AN ACT

To amend section 12B of the Federal Reserve Act so as to extend for one year the temporary plan for deposit insurance, and for other purposes.

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

That section 12B of the Federal Reserve Act is amended—

(1) By striking out "July 1, 1934" wherever it appears in subsections (e), (f), and (y), and inserting in lieu thereof "July 1, 1935";

(2) By striking out "June 15, 1934" where it appears in the last sentence of the third paragraph of subsection (y), and inserting in lieu thereof "December 15, 1934";
(3) By striking out "June 30, 1934" where it appears in the first sentence of the fifth paragraph of subsection (y); and inserting in lieu thereof "June 30, 1935";

(4) By amending the second sentence of the fifth paragraph of subsection (y) to comprise two sentences reading as follows: "The provisions of such subsection (l) relating to State member banks shall be extended for the purposes of this subsection to members of the Fund which are not members of the Federal Reserve System; and the provisions of such subsection (l) relating to the appointment of the Corporation as receiver shall be applicable to all the members of the Fund. The provisions of this subsection shall apply only to deposits of members of the Fund which have been made available since March 10, 1933, for withdrawal in the usual course of the banking business;"; and

(5) By adding at the end of the sixth paragraph of subsection (y) the following new sentences: "The Corporation shall prescribe by regulations the manner of exercise of the right of termination of membership in the Fund on July 1, 1934, and may require members of the Fund to give thirty days' notice prior to July 1, 1934, of election as a condition to withdrawal. Banks which withdraw from the Fund on July 1, 1934, shall be entitled to a refund of their proportionate share of any estimated balance in
the Fund on the same basis as if the Fund had terminated on July 1, 1934."

Sec. 2. The first paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 321), is amended by adding after the second sentence thereof a new sentence to read as follows: "For the purposes of membership of any such bank the terms 'capital' and 'capital stock' shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation."

That section 12B of the Federal Reserve Act is amended—

(1) by striking out "July 1, 1934" wherever it appears in subsections (e), (1), and (y), and inserting in lieu thereof "July 1, 1935";

(2) by striking out "June 15, 1934" where it appears in the last sentence of the third paragraph of subsection (y), and inserting in lieu thereof "October 1, 1934";

(3) by striking out "June 30, 1934" where it appears in the first sentence of the fifth paragraph of subsection (y), and inserting in lieu thereof "June 30, 1935";

(4) by adding after the first clause of the second sentence of the fifth paragraph of subsection (y) the following: "and the provisions of such subsection (1) relating to the appointment of the Corporation as receiver shall be applicable to the members of the temporary Federal deposit insur-
ance fund,”; and by striking out the initial words “and the” in the second clause of the second sentence of the fifth paragraph of subsection (y) and inserting in lieu thereof the word “The”;

(5) by adding to the sixth paragraph of subsection (y) the following: “The Corporation shall prescribe by regulations the manner of exercise of the right of nonmember banks to withdraw from membership in the fund on July 1, 1934, except that no bank shall be permitted to withdraw unless twenty days prior thereto it has given written notice to each of its depositors and to the Corporation of its election so to do. Banks which withdraw from the fund on July 1, 1934, shall be entitled to a refund of their proportionate share of any estimated balance in the fund on the same basis as if the fund had terminated on July 1, 1934.”;

(6) by adding to the end of the fourth paragraph of subsection (y) the following two additional paragraphs:

“On and after July 1, 1934, the amount eligible for insurance under this subsection for the purposes of the October 1, 1934, certified statement, any entrance assessment, and, if levied, the additional assessment shall be the amounts not in excess of $5,000 of the deposits of each depositor.

“Each mutual savings bank, unless it becomes subject to the provisions of the preceding paragraph in the manner hereinafter provided, shall be excepted from the operation of
the preceding paragraph and for each such bank which is
so excepted the amount eligible for insurance under this sub-
section for the purposes of the October 1, 1934, certified
statement, any entrance assessment, and, if levied, the addi-
tional assessment shall be the amounts not in excess of $2,500
for the deposits of each depositor. In the event any mutual
savings bank shall be closed on account of inability to meet
its deposit liabilities the Corporation shall pay not more than
$2,500 on account of the net approved claim of any owner
of deposits in such bank: Provided, however, That should any
mutual savings bank make manifest to the Corporation its
election to be subject to the provisions of the preceding para-
graph the Corporation may, in the discretion of the board of
directors, permit such bank to become so subject and the
insurance of its deposits to continue on the same basis and
to the same extent as that of fund members other than mutual
savings banks.”

