall be made
12 under such regulations, not inconsistent with this Act, as
13 the Postmaster General may prescribe.”

14 SEC. 12. Section 22 of the Federal Reserve Act, as
15 amended, is further amended by adding at the end thereof
16 the following new paragraph:

17 “(g) No executive officer of any member bank shall
18 borrow from or otherwise become indebted to any member
19 bank of which he is an executive officer, and no member
20 bank shall make any loan or extend credit in any other man-
21 ner to any of its own executive officers. If any executive
22 officer of any member bank borrow from or if he be or
23 become indebted to any bank other than a member bank of
24 which he is an executive officer, he shall make a written

1 report to the chairman of the board of directors of the mem-
2 ber bank of which he is an executive officer, stating the date
3 and amount of such loan or indebtedness, the security there-
4 for, and the purpose for which the proceeds have been or
5 are to be used. Any executive officer of any member bank
6 violating the provisions of this paragraph shall be deemed
7 guilty of a misdemeanor and shall be imprisoned not exceed-
8 ing one year, or fined not more than \$5,000, or both; and
9 any member bank violating the provisions of this paragraph
10 shall be fined not more than \$10,000, and may be fined a
11 further sum equal to the amount so loaned or credit so
12 extended.”

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

16 “SEC. 23A. No member bank shall (1) make any loan
17 or any extension of credit to, or purchase securities under
18 repurchase agreement from, any of its affiliates, or (2) invest
19 any of its funds in the capital stock, bonds, debentures, or
20 other such obligations of any such affiliate, or (3) accept the
21 capital stock, bonds, debentures, or other such obligations of
22 any such affiliate as collateral security for advances made
23 to any person, partnership, association, or corporation, if, in
24 the case of any such affiliate, the aggregate amount of such
25 loans, extensions of credit, repurchase agreements, invest-

1 ments, and advances against such collateral security will
2 exceed 10 per centum of the capital stock and surplus of
3 such member bank, or if, in the case of all such affiliates,
4 the aggregate amount of such loans, extensions of credits,
5 repurchase agreements, investments, and advances against
6 such collateral security will exceed 20 per centum of the
7 capital stock and surplus of such member bank.

8 “ Within the foregoing limitations, each loan or exten-
9 sion of credit of any kind or character to an affiliate shall be
10 secured by collateral in the form of stocks, bonds, debentures,
11 or other such obligations having a market value at the time
12 of making the loan or extension of credit of at least 20 per
13 centum more than the amount of the loan or extension of
14 credit, or of at least 10 per centum more than the amount of
15 the loan or extension of credit if it is secured by obligations
16 of any State, or of any political subdivision or agency
17 thereof: *Provided*, That the provisions of this paragraph
18 shall not apply to loans or extensions of credit secured by
19 obligations of the United States Government, the Federal
20 intermediate credit banks, or the Federal land banks, or by
21 such notes, drafts, bills of exchange, or bankers' acceptances
22 as are eligible for rediscount or for purchase by Federal
23 Reserve banks. A loan or extension of credit to a director
24 officer, clerk, or other employee or any representative of
25 any such affiliate shall be deemed a loan to the affiliate to

1 the extent that the proceeds of such loan are used for the
2 benefit of, or transferred to, the affiliate.

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

19 SEC. 14. The Federal Reserve Act, as amended, is
20 amended by inserting between section 24 and section 25
21 thereof the following new section:

22 “ SEC. 24A. Hereafter no national bank, without the
23 approval of the Comptroller of the Currency, and no State
24 member bank, without the approval of the Federal Reserve
25 Board, shall (1) invest in bank premises, or in the stock,

1 bonds, debentures, or other such obligations of any corpora-
2 tion holding the premises of such bank or (2) make loans
3 to or upon the security of the stock of any such corporation,
4 if the aggregate of all such investments and loans will
5 exceed the amount of the capital stock of such bank.”

