

73^d CONGRESS
2^d SESSION

S. 3025

IN THE SENATE OF THE UNITED STATES

MAY 23, 1934

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

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.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

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

4 ~~(1) By striking out “July 1, 1934” wherever it ap-~~
5 ~~pears in subsections (c), (l), and (y), and inserting in lieu~~
6 ~~thereof “July 1, 1935”;~~

7 ~~(2) By striking out “June 15, 1934” where it ap-~~
8 ~~pears in the last sentence of the third paragraph of subsection~~
9 ~~(y), and inserting in lieu thereof “December 15, 1934”;~~

1 ~~(2)~~ By striking out "June 30, 1934" where it ap-
2 pears in the first sentence of the fifth paragraph of subsection
3 ~~(y)~~; and inserting in lieu thereof "June 30, 1935";

4 ~~(4)~~ By amending the second sentence of the fifth
5 paragraph of subsection ~~(y)~~ to comprise two sentences
6 reading as follows: "The provisions of such subsection ~~(1)~~
7 relating to State member banks shall be extended for the
8 purposes of this subsection to members of the Fund which
9 are not members of the Federal Reserve System, and the
10 provisions of such subsection ~~(1)~~ relating to the appoint-
11 ment of the Corporation as receiver shall be applicable to
12 all the members of the Fund. The provisions of this sub-
13 section shall apply only to deposits of members of the
14 Fund which have been made available since March 10,
15 1933, for withdrawal in the usual course of the banking
16 business."; and

17 ~~(5)~~ By adding at the end of the sixth paragraph of
18 subsection ~~(y)~~ the following new sentences: "The Cor-
19 poration shall prescribe by regulations the manner of exer-
20 cise of the right of termination of membership in the Fund
21 on July 1, 1934, and may require members of the Fund to
22 give thirty days' notice prior to July 1, 1934, of election
23 as a condition to withdrawal. Banks which withdraw from
24 the Fund on July 1, 1934, shall be entitled to a refund
25 of their proportionate share of any estimated balance in

1 the Fund on the same basis as if the Fund had terminated
2 on July 1, 1934.”

3 SEC. 2. The first paragraph of section 9 of the Federal
4 Reserve Act, as amended (U.S.C., title 12, sec. 321), is
5 amended by adding after the second sentence thereof a new
6 sentence to read as follows: “For the purposes of member-
7 ship of any such bank the terms ‘capital’ and ‘capital
8 stock’ shall include the amount of outstanding capital notes
9 and debentures legally issued by the applying bank and pur-
10 chased by the Reconstruction Finance Corporation.”

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

12 (1) *by striking out “July 1, 1934” wherever it ap-*
13 *pears in subsections (e), (1), and (y), and inserting in*
14 *lieu thereof “July 1, 1935”;*

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

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

21 (4) *by adding after the first clause of the second sen-*
22 *tence of the fifth paragraph of subsection (y) the following:*
23 *“and the provisions of such subsection (1) relating to the*
24 *appointment of the Corporation as receiver shall be applicable*
25 *to the members of the temporary Federal deposit insur-*

1 *ance fund," ; and by striking out the initial words " and the "*
 2 *in the second clause of the second sentence of the fifth para-*
 3 *graph of subsection (y) and inserting in lieu thereof the*
 4 *word " The " ;*

5 *(5) by adding to the sixth paragraph of subsection*
 6 *(y) the following: " The Corporation shall prescribe by*
 7 *regulations the manner of exercise of the right of nonmember*
 8 *banks to withdraw from membership in the fund on July 1,*
 9 *1934, except that no bank shall be permitted to withdraw*
 10 *unless twenty days prior thereto it has given written notice*
 11 *to each of its depositors and to the Corporation of its election*
 12 *so to do. Banks which withdraw from the fund on July 1,*
 13 *1934, shall be entitled to a refund of their proportionate*
 14 *share of any estimated balance in the fund on the same basis*
 15 *as if the fund had terminated on July 1, 1934." ;*

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

18 *" On and after July 1, 1934, the amount eligible for*
 19 *insurance under this subsection for the purposes of the Octo-*
 20 *ber 1, 1934, certified statement, any entrance assessment, and,*
 21 *if levied, the additional assessment shall be the amounts not*
 22 *in excess of \$5,000 of the deposits of each depositor.*

23 *" Each mutual savings bank, unless it becomes subject*
 24 *to the provisions of the preceding paragraph in the manner*
 25 *hereinafter provided, shall be excepted from the operation of*

1 the preceding paragraph and for each such bank which is
 2 so excepted the amount eligible for insurance under this sub-
 3 section for the purposes of the October 1, 1934, certified
 4 statement, any entrance assessment, and, if levied, the addi-
 5 tional assessment shall be the amounts not in excess of \$2,500
 6 for the deposits of each depositor. In the event any mutual
 7 savings bank shall be closed on account of inability to meet
 8 its deposit liabilities the Corporation shall pay not more than
 9 \$2,500 on account of the net approved claim of any owner
 10 of deposits in such bank: Provided, however, That should any
 11 mutual savings bank make manifest to the Corporation its
 12 election to be subject to the provisions of the preceding para-
 13 graph the Corporation may, in the discretion of the board of
 14 directors, permit such bank to become so subject and the
 15 insurance of its deposits to continue on the same basis and
 16 to the same extent as that of fund members other than mutual
 17 savings banks."