(7) by striking out the period at the end of the first
sentence of the fifth paragraph of subsection (y) and inserting
in lieu thereof a comma and the following: “if the member
closed on or before June 30, 1934, and not more than $5,000
if closed on or after July 1, 1934.”;

(8) by (a) striking out “and until July 1, 1936,” in
the first sentence of subsection (1), (b) striking out the words
“until July 1, 1936,” in the seventh paragraph of subsection
(y) and inserting in lieu thereof the following: "notwithstanding any provision of this section to the contrary.", and
(c) adding after the seventh paragraph of subsection (y) the following new paragraph:

"Any State bank may obtain the benefits of this section on and after the date the fund is terminated upon the conditions with regard to examination, certification, and approval governing the admission of State banks to the fund and upon purchasing such class A stock or making such a deposit as is prescribed in the preceding paragraph for former fund members."

(9) by (a) striking out the word "three" in subsection (o) and inserting in lieu thereof the word "five", and (b) by inserting the word "subscribed". before the word "capital" in said subsection.

(10) by adding at the end of subsection (o) the following new paragraph:

"Such of the obligations authorized to be issued under this subsection as the Corporation, with the approval of the Secretary of the Treasury, may determine, shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. In the event that the Corporation shall be unable to pay upon demand, when due, the principal of or interest on notes, debentures, bonds, or
other such obligations issued by it, and guaranteed by the
United States under this paragraph, the Secretary of the
Treasury shall pay the amount thereof, which is hereby
authorized to be appropriated out of any money in the
Treasury not otherwise appropriated, and thereupon, to the
extent of the amounts so paid, the Secretary of the Treasury
shall succeed to all the rights of the holders of such notes,
debentures, bonds, or other obligations. The Secretary of
the Treasury, in his discretion, is authorized to purchase
any obligations of the Corporation to be issued under this
subsection which are guaranteed by the United States under
this paragraph, and for such purpose the Secretary of the
Treasury is authorized to use as a public-debt transaction
the proceeds from the sale of any securities hereafter issued
under the Second Liberty Loan Act, as amended, and the
purposes for which securities may be issued under the Sec-
ond Liberty Loan Act, as amended, are extended to include
any purchases of the Corporation’s obligations under this
paragraph. The Secretary of the Treasury may at any
time sell any of the obligations of the Corporation acquired
by him under this paragraph. All redemptions, purchases,
and sales by the Secretary of the Treasury of the obligations
of the Corporation shall be treated as public-debt transac-
tions of the United States. The Secretary of the Treasury,
at the request of the Federal Deposit Insurance Corpora-
tion, is authorized to market for the Corporation such of its
notes, debentures, bonds, and other such obligations as are
guaranteed by the United States under this paragraph, using
therefor all the facilities of the Treasury Department now
authorized by law for the marketing of obligations of the
United States. The proceeds of the obligations of the Cor-
poration so marketed shall be deposited in the same manner
as proceeds derived from the sale of obligations of the United
States, and the amount thereof shall be credited to the Cor-
poration on the books of the Treasury.”; and

(11) by inserting after the first sentence of subsection
(p) the following new sentence: “Any such obligations
which are guaranteed by the United States under the second
paragraph of subsection (o) shall be exempt from all such
taxation (except surtaxes, estate, inheritance, and gift
taxes).”

SEC. 2. The first paragraph of section 9 of the Fed-
eral Reserve Act, as amended (U.S.C., title 12, sec. 321),
is amended by adding after the second sentence thereof a new
sentence to read as follows: “For the purposes of mem-
bership of any such bank the terms ‘capital’ and ‘capital
stock’ shall include the amount of outstanding capital notes
and debentures legally issued by the applying bank and pur-
 chased by the Reconstruction Finance Corporation.”
Sec. 3. (a) The first sentence of the eighth paragraph of section 13 of the Federal Reserve Act, as amended, is further amended by inserting before the comma after the words "section 13 (a) of this Act" a comma and the following: "or by the deposit or pledge of obligations of the Federal Deposit Insurance Corporation which are guaranteed both as to principal and interest by the United States".

(b) Paragraph (b) of section 14 of the Federal Reserve Act, as amended, is further amended by inserting before the comma after the words "bonds and notes of the United States" a comma and the following: "obligations of the Federal Deposit Insurance Corporation which are guaranteed both as to principal and interest by the United States".