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

9 “SEC. 25. (b) Notwithstanding any other provision
10 of law all suits of a civil nature at common law or in equity
11 to which any corporation organized under the laws of the
12 United States shall be a party, arising out of transactions
13 involving international or foreign banking, or banking in
14 a dependency or insular possession of the United States,
15 or out of other international or foreign financial operations,
16 either directly or through the agency, ownership, or control
17 of branches or local institutions in dependencies or insular
18 possessions of the United States or in foreign countries,
19 shall be deemed to arise under the laws of the United States,
20 and the district courts of the United States shall have
21 original jurisdiction of all such suits; and any defendant in
22 any such suit may, at any time before the trial thereof,
23 remove such suits from a State court into the district court
24 of the United States for the proper district by following the

1 procedure for the removal of causes otherwise provided by
2 law.

3 “ Notwithstanding any other provision of law, all suits
4 of a civil nature at common law or in equity to which any
5 Federal Reserve bank shall be a party shall be deemed to
6 arise under the laws of the United States, and the district
7 courts of the United States shall have original jurisdiction
8 of all such suits; and any Federal Reserve bank which is a
9 defendant in any such suit may, at any time before the trial
10 thereof, remove such suit from a State court into the district
11 court of the United States for the proper district by following
12 the procedure for the removal of causes otherwise provided
13 by law. No attachment or execution shall be issued against
14 any Federal Reserve bank or its property before final judg-
15 ment in any suit, action, or proceeding in any State, county,
16 municipal, or United States court.”

17 SEC. 16. Paragraph “ Seventh ” of section 5136 of
18 the Revised Statutes, as amended, is amended to read as
19 follows:

20 “ Seventh. To exercise by its board of directors or
21 duly authorized officers or agents, subject to law, all such
22 incidental powers as shall be necessary to carry on the busi-
23 ness of banking; by discounting and negotiating promissory
24 notes, drafts, bills of exchange, and other evidences of debt;
25 by receiving deposits; by buying and selling exchange, coin,

1 and bullion; by loaning money on personal security; and
2 by obtaining, issuing, and circulating notes according to
3 the provisions of this title; and generally by engaging in all
4 forms of banking business and undertaking all types of
5 banking transactions that may, by the laws of the State
6 in which such bank is situated, be permitted to banks of
7 deposit and discount organized and incorporated under the
8 laws of such State, except in so far as they may be for-
9 bidden by the provisions of any Act of Congress. The busi-
10 ness of dealing in investment securities by the association shall
11 be limited to purchasing and selling such securities without
12 recourse, solely upon the order, and for the account of,
13 customers, and in no case for its own account, and the asso-
14 ciation shall not underwrite any issue of securities: *Pro-*
15 *vided*, That the association may purchase for its own account
16 investment securities under such limitations and restrictions
17 as the Comptroller of the Currency may by regulation pre-
18 scribe, but in no event (1) shall the total amount of any
19 issue of investment securities of any one obligor or maker
20 purchased after this section as amended takes effect and held
21 by the association for its own account exceed at any time 10
22 per centum of the total amount of such issue outstanding, but
23 this limitation shall not apply to any such issue the total
24 amount of which does not exceed \$100,000 and does not
25 exceed 50 per centum of the capital of the association, nor

1 (2) shall the total amount of the investment securities of
2 any one obligor or maker purchased after this section as
3 amended takes effect and held by the association for its own
4 account exceed at any time 15 per centum of the amount of
5 the capital stock of the association actually paid in and un-
6 impaired and 25 per centum of its unimpaired surplus fund.
7 As used in this section the term 'investment securities'
8 shall mean marketable obligations evidencing indebtedness
9 of any person, copartnership, association, or corporation in
10 the form of bonds, notes and/or debentures commonly
11 known as investment securities under such further definition
12 of the term 'investment securities' as may by regulation
13 be prescribed by the Comptroller of the Currency. Except
14 as hereinafter provided or otherwise permitted by law, noth-
15 ing herein contained shall authorize the purchase by the asso-
16 ciation of any shares of stock of any corporation. The limi-
17 tations herein contained as to investment securities shall not
18 apply to obligations of the United States, or obligations of
19 any State or of any political subdivision thereof, or obliga-
20 tions issued under authority of the Federal Farm Loan Act,
21 as amended: *Provided*, That in carrying on the business
22 commonly known as the safe-deposit business the associa-
23 tion shall not invest in the capital stock of a corporation
24 organized under the law of any State to conduct a safe-
25 deposit business in an amount in excess of 15 per centum

1 of the capital stock of the association actually paid in and
2 unimpaired and 15 per centum of its unimpaired surplus.”