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

23 (8) by (a) striking out " and until July 1, 1936," in
 24 the first sentence of subsection (1), (b) striking out the words
 25 " until July 1, 1936," in the seventh paragraph of subsection

1 *(y) and inserting in lieu thereof the following: "notwith-*
2 *standing any provision of this section to the contrary."*, and
3 *(c) adding after the seventh paragraph of subsection (y)*
4 *the following new paragraph:*

5 *"Any State bank may obtain the benefits of this section*
6 *on and after the date the fund is terminated upon the con-*
7 *ditions with regard to examination, certification, and approval*
8 *governing the admission of State banks to the fund and upon*
9 *purchasing such class A stock or making such a deposit as is*
10 *prescribed in the preceding paragraph for former fund*
11 *members."*

12 *(9) by (a) striking out the word "three" in subsection*
13 *(o) and inserting in lieu thereof the word "five", and (b)*
14 *by inserting the word "subscribed" before the word "cap-*
15 *ital" in said subsection.*

16 *(10) by adding at the end of subsection (o) the follow-*
17 *ing new paragraph:*

18 *"Such of the obligations authorized to be issued under*
19 *this subsection as the Corporation, with the approval of*
20 *the Secretary of the Treasury, may determine, shall be*
21 *fully and unconditionally guaranteed both as to interest*
22 *and principal by the United States and such guaranty shall*
23 *be expressed on the face thereof. In the event that the Cor-*
24 *poration shall be unable to pay upon demand, when due,*
25 *the principal of or interest on notes, debentures, bonds, or*

1 other such obligations issued by it, and guaranteed by the
2 United States under this paragraph, the Secretary of the
3 Treasury shall pay the amount thereof, which is hereby
4 authorized to be appropriated out of any money in the
5 Treasury not otherwise appropriated, and thereupon, to the
6 extent of the amounts so paid, the Secretary of the Treasury
7 shall succeed to all the rights of the holders of such notes,
8 debentures, bonds, or other obligations. The Secretary of
9 the Treasury, in his discretion, is authorized to purchase
10 any obligations of the Corporation to be issued under this
11 subsection which are guaranteed by the United States under
12 this paragraph, and for such purpose the Secretary of the
13 Treasury is authorized to use as a public-debt transaction
14 the proceeds from the sale of any securities hereafter issued
15 under the Second Liberty Loan Act, as amended, and the
16 purposes for which securities may be issued under the Sec-
17 ond Liberty Loan Act, as amended, are extended to include
18 any purchases of the Corporation's obligations under this
19 paragraph. The Secretary of the Treasury may at any
20 time sell any of the obligations of the Corporation acquired
21 by him under this paragraph. All redemptions, purchases,
22 and sales by the Secretary of the Treasury of the obligations
23 of the Corporation shall be treated as public-debt transac-
24 tions of the United States. The Secretary of the Treasury,
25 at the request of the Federal Deposit Insurance Corpora-

1 *tion, is authorized to market for the Corporation such of its*
2 *notes, debentures, bonds, and other such obligations as are*
3 *guaranteed by the United States under this paragraph, using*
4 *therefor all the facilities of the Treasury Department now*
5 *authorized by law for the marketing of obligations of the*
6 *United States. The proceeds of the obligations of the Cor-*
7 *poration so marketed shall be deposited in the same manner*
8 *as proceeds derived from the sale of obligations of the United*
9 *States, and the amount thereof shall be credited to the Cor-*
10 *poration on the books of the Treasury.”; and*

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

17 *SEC. 2. The first paragraph of section 9 of the Fed-*
18 *eral Reserve Act, as amended (U.S.C., title 12, sec. 321),*
19 *is amended by adding after the second sentence thereof a new*
20 *sentence to read as follows: “For the purposes of member-*
21 *ship of any such bank the terms ‘capital’ and ‘capital*
22 *stock’ shall include the amount of outstanding capital notes*
23 *and debentures legally issued by the applying bank and pur-*
24 *chased by the Reconstruction Finance Corporation.”*

1 *SEC. 3. (a) The first sentence of the eighth paragraph*
 2 *of section 13 of the Federal Reserve Act, as amended, is*
 3 *further amended by inserting before the comma after the*
 4 *words "section 13 (a) of this Act" a comma and the fol-*
 5 *lowing: "or by the deposit or pledge of obligations of the*
 6 *Federal Deposit Insurance Corporation which are guaran-*
 7 *teed both as to principal and interest by the United States".*

