

Calendar No. 901

73<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

S. 3487

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IN THE SENATE OF THE UNITED STATES

APRIL 26 (calendar day, APRIL 28), 1934

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

APRIL 26 (calendar day, APRIL 28), 1934

Reported by Mr. GLASS, without amendment

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## A BILL

Relating to direct loans for industrial purposes by Federal Reserve banks, 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 Federal Reserve Act, as amended, is amended by  
4       adding after section 13a thereof a new section reading as  
5       follows:

6       “SEC. 13b. In exceptional circumstances, when it  
7       appears to the satisfaction of a Federal Reserve bank that  
8       an established industrial or commercial business located in  
9       its district is unable to obtain requisite financial assistance  
10      on a reasonable basis from the usual sources, the Federal  
11      Reserve bank, pursuant to authority granted by the Federal

1 Reserve Board, may make loans to, or purchase obligations  
2 of, such business, or may make commitments with respect  
3 thereto, on a reasonable and sound basis, for the purpose  
4 of providing it with working capital, but no obligation shall  
5 be acquired or commitment made hereunder with a maturity  
6 exceeding five years.

7       “ Each Federal Reserve bank shall also have power to  
8 discount for, or purchase from, any bank, trust company,  
9 mortgage company, credit corporation for industry, or other  
10 financing institution operating in its district, obligations hav-  
11 ing maturities not exceeding five years, entered into for the  
12 purpose of obtaining working capital for any such estab-  
13 lished industrial or commercial business; to make loans or  
14 advances direct to any such financing institution on the  
15 security of such obligations; and to make commitments with  
16 regard to such discount or purchase of obligations or with  
17 respect to such loans or advances on the security thereof,  
18 including commitments made in advance of the actual under-  
19 taking of such obligations. Each such financing institution  
20 shall obligate itself to the satisfaction of the Federal Reserve  
21 bank for at least 20 per centum of any loss which may be  
22 sustained by such bank upon any of the obligations acquired  
23 from such financing institution, the existence and amount of  
24 any such loss to be determined in accordance with regula-  
25 tions of the Federal Reserve Board: *Provided*, That in lieu

1 of such obligation against loss any such financing institution  
2 may advance at least 20 per centum of such working capital  
3 for any established industrial or commercial business without  
4 obligating itself to the Federal Reserve bank against loss  
5 on the amount advanced by the Federal Reserve bank:  
6 *Provided, however,* That such advances by the financing  
7 institution and the Federal Reserve bank shall be considered  
8 as one advance, and repayment shall be made pro rata under  
9 such regulations as the Federal Reserve Board may prescribe.

10 “The aggregate amount of loans, advances, and com-  
11 mitments of the Federal Reserve banks outstanding under  
12 this section at any one time, plus the amount of purchases and  
13 discounts under this section held at the same time, shall not  
14 exceed the combined surplus of the Federal Reserve banks as  
15 of July 1, 1934, and all operations of the Federal Reserve  
16 banks under this section shall be subject to such regulations  
17 as the Federal Reserve Board may prescribe.

18 “For the purpose of aiding the Federal Reserve banks  
19 in carrying out the provisions of this section, there is hereby  
20 established in each Federal Reserve district an industrial  
21 advisory committee, to be appointed by the Federal Reserve  
22 bank subject to the approval and regulations of the Federal  
23 Reserve Board, and to be composed of not less than three  
24 nor more than five members as determined by the Federal  
25 Reserve Board. Each member of such committee shall be

1 actively engaged in some industrial pursuit within the Fed-  
2 eral Reserve district in which the committee is established,  
3 and each such member shall serve without compensation but  
4 shall be entitled to receive from the Federal Reserve bank  
5 of such district his necessary expenses while engaged in the  
6 business of the committee, or a per diem allowance in lieu  
7 thereof to be fixed by the Federal Reserve Board. Each  
8 application for any such loan, advance, purchase, discount,  
9 or commitment shall be submitted to the appropriate com-  
10 mittee and, after an examination by it of the business with  
11 respect to which the application is made, the application  
12 shall be transmitted to the Federal Reserve bank, together  
13 with the recommendation of the committee.”

14       SEC. 2. In order to enable the Federal Reserve banks  
15 to make the loans, discounts, advances, purchases, and com-  
16 mitments provided for in section 13b of the Federal  
17 Reserve Act, the Secretary of the Treasury, upon the enact-  
18 ment of this Act, is authorized and directed to pay to each  
19 Federal Reserve bank such portion of the sum of \$139,-  
20 299,557 as may be represented by the par value of the  
21 holdings of each Federal Reserve bank of Federal Deposit  
22 Insurance Corporation stock, upon the execution by each  
23 Federal Reserve bank of its agreement (to be endorsed on  
24 the certificate of such stock) to hold such stock unencum-  
25 bered and to pay to the United States all dividends, all pay-