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

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

8 “SEC. 5138. After this section as amended takes effect,
9 no national banking association shall be organized with a
10 less capital than \$100,000, except that such associations
11 with a capital of not less than \$50,000 may be organized
12 in any place the population of which does not exceed
13 six thousand inhabitants. No such association shall be
14 organized in a city the population of which exceeds
15 fifty thousand persons with a capital of less than \$200,000,
16 except that in the outlying districts of such a city where the
17 State laws permit the organization of State banks with a
18 capital of \$100,000 or less, national banking associations
19 now organized or hereafter organized may, with the approval
20 of the Comptroller of the Currency, have a capital of not
21 less than \$100,000.”

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

24 “No applying bank shall be admitted to membership
25 in a Federal reserve bank unless it possesses a paid-up unim-

1 paired capital sufficient to entitle it to become a national
2 banking association in the place where it is situated under
3 the provisions of the National Bank Act, as amended.”

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

7 “After two years from the date of the enactment of
8 the Banking Act of 1933, no certificate representing the
9 stock of any such association shall represent the stock of
10 any other corporation, except a member bank, nor shall the
11 ownership, sale, or transfer of any certificate representing
12 the stock of any such association be conditioned in any
13 manner whatsoever upon the ownership, sale, or transfer
14 of a certificate representing the stock of any other corpora-
15 tion, except a member bank.”

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

18 “SEC. 5144. In all elections of directors and in de-
19 ciding all questions at meetings of shareholders, each share-
20 holder shall be entitled to one vote on each share of stock
21 held by him; except (1) that shares of its own stock held
22 by a national bank as sole trustee shall not be voted, and
23 shares of its own stock held by a national bank and one
24 or more persons as trustees may be voted by such other
25 person or persons, as trustees, in the same manner as if he

1 or they were the sole trustee, and (2) shares controlled
2 by any holding company affiliate of a national bank shall
3 not be voted unless such holding company affiliate shall
4 have first obtained a voting permit as hereinafter provided,
5 which permit is in force at the time such shares are voted.
6 Shareholders may vote by proxies duly authorized in
7 writing; but no officer, clerk, teller, or bookkeeper of such
8 bank shall act as proxy; and no shareholder whose liability
9 is past due and unpaid shall be allowed to vote.

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

15 "Any such holding company affiliate may make appli-
16 cation to the Federal Reserve Board for a voting permit
17 entitling it to cast one vote at all elections of directors and
18 in deciding all questions at meetings of shareholders of such
19 bank on each share of stock controlled by it or authoriz-
20 ing the trustee or trustees holding the stock for its benefit
21 or for the benefit of its shareholders so to vote the same.
22 The Federal Reserve Board may, in its discretion, grant or
23 withhold such permit as the public interest may require.
24 In acting upon such application, the Board shall consider
25 the financial condition of the applicant, the general character

1 of its management, and the probable effect of the granting
2 of such permit upon the affairs of such bank, but no such
3 permit shall be granted except upon the following conditions:

4 “(a) Every such holding company affiliate shall, in
5 making the application for such permit, agree (1) to
6 receive, on dates identical with those fixed for the examina-
7 tion of banks with which it is affiliated, examiners duly
8 authorized to examine such banks, who shall make such
9 examinations of such holding company affiliate as shall be
10 necessary to disclose fully the relations between such banks
11 and such holding company affiliate and the effect of such
12 relations upon the affairs of such banks, such examinations
13 to be at the expense of the holding company affiliate so
14 examined; (2) that the reports of such examiners shall
15 contain such information as shall be necessary to disclose
16 fully the relations between such affiliate and such banks
17 and the effect of such relations upon the affairs of such
18 banks; (3) that such examiners may examine each bank
19 owned or controlled by the holding company affiliate, both
20 individually and in conjunction with other banks owned or
21 controlled by such holding company affiliate; and (4) that
22 publication of individual or consolidated statements of con-
23 dition of such banks may be required;