8 *(b) Paragraph (b) of section 14 of the Federal Re-*
 9 *serve Act, as amended, is further amended by inserting be-*
 10 *fore the comma after the words "bonds and notes of the*
 11 *United States" a comma and the following: "obligations*
 12 *of the Federal Deposit Insurance Corporation which are*
 13 *guaranteed both as to principal and interest by the United*
 14 *States".*

15 *(c) Section 31 of the Banking Act of 1933 is amended*
 16 *as follows: "so much of section 31 of the Banking Act of*
 17 *1933 as relates to stock ownership by directors of member*
 18 *banks of the Federal Reserve System is hereby repealed."*

19 *SEC. 4. Section 12B of the Federal Reserve Act is*
 20 *amended (a) by adding after subsection (y) a new sub-*
 21 *section to read as follows:*

22 *"(z) The Federal Deposit Insurance Corporation is*
 23 *hereby authorized and empowered to loan upon or purchase*
 24 *assets of any bank, savings bank, or trust company, which*
 25 *has been closed on or after December 31, 1929, and prior*

1 to January 1, 1934, and the affairs of which have not been
2 fully liquidated or wound up, the assets of any such bank
3 or any part of such assets upon such terms and conditions
4 as the Corporation may by regulations prescribe. If in con-
5 nection with the reorganization, stabilization, or liquidation of
6 any such bank, assets have been trusteeed or are otherwise held
7 for the benefit of depositors or depositors and others, the
8 authority, subject to regulations, as provided in the preceding
9 sentence shall be extended for the purpose of authorizing the
10 Corporation to purchase or make loans on such assets held for
11 the benefit of such depositors or depositors and others. This
12 authority shall extend to any such institution that has
13 reopened without payment of deposits in full. The Corpora-
14 tion is further authorized and empowered, in case the
15 Reconstruction Finance Corporation has made a loan to
16 any such closed bank, to negotiate with the liquidating agent
17 or receiver of such bank for an appraisal of its assets and
18 the purchase thereof or the making of a loan thereon to
19 take up the loan or any part thereof made by the Recon-
20 struction Finance Corporation, if the Federal Deposit
21 Insurance Corporation deems it desirable in the public
22 interest and the loan will be reasonably secured. In making
23 any purchase of or loan on assets of any closed bank, the
24 Corporation shall appraise such assets in anticipation of
25 an orderly liquidation over a period of years, rather than

1 *on the basis of forced selling values in a period of business*
2 *depression. The Corporation is authorized and empowered*
3 *to sell any assets acquired under this subsection and shall*
4 *with respect to such selling and to the liquidation of assets*
5 *of closed banks pursue and encourage a policy of extending*
6 *the period of liquidation so as best to conserve the value of*
7 *such assets and to prevent unreasonable sacrifice thereof.*

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

19 *“(b) by striking out the sixth sentence of the first para-*
20 *graph of subsection (1) and substituting in lieu thereof the*
21 *following: “The Corporation shall determine as expedi-*
22 *tiously as possible the net amount due to depositors of the closed*
23 *bank and shall make available to the new bank an amount*
24 *equal to the insured deposit liabilities of such closed bank,*
25 *whereupon such new bank shall assume the insured deposit*

1 liability of such closed bank to each of its depositors, and
2 the Corporation shall be subrogated as hereinafter stated to
3 the rights against the closed bank of the owners of such
4 deposits. Where the net approved claim of a depositor on
5 account of his deposits does not exceed the insured deposit
6 liability the Corporation shall be entitled to receive all the
7 dividends from the proceeds of the assets of such closed bank
8 which would have been payable to such depositor on account
9 of such deposits, and where the net approved deposit claim
10 exceeds the insured deposit liability the Corporation and the
11 depositor shall share ratably in the dividends insofar as the
12 same are based upon deposit liability to such depositor ac-
13 cording to the ratio that the insured liability to such depositor
14 bears to the total amount of the net approved claim of such
15 depositor." and

16 “(c) By adding at the end of the first paragraph of
17 subsection (v) the following additional paragraph: ‘Every
18 insured bank shall display at each place of business main-
19 tained by it a sign or signs to the effect that its deposits are
20 insured by the Federal Deposit Insurance Corporation.
21 The Corporation shall prescribe by regulation the form of
22 such sign and the manner of its display. Such regulation
23 may impose a maximum penalty of \$100 for each day an
24 insured bank continues to violate any lawful provisions of
25 said regulation.’ ”

1 *SEC. 5. Section 12B of the Federal Reserve Act is*
 2 *amended by inserting within the parentheses and immediately*
 3 *after the words " District of Columbia " where they appear*
 4 *in the first sentence of the second paragraph of subsection (y)*
 5 *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.

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