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

A BILL

Relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes.

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

That the Federal Reserve Act, as amended, is amended by adding after section 13a thereof a new section reading as follows:

"Sec. 13b. In exceptional circumstances, when it appears to the satisfaction of a Federal Reserve bank that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Federal Reserve bank, pursuant to authority granted by the Federal
Reserve Board, may make loans to, or purchase obligations of, such business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with working capital, but no obligation shall be acquired or commitment made hereunder with a maturity exceeding five years.

"Each Federal Reserve bank shall also have power to discount for, or purchase from, any bank, trust company, mortgage company, credit corporation for industry, or other financing institution operating in its district, obligations having maturities not exceeding five years, entered into for the purpose of obtaining working capital for any such established industrial or commercial business; to make loans or advances direct to any such financing institution on the security of such obligations; and to make commitments with regard to such discount or purchase of obligations or with respect to such loans or advances on the security thereof, including commitments made in advance of the actual undertaking of such obligations. Each such financing institution shall obligate itself to the satisfaction of the Federal Reserve bank for at least 20 per centum of any loss which may be sustained by such bank upon any of the obligations acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with regulations of the Federal Reserve Board: Provided, That in lieu
of such obligation against loss any such financing institution
may advance at least 20 per centum of such working capital
for any established industrial or commercial business without
obligating itself to the Federal Reserve bank against loss
on the amount advanced by the Federal Reserve bank:
Provided, however, That such advances by the financing
institution and the Federal Reserve bank shall be considered
as one advance, and repayment shall be made pro rata under
such regulations as the Federal Reserve Board may prescribe.

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

"For the purpose of aiding the Federal Reserve banks
in carrying out the provisions of this section, there is hereby
established in each Federal Reserve district an industrial
advisory committee, to be appointed by the Federal Reserve
bank subject to the approval and regulations of the Federal
Reserve Board, and to be composed of not less than three
nor more than five members as determined by the Federal
Reserve Board. Each member of such committee shall be
actively engaged in some industrial pursuit within the Federal Reserve district in which the committee is established, and each such member shall serve without compensation but shall be entitled to receive from the Federal Reserve bank of such district his necessary expenses while engaged in the business of the committee, or a per diem allowance in lieu thereof to be fixed by the Federal Reserve Board. Each application for any such loan, advance, purchase, discount, or commitment shall be submitted to the appropriate committee and, after an examination by it of the business with respect to which the application is made, the application shall be transmitted to the Federal Reserve bank, together with the recommendation of the committee."

Sec. 2. In order to enable the Federal Reserve banks to make the loans, discounts, advances, purchases, and commitments provided for in section 13b of the Federal Reserve Act, the Secretary of the Treasury, upon the enactment of this Act, is authorized and directed to pay to each Federal Reserve bank such portion of the sum of $139,299,557 as may be represented by the par value of the holdings of each Federal Reserve bank of Federal Deposit Insurance Corporation stock, upon the execution by each Federal Reserve bank of its agreement (to be endorsed on the certificate of such stock) to hold such stock unencumbered and to pay to the United States all dividends, all pay-
ments on liquidation, and all other proceeds of such stock, for which dividends, payments, and proceeds the United States shall be secured by such stock itself. Each Federal Reserve bank, in addition, shall agree that, in the event such dividends, payments, and other proceeds in any calendar year do not aggregate 1 per centum of the par value of said stock, it will pay to the United States in such year such further amount, if any, up to 1 per centum of the par value of such stock, as shall be covered by the net earnings of the bank for that year derived from the use of the sum so paid by the Secretary of the Treasury, and that for said amount so due the United States shall have a first claim against such earnings and stock, and further that it will continue such payments until the final liquidation of said stock by the Federal Deposit Insurance Corporation. The sum so paid to each Federal Reserve bank by the Secretary of the Treasury shall become a part of the surplus fund of such Federal Reserve bank within the meaning of section 13b of the Federal Reserve Act. All amounts required to be expended by the Secretary of the Treasury in order to carry out the provisions of this section shall be paid out of the miscellaneous receipts of the Treasury created by the increment resulting from the reduction of the weight of the gold dollar under the President’s proclamation of January
31, 1934; and there is hereby appropriated, out of such receipts, such sum as shall be required for such purpose.

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

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

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

"(h) Whoever makes any material statement, knowing it to be false, or whoever willfully overvalues any security, for the purpose of influencing in any way the action of a Federal Reserve bank upon any application, commitment, advance, discount, purchase, or loan, or any extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

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

"(j) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States, insofar as applicable, are extended to apply to contracts or agreements of any Federal Reserve bank under this Act, which, for the purposes hereof, shall be held to include advances, loans, discounts, purchase, and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

"(k) It shall be unlawful for any person to stipulate for or give or receive, or consent or agree to give or receive, any fee, commission, bonus, or thing of value for procuring or endeavoring to procure from any Federal Reserve bank any advance, loan, or extension of credit or discount or purchase of any obligation or commitment with respect thereto, either directly from such Federal Reserve bank or indirectly through any financing institution, unless such fee, commiss-
sion, bonus, or thing of value and all material facts with
respect to the arrangement or understanding therefor shall
be disclosed in writing in the application or request for such
advance, loan, extension of credit, discount, purchase, or
commitment. Any violation of the provisions of this para-
graph shall be punishable by imprisonment for not more
than one year or by a fine of not exceeding $5,000, or both.
If a director, officer, employee, or agent of any .Federal
Reserve bank shall knowingly violate this paragraph, he shall
be held liable in his personal and individual capacity for
any loss or damage sustained by such Federal Reserve bank
in consequence of such violation.”

SEC. 5. Section 10 of the Federal Reserve Act, as
amended, is further amended by changing the period at
the end of the third paragraph thereof to a comma and
inserting thereafter the following: “and such assessments
may include amounts sufficient to provide for the acquisition
by the Board in its own name of such site or building in
the District of Columbia as in its judgment alone shall be
necessary for the purpose of providing suitable and adequate
quarters for the performance of its functions. After ap-
proving such plans, estimates, and specifications as it shall
have caused to be prepared, the Board may, notwithstanding
any other provision of law, cause to be constructed on
the site so acquired by it a building suitable and adequate
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in its judgment for its purposes and proceed to take all
such steps as it may deem necessary or appropriate in
connection with the construction, equipment, and furnishing
of such building. The Board may maintain, enlarge, or
remodel any building so acquired or constructed and shall
have sole control of such building and space therein.”
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By Mr. Glass

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