24 “(b) After five years after the enactment of the
25 Banking Act of 1933, every such holding company affiliate

1 (1) shall possess, and shall continue to possess during
2 the life of such permit, free and clear of any lien, pledge,
3 or hypothecation of any nature, readily marketable assets
4 other than bank stock in an amount not less than 12 per
5 centum of the aggregate par value of all bank stocks con-
6 trolled by such holding company affiliate, which amount
7 shall be increased by not less than 2 per centum per annum of
8 such aggregate par value until such assets shall amount to 25
9 per centum of the aggregate par value of such bank stocks;
10 and (2) shall reinvest in readily marketable assets other than
11 bank stock all net earnings over and above 6 per centum
12 per annum on the book value of its own shares outstanding
13 until such assets shall amount to such 25 per centum of the
14 aggregate par value of all bank stocks controlled by it;

15 “(c) Notwithstanding the foregoing provisions of this
16 section, after five years after the enactment of the Bank-
17 ing Act of 1933, (1) any such holding company affiliate
18 the shareholders or members of which shall be indi-
19 vidually and severally liable in proportion to the number
20 of shares of such holding company affiliate held by them
21 respectively, in addition to amounts invested therein, for
22 all statutory liability imposed on such holding company
23 affiliate by reason of its control of shares of stock of banks,
24 shall be required only to establish and maintain out of net
25 earnings over and above 6 per centum per annum on the

1 book value of its own shares outstanding a reserve of readily
2 marketable assets in an amount not less than 12 per centum
3 of the aggregate par value of bank stocks controlled by it,
4 and (2) the assets required by this section to be possessed
5 by such holding company affiliate may be used by it for
6 replacement of capital in banks affiliated with it and for
7 losses incurred in such banks, but any deficiency in such
8 assets resulting from such use shall be made up within such
9 period as the Federal Reserve Board may by regulation
10 prescribe;

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

18 “(e) Every such holding company affiliate shall, in its
19 application for such voting permit, (1) show that it does not
20 own, control, or have any interest in, and is not participating
21 in the management or direction of, any corporation, business
22 trust, association, or other similar organization formed for
23 the purpose of, or engaged principally in, the issue, flota-
24 tion, underwriting, public sale, or distribution, at wholesale
25 or retail or through syndicate participation, of stocks, bonds,

1 debentures, notes, or other securities of any sort (here-
2 inafter referred to as ' securities company ') ; (2) agree that
3 during the period that the permit remains in force it will
4 not acquire any ownership, control, or interest in any such
5 securities company or participate in the management or
6 direction thereof; (3) agree that if, at the time of filing
7 the application for such permit, it owns, controls, or has an
8 interest in, or is participating in the management or direc-
9 tion of, any such securities company, it will, within five
10 years after the filing of such application, divest itself of its
11 ownership, control, and interest in such securities company
12 and will cease participating in the management or direction
13 thereof, and will not thereafter, during the period that the
14 permit remains in force, acquire any further ownership,
15 control, or interest in any such securities company or par-
16 ticipate in the management or direction thereof; and (4)
17 agree that thenceforth it will declare dividends only out of
18 actual net earnings.

19 " If at any time it shall appear to the Federal Reserve
20 Board that any holding company affiliate has violated any
21 of the provisions of the Banking Act of 1933 or of any
22 agreement made pursuant to this section, the Federal Re-
23 serve Board may, in its discretion, revoke any such voting
24 permit after giving sixty days' notice by registered mail of
25 its intention to the holding company affiliate and affording

1 it an opportunity to be heard. Whenever the Federal Re-
2 serve Board shall have revoked any such voting permit, no
3 national bank whose stock is controlled by the holding com-
4 pany affiliate whose permit is so revoked shall receive depos-
5 its of public moneys of the United States, nor shall any such
6 national bank pay any further dividend to such holding com-
7 pany affiliate upon any shares of such bank controlled by
8 such holding company affiliate.