(c) Section 31 of the Banking Act of 1933 is amended as follows: "so much of section 31 of the Banking Act of 1933 as relates to stock ownership by directors of member banks of the Federal Reserve System is hereby repealed."

Sec. 4. Section 12B of the Federal Reserve Act is amended (a) by adding after subsection (y) a new subsection to read as follows:

"(z) The Federal Deposit Insurance Corporation is hereby authorized and empowered to loan upon or purchase assets of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior
to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, the assets of any such bank or any part of such assets upon such terms and conditions as the Corporation may by regulations prescribe. If in connection with the reorganization, stabilization, or liquidation of any such bank, assets have been trusteeed or are otherwise held for the benefit of depositors or depositors and others, the authority, subject to regulations, as provided in the preceding sentence shall be extended for the purpose of authorizing the Corporation to purchase or make loans on such assets held for the benefit of such depositors or depositors and others. This authority shall extend to any such institution that has reopened without payment of deposits in full. The Corporation is further authorized and empowered, in case the Reconstruction Finance Corporation has made a loan to any such closed bank, to negotiate with the liquidating agent or receiver of such bank for an appraisal of its assets and the purchase thereof or the making of a loan thereon to take up the loan or any part thereof made by the Reconstruction Finance Corporation, if the Federal Deposit Insurance Corporation deems it desirable in the public interest and the loan will be reasonably secured. In making any purchase of or loan on assets of any closed bank, the Corporation shall appraise such assets in anticipation of an orderly liquidation over a period of years, rather than
on the basis of forced selling values in a period of business
depression. The Corporation is authorized and empowered
to sell any assets acquired under this subsection and shall
with respect to such selling and to the liquidation of assets
of closed banks pursue and encourage a policy of extending
the period of liquidation so as best to conserve the value of
such assets and to prevent unreasonable sacrifice thereof.

"Not more than one half of the obligations authorized
to be issued by the Corporation shall be used for the pur-
poses set forth in this subsection. No portion of the capital
stock or other funds of the Corporation raised for the pur-
pose of insuring deposits in banks shall be used for the
purchase of or loans on assets in banks closed prior to
January 1, 1934, nor for the repayment of obligations the
proceeds of which were used under the provisions of this
section. Such obligations as are so used shall be paid only
out of the funds received from the repayment of loans made
and disposition of assets acquired pursuant to this subsection.

"(b) by striking out the sixth sentence of the first para-
graph of subsection (1) and substituting in lieu thereof the
following: "The Corporation shall determine as expedi-
tiously as possible the net amount due to depositors of the closed
bank and shall make available to the new bank an amount
equal to the insured deposit liabilities of such closed bank,
whereupon such new bank shall assume the insured deposit
liability of such closed bank to each of its depositors, and
the Corporation shall be subrogated as hereinafter stated to
the rights against the closed bank of the owners of such
deposits. Where the net approved claim of a depositor on
account of his deposits does not exceed the insured deposit
liability the Corporation shall be entitled to receive all the
dividends from the proceeds of the assets of such closed bank
which would have been payable to such depositor on account
of such deposits, and where the net approved deposit claim
exceeds the insured deposit liability the Corporation and the
depositor shall share ratably in the dividends insofar as the
same are based upon deposit liability to such depositor ac-
cording to the ratio that the insured liability to such depositor
bears to the total amount of the net approved claim of such
depositor.” and
“(c) By adding, at the end of the first paragraph of
subsection (v) the following additional paragraph: ‘Every
insured bank shall display at each place of business main-
tained by it a sign or signs to the effect that its deposits are
insured by the Federal Deposit Insurance Corporation.
The Corporation shall prescribe by regulation the form of
such sign and the manner of its display. Such regulation
may impose a maximum penalty of $100 for each day an
insured bank continues to violate any lawful provisions of
said regulation.’”
Sec. 5. Section 12B of the Federal Reserve Act is amended by inserting within the parentheses and immediately after the words “District of Columbia” where they appear in the first sentence of the second paragraph of subsection (y) the following: “and the Territories of Hawaii and Alaska”.

Passed the Senate February 28 (calendar day, March 12), 1934.

Attest: EDWIN A. HALSEY, Secretary.

Passed the House of Representatives with an amendment May 24, 1934.

Attest: SOUTH TRIMBLE, Clerk.
AN ACT

in the Senate of the United States

To amend section 12B of the Federal Reserve Act so as to extend for one year the tempo for deposit insurance, and for other purposes.

Ordered to be printed with the amendment of the House of Representatives.

May 25, 1894

[Here follows the body of the Act]