1. ments on liquidation, and all other proceeds of such stock, for  
2. which dividends, payments, and proceeds the United States  
3. shall be secured by such stock itself. Each Federal Reserve  
4. bank, in addition, shall agree that, in the event such divi-  
5. dends, payments, and other proceeds in any calendar year do  
6. not aggregate 1 per centum of the par value of said stock,  
7. it will pay to the United States in such year such further  
8. amount, if any, up to 1 per centum of the par value of such  
9. stock, as shall be covered by the net earnings of the bank  
10. for that year derived from the use of the sum so paid by  
11. the Secretary of the Treasury, and that for said amount so  
12. due the United States shall have a first claim against such  
13. earnings and stock, and further that it will continue such  
14. payments until the final liquidation of said stock by the  
15. Federal Deposit Insurance Corporation. The sum so paid  
16. to each Federal Reserve bank by the Secretary of the  
17. Treasury shall become a part of the surplus fund of such  
18. Federal Reserve bank within the meaning of section 13b  
19. of the Federal Reserve Act. All amounts required to be  
20. expended by the Secretary of the Treasury in order to carry  
21. out the provisions of this section shall be paid out of the  
22. miscellaneous receipts of the Treasury created by the  
23. increment resulting from the reduction of the weight of the  
24. gold dollar under the President's proclamation of January

1 31, 1934; and there is hereby appropriated, out of such  
2 receipts, such sum as shall be required for such purpose.

3 SEC. 3. Section 5202 of the Revised Statutes of the  
4 United States, as amended, is hereby amended by adding  
5 at the end thereof the following new paragraph:

6 "Tenth. Liabilities incurred under the provisions of  
7 section 13b of the Federal Reserve Act."

8 SEC. 4. Section 22 of the Federal Reserve Act is  
9 amended by adding at the end thereof the following new  
10 paragraphs:

11 "(h) Whoever makes any material statement, know-  
12 ing it to be false, or whoever willfully overvalues any  
13 security, for the purpose of influencing in any way the  
14 action of a Federal Reserve bank upon any application,  
15 commitment, advance, discount, purchase, or loan, or any  
16 extension thereof by renewal, deferment of action, or other-  
17 wise, or the acceptance, release, or substitution of security  
18 therefor, shall be punished by a fine of not more than  
19 \$5,000 or by imprisonment for not more than two years,  
20 or both.

21 "(i) Whoever, being connected in any capacity with  
22 a Federal Reserve bank (1) embezzles, abstracts, purloins,  
23 or willfully misapplies any moneys, funds, securities, or other  
24 things of value, whether belonging to it or pledged or other-  
25 wise entrusted to it, or (2) with intent to defraud any

1 Federal Reserve bank, or any other body politic or corpor-  
2 ate, or any individual, or to deceive any officer, auditor, or  
3 examiner, makes any false entry in any book, report, or  
4 statement of or to a Federal Reserve bank, or, without being  
5 duly authorized, draws any order or issues, puts forth, or  
6 assigns any note, debenture, bond, or other obligation, or  
7 draft, mortgage, judgment, or decree shall be punished  
8 by a fine of not more than \$10,000 or by imprisonment for  
9 not more than five years, or both.

10 “(j) The provisions of sections 112, 113, 114, 115, 116,  
11 and 117 of the Criminal Code of the United States, insofar as  
12 applicable, are extended to apply to contracts or agreements  
13 of any Federal Reserve bank under this Act, which, for the  
14 purposes hereof, shall be held to include advances, loans, dis-  
15 counts, purchase, and repurchase agreements; extensions  
16 and renewals thereof; and acceptances, releases, and substi-  
17 tutions of security therefor.

18 “(k) It shall be unlawful for any person to stipulate  
19 for or give or receive, or consent or agree to give or receive,  
20 any fee, commission, bonus, or thing of value for procuring  
21 or endeavoring to procure from any Federal Reserve bank  
22 any advance, loan, or extension of credit or discount or pur-  
23 chase of any obligation or commitment with respect thereto,  
24 either directly from such Federal Reserve bank or indirectly  
25 through any financing institution, unless such fee, commis-

1 sion, bonus, or thing of value and all material facts with  
2 respect to the arrangement or understanding therefor shall  
3 be disclosed in writing in the application or request for such  
4 advance, loan, extension of credit, discount, purchase, or  
5 commitment. Any violation of the provisions of this para-  
6 graph shall be punishable by imprisonment for not more  
7 than one year or by a fine of not exceeding \$5,000, or both.  
8 If a director, officer, employee, or agent of any Federal  
9 Reserve bank shall knowingly violate this paragraph, he shall  
10 be held liable in his personal and individual capacity for  
11 any loss or damage sustained by such Federal Reserve bank  
12 in consequence of such violation.”

13       SEC. 5. Section 10 of the Federal Reserve Act, as  
14 amended, is further amended by changing the period at  
15 the end of the third paragraph thereof to a comma and  
16 inserting thereafter the following: “and such assessments  
17 may include amounts sufficient to provide for the acquisition  
18 by the Board in its own name of such site or building in  
19 the District of Columbia as in its judgment alone shall be  
20 necessary for the purpose of providing suitable and adequate  
21 quarters for the performance of its functions. After ap-  
22 proving such plans, estimates, and specifications as it shall  
23 have caused to be prepared, the Board may, notwithstand-  
24 ing any other provision of law, cause to be constructed on  
25 the site so acquired by it a building suitable and adequate

1 in its judgment for its purposes and proceed to take all  
2 such steps as it may deem necessary or appropriate in  
3 connection with the construction, equipment, and furnishing  
4 of such building. The Board may maintain, enlarge, or  
5 remodel any building so acquired or constructed and shall  
6 have sole control of such building and space therein.”

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