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

16 SEC. 20. After two years from the date of the enact-
17 ment of this Act, no member bank shall be affiliated in any
18 manner described in section 2 (b) hereof with any corpo-
19 ration, association, business trust, or other similar organiza-
20 tion engaged principally in the issue, flotation, underwriting,
21 public sale, or distribution at wholesale or retail or through
22 syndicate participation of stocks, bonds, debentures, notes,
23 or other securities.

24 For every violation of this section the member bank
25 involved shall be subject to a penalty not exceeding \$1,000

1 per day for each day during which such violation continues.
2 Such penalty may be assessed by the Federal Reserve Board,
3 in its discretion, and, when so assessed, may be collected by
4 the Federal reserve bank by suit or otherwise.

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

16 SEC. 21. (a) After the expiration of two years after
17 the date of enactment of this Act, it shall be unlawful—

18 (1) For any person, firm, corporation, association,
19 business trust, or other similar organization, engaged prin-
20 cipally in the business of issuing, underwriting, selling, or
21 distributing, at wholesale or retail, or through syndicate
22 participation, stocks, bonds, debentures, notes, or other se-
23 curities, to engage at the same time to any extent whatever
24 in the business of receiving deposits subject to check or to

1 repayment upon presentation of a passbook, certificate of
2 deposit, or other evidence of debt, or upon request of the
3 depositor; or

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

22 (b) Whoever shall willfully violate any of the provisions
23 of this section shall upon conviction be fined not
24 more than \$5,000 or imprisoned not more than five years,
25 or both, and any officer, director, employee, or agent of

1 any person, firm, corporation, association, business trust,
2 or other similar organization who knowingly participates
3 in any such violation shall be punished by a like fine or
4 imprisonment or both.

5 SEC. 22. Paragraph (c) of section 5155 of the
6 Revised Statutes, as amended, is amended to read as follows:

7 “(c) A national banking association may with the
8 approval of the Comptroller of the Currency establish and
9 operate new branches within the limits of the city, town,
10 or village, or at any point within the State in which said
11 association is situated, if such establishment and operation
12 are at the time expressly authorized to State banks by the
13 law of the State in question and subject to the restrictions as
14 to location imposed by the law of the State on State banks.
15 No such association shall establish a branch outside of the
16 city, town, or village in which it is situated unless it has a
17 paid-in and unimpaired capital stock of not less than
18 \$500,000: *Provided*, That in States with a population of
19 less than one million, and which have no cities located therein
20 with a population exceeding one hundred thousand, the
21 capital shall be not less than \$250,000.”

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

24 “(d) The aggregate capital of every national banking
25 association and its branches shall at no time be less than the

1 aggregate minimum capital required by law for the estab-
2 lishment of an equal number of national banking associations
3 situated in the various places where such association and
4 its branches are situated.”

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

12 (b) Section 3 of such Act of November 7, 1918, as
13 amended, is further amended by striking out the second
14 sentence thereof and inserting in lieu thereof the following:
15 “The capital stock of such consolidated association shall
16 not be less than that required under existing law for the
17 organization of a national banking association in the place
18 in which such consolidated association is located. Upon
19 such a consolidation, or upon a consolidation of two or more
20 national banking associations under section 1 of this Act,
21 the corporate existence of each of the constituent banks and
22 national banking associations participating in such consoli-
23 dation shall be merged into and continued in the consoli-
24 dated national banking association and the consolidated
25 association shall be deemed to be the same corporation as

1 each of the constituent institutions. All the rights, fran-
2 chises, and interests of each of such constituent banks and
3 national banking associations in and to every species of
4 property, real, personal, and mixed, and choses in action
5 thereto belonging, shall be deemed to be transferred to and
6 vested in such consolidated national banking association
7 without any deed or other transfer; and such consolidated
8 national banking association, by virtue of such consolidation
9 and without any order or other action on the part of any
10 court or otherwise, shall hold and enjoy the same and all
11 rights of property, franchises, and interests, including ap-
12 pointments, designations, and nominations and all other
13 rights and interests as trustee, executor, administrator, regis-
14 trar of stocks and bonds, guardian of estates, assignee, re-
15 ceiver, committee of estates of lunatics and in every other fidu-
16 ciary capacity, in the same manner and to the same extent as
17 such rights, franchises, and interests were held or enjoyed
18 by any such constituent institution at the time of such con-
19 solidation: *Provided, however,* That where any such con-
20 stituent institution at the time of such consolidation was act-
21 ing under appointment of any court as trustee, executor,
22 administrator, registrar of stocks and bonds, guardian of
23 estates, assignee, receiver, committee of estates of lunatics
24 or in any other fiduciary capacity, the consolidated national
25 banking association shall be subject to removal by a court

1 of competent jurisdiction in the same manner and to the
2 same extent as was such constituent corporation prior to
3 the consolidation, and nothing herein contained shall be con-
4 strued to impair in any manner the right of any court to
5 remove such a consolidated national banking association and
6 to appoint in lieu thereof a substitute trustee, executor, or
7 other fiduciary, except that such right shall not be exercised
8 in such a manner as to discriminate against national bank-
9 ing associations, nor shall any such consolidated association
10 be removed solely because of the fact that it is a national
11 banking association.”

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

14 “Any association may take, receive, reserve, and charge
15 on any loan or discount made, or upon any notes, bills of
16 exchange, or other evidences of debt, interest at the rate
17 allowed by the laws of the State, Territory, or District where
18 the bank is located, or at a rate of 1 per centum in excess
19 of the discount rate on ninety-day commercial paper in effect
20 at the Federal Reserve bank in the Federal Reserve district
21 where the bank is located, whichever may be the greater,
22 and no more, except that where by the laws of any State
23 a different rate is limited for banks organized under State
24 laws, the rate so limited shall be allowed for associations
25 organized or existing in any such State under this title.

1 When no rate is fixed by the laws of the State, or Territory,
2 or District, the bank may take, receive, reserve, or charge a
3 rate not exceeding 7 per centum, or 1 per centum in excess
4 of the discount rate on ninety-day commercial paper in
5 effect at the Federal Reserve bank in the Federal Reserve
6 district where the bank is located, whichever may be the
7 greater, and such interest may be taken in advance, reckon-
8 ing the days for which the note, bill, or other evidence of
9 debt has to run.”

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

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

20 SEC. 26. Section 5211 of the Revised Statutes, as
21 amended, is amended by adding at the end thereof the fol-
22 lowing new paragraph:

23 “Each national banking association shall obtain from
24 each of its affiliates other than member banks and furnish
25 to the Comptroller of the Currency not less than three

1 reports during each year, in such form as the Comptroller
2 may prescribe, verified by the oath or affirmation of the
3 president or such other officer as may be designated by the
4 board of directors of such affiliate to verify such reports,
5 disclosing the information hereinafter provided for as of
6 dates identical with those for which the Comptroller shall
7 during such year require the reports of the condition of the
8 association. For the purpose of this section the term
9 'affiliate' shall include holding company affiliates as well
10 as other affiliates. Each such report of an affiliate shall
11 be transmitted to the Comptroller at the same time as the
12 corresponding report of the association, except that the
13 Comptroller may, in his discretion, extend such time for
14 good cause shown. Each such report shall contain such
15 information as in the judgment of the Comptroller of the
16 Currency shall be necessary to disclose fully the relations
17 between such affiliate and such bank and to enable the
18 Comptroller to inform himself as to the effect of such rela-
19 tions upon the affairs of such bank. The reports of such
20 affiliates shall be published by the association under the same
21 conditions as govern its own condition reports. The Comp-
22 troller shall also have power to call for additional reports
23 with respect to any such affiliate whenever in his judgment
24 the same are necessary in order to obtain a full and com-
25 plete knowledge of the conditions of the association with

1 which it is affiliated. Such additional reports shall be
2 transmitted to the Comptroller of the Currency in such form
3 as he may prescribe. Any such affiliated bank which fails
4 to obtain and furnish any report required under this section
5 shall be subject to a penalty of \$100 for each day during
6 which such failure continues.”

7 SEC. 27. (a) The first paragraph of section 5240 of
8 the Revised Statutes, as amended, is amended by inserting
9 before the period at the end thereof a colon and the following
10 proviso: “*Provided*, That in making the examination of
11 any national bank the examiners shall include such an exam-
12 ination of the affairs of all its affiliates other than member
13 banks as shall be necessary to disclose fully the relations be-
14 tween such bank and such affiliates and the effect of such
15 relations upon the affairs of such bank; and in the event of
16 the refusal to give any information required in the course
17 of the examination of any such affiliate, or in the event of the
18 refusal to permit such examination, all the rights, privileges,
19 and franchises of the bank shall be subject to forfeiture in
20 accordance with section 2 of the Federal Reserve Act, as
21 amended. The Comptroller of the Currency shall have
22 power, and he is hereby authorized, to publish the report
23 of his examination of any national banking association or
24 affiliate which shall not within one hundred and twenty
25 days after notification of the recommendations or suggestions

1 of the Comptroller, based on said examination, have com-
2 plied with the same to his satisfaction. Ninety days' notice
3 prior to such publicity shall be given to the bank or
4 affiliate."

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

8 "The examiner making the examination of any affiliate
9 of a national bank shall have power to make a thorough
10 examination of all the affairs of the affiliate, and in doing
11 so he shall have power to administer oaths and to examine
12 any of the officers, directors, employees, and agents thereof
13 under oath and to make a report of his findings to the
14 Comptroller of the Currency. The expense of examinations
15 of such affiliates may be assessed by the Comptroller of the
16 Currency upon the affiliates examined in proportion to assets
17 or resources held by the affiliates upon the dates of examina-
18 tion of the various affiliates. If any such affiliate shall
19 refuse to pay such expenses or shall fail to do so within
20 sixty days after the date of such assessment, then such
21 expenses may be assessed against the affiliated national bank
22 and, when so assessed, shall be paid by such national bank:
23 *Provided, however,* That, if the affiliation is with two or
24 more national banks, such expenses may be assessed against,
25 and collected from, any or all of such national banks in such

1 proportions as the Comptroller of the Currency may
2 prescribe. If any affiliate of a national bank shall refuse
3 to permit an examiner to make an examination of the affiliate
4 or shall refuse to give any information required in the course
5 of any such examination, the national bank with which it is
6 affiliated shall be subject to a penalty of not more than \$100
7 for each day that any such refusal shall continue. Such pen-
8 alty may be assessed by the Comptroller of the Currency and
9 collected in the same manner as expenses of examinations.”

10 SEC. 28. In any case in which, in the opinion of the
11 Comptroller of the Currency, it would be to the advantage
12 of the depositors and unsecured creditors of any national
13 banking association whose business has been closed, for such
14 association to resume business upon the retention by the
15 association, for a reasonable period to be prescribed by the
16 Comptroller, of all or any part of its deposits, the Comp-
17 troller is authorized, in his discretion, to permit the associa-
18 tion to resume business if depositors and unsecured creditors
19 of the association representing at least 85 per centum of its
20 total deposit and unsecured credit liabilities consent in writing
21 to such retention of deposits. Nothing in this section shall
22 be construed to affect in any manner any powers of the
23 Comptroller under the provisions of law in force on the date
24 of enactment of this Act with respect to the reorganization
25 of national banking associations.

1 SEC. 29. Whenever, in the opinion of the Comp-
2 troller of the Currency, any director or officer of a national
3 bank, or of a bank or trust company doing business in the
4 District of Columbia, or whenever, in the opinion of a Fed-
5 eral Reserve agent, any director or officer of a State member
6 bank in his district shall have continued to violate any law
7 relating to such bank or trust company or shall have con-
8 tinued unsafe or unsound practices in conducting the business
9 of such bank or trust company, after having been warned
10 by the Comptroller of the Currency or the Federal Reserve
11 agent, as the case may be, to discontinue such violations
12 of law or such unsafe or unsound practices, the Comptroller
13 of the Currency or the Federal Reserve agent, as the case
14 may be, may certify the facts to the Federal Reserve Board.
15 In any such case the Federal Reserve Board may cause
16 notice to be served upon such director or officer to appear
17 before such Board to show cause why he should not be
18 removed from office. A copy of such order shall be sent to
19 each director of the bank affected, by registered mail. If
20 after granting the accused director or officer a reasonable
21 opportunity to be heard, the Federal Reserve Board finds
22 that he has continued to violate any law relating to such
23 bank or trust company or has continued unsafe or unsound
24 practices in conducting the business of such bank or trust
25 company after having been warned by the Comptroller of

1 the Currency or the Federal Reserve agent to discontinue
2 such violation of law or such unsafe or unsound practices,
3 the Federal Reserve Board, in its discretion, may order that
4 such director or officer be removed from office. A copy of
5 such order shall be served upon such director or officer.
6 A copy of such order shall also be served upon the bank of
7 which he is a director or officer, whereupon such director or
8 officer shall cease to be a director or officer of such bank:
9 *Provided*, That such order and the findings of fact upon
10 which it is based shall not be made public or disclosed to
11 anyone except the director or officer involved and the direc-
12 tors of the bank involved, otherwise than in connection with
13 proceedings for a violation of this section. Any such director
14 or officer removed from office as herein provided who there-
15 after participates in any manner in the management of such
16 bank shall be fined not more than \$5,000, or imprisoned for
17 not more than five years, or both, in the discretion of the
18 court.

19 SEC. 30. After one year from the date of enactment
20 of this Act, notwithstanding any other provision of law, the
21 board of directors, board of trustees, or other similar gov-
22 erning body of every national banking association and of
23 every State bank or trust company which is a member of the
24 Federal Reserve System shall consist of not less than five
25 nor more than twenty-five members; and every director,

1 trustee, or other member of such governing body shall be the
2 bona fide owner in his own right of shares of stock of such
3 banking association, State bank or trust company having a
4 par value in the aggregate of not less than \$2,000. If any
5 national banking association violates the provisions of this
6 section and continues such violation after thirty days' notice
7 from the Comptroller of the Currency, the said Comptroller
8 may appoint a receiver or conservator therefor, in accordance
9 with the provisions of existing law. If any State bank or
10 trust company which is a member of the Federal Reserve
11 System violates the provisions of this section and continues
12 such violation after thirty days' notice from the Federal
13 Reserve Board, it shall be subject to the forfeiture of its
14 membership in the Federal Reserve System in accordance
15 with the provisions of section 9 of the Federal Reserve Act,
16 as amended.

17 SEC. 31. From and after January 1, 1934, no officer
18 or director of any member bank shall be an officer, director,
19 or manager of any corporation, partnership, or unincorpo-
20 rated association engaged primarily in the business of pur-
21 chasing, selling, or negotiating securities, and no member
22 bank shall perform the functions of a correspondent bank
23 on behalf of any such individual, partnership, corporation,
24 or unincorporated association; and no such individual, part-

1 nership, corporation, or unincorporated association shall
2 perform the functions of a correspondent for any member
3 bank or hold on deposit any funds on behalf of any member
4 bank, unless in any such case there is a permit therefor
5 issued by the Federal Reserve Board; and the Board is
6 authorized to issue such permit if in its judgment it is not
7 incompatible with the public interest, and to revoke any
8 such permit whenever it finds after reasonable notice and
9 opportunity to be heard, that the public interest requires
10 such revocation.

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

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

1 SEC. 33. The right to alter, amend, or repeal this
 2 Act is hereby expressly reserved. If any provision of
 3 this Act, or the application thereof to any person or cir-
 4 cumstances, is held invalid, the remainder of the Act, and the
 5 application of such provision to other persons or circum-
 6 stances, shall not be affected thereby.

73^d CONGRESS }
 1st Session

S. 1631

A BILL

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

By Mr. Glass

May 1 (calendar day, May 10), 1933
 Read twice and referred to the Committee on
 Banking and Currency