

73^D CONGRESS
2^D SESSION

S. 3487

IN THE SENATE OF THE UNITED STATES

MAY 10 (calendar day, MAY 25), 1934

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

AN ACT

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 secur-
13 ity, for the purpose of influencing in any way the action
14 of a Federal Reserve bank upon any application, commit-
15 ment, advance, discount, purchase, or loan, or any extension
16 thereof by renewal, deferment of action, or otherwise, or
17 the acceptance, release, or substitution of security therefor,
18 shall be punished by a fine of not more than \$5,000 or by
19 imprisonment for not more than two years, or both.

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

1 Federal Reserve bank, or any other body politic or corpo-
2 rate, 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 by
8 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,
11 116, and 117 of the Criminal Code of the United States,
12 insofar as applicable, are extended to apply to contracts or
13 agreements of any Federal Reserve bank under this Act,
14 which, for the purposes hereof, shall be held to include ad-
15 vances, loans, discounts, purchase, and repurchase agree-
16 ments; extensions and renewals thereof; and acceptances,
17 releases, and substitutions 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
10 shall be held liable in his personal and individual capacity
11 for any loss or damage sustained by such Federal Reserve
12 bank 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."

7 SEC. 6. That the Reconstruction Finance Corporation
8 Act, as amended (U.S.C., Supp. VII, title 15, ch. 14), is
9 amended by inserting before section 6 thereof the following
10 new section:

11 "SEC. 5d. For the purpose of maintaining and increas-
12 ing the employment of labor, when credit at prevailing bank
13 rates for the character of loan applied for is not otherwise
14 available at banks or at the Federal Reserve bank of the
15 district in which the applicant is located, the Corporation is
16 authorized and empowered to make loans to any industrial
17 or commercial business established prior to January 1, 1935.
18 Such loans shall in the opinion of the board of directors of
19 the Corporation be adequately secured, may be made di-
20 rectly in cooperation with banks or other lending institutions,
21 or by the purchase of participations, shall have maturities
22 not to exceed five years, shall be made only when deemed to
23 offer reasonable assurance of continued or increased employ-
24 ment of labor, shall be made only when, in the opinion of
25 the board of directors of the Corporation, the borrower is

1 solvent, shall not exceed \$250,000,000 in aggregate amount
2 at any one time outstanding, and shall be subject to such
3 terms, conditions, and restrictions as the board of directors
4 of the Corporation may determine. The aggregate amount
5 of loans to any one borrower under this section shall not
6 exceed \$1,000,000.

7 “The power to make loans given herein shall termi-
8 nate on January 31, 1935, or on such earlier date as the
9 President shall by proclamation fix; but no provision of
10 law terminating any of the functions of the Corporation
11 shall be construed to prohibit disbursement of funds on loans
12 and commitments, or agreements to make loans, made under
13 this section prior to January 31, 1935, or such earlier date:
14 *Provided,* That it shall be unlawful for any Federal, State,
15 county, or municipal official, any member of any National,
16 State, or county committee of any political party, or any
17 other person except a bona-fide and regularly employed
18 officer, agent, or employee of the person or corporation
19 seeking a loan under the provisions of this section, to seek
20 to influence in any way any agent, officer, or employee of
21 the Reconstruction Finance Corporation in connection with
22 a loan or any application therefor, under the provisions of
23 this section, and if upon the request of the person or corpora-
24 tion seeking a loan such unlawful influence is used, the
25 person or corporation seeking such loan shall be disqualified.”

1 ~~SEC. 7.~~ Section 12B of the Federal Reserve Act is
2 hereby amended by inserting in the first sentence of the
3 second paragraph of subsection ~~(y)~~ immediately after the
4 words "District of Columbia", the following; "and the
5 Territory of Hawaii."

6 That (a) section 882 of the Revised Statutes (U.S.C.,
7 title 28, sec. 661) is amended to read as follows:

8 "SEC. 882. (a) Copies of any books, records, papers,
9 or other documents in any of the executive departments, or
10 of any corporation all of the stock of which is beneficially
11 owned by the United States, either directly or indirectly,
12 shall be admitted in evidence equally with the originals
13 thereof, when duly authenticated under the seal of such
14 department or corporation, respectively.

15 "(b) Books or records of account in whatever form,
16 and minutes (or portions thereof) of proceedings, of any
17 such executive department or corporation, or copies of such
18 books, records, or minutes authenticated under the seal of
19 such department or corporation, shall be admissible as
20 evidence of any act, transaction, occurrence, or event as a
21 memorandum of which such books, records, or minutes were
22 kept or made.

23 "(c) The seal of any such executive department or
24 corporation shall be judicially noticed."

1 (b) *Section 4 of the Reconstruction Finance Corpora-*
2 *tion Act, as amended (U.S.C., Supp. VII, title 15, sec.*
3 *604), is amended by inserting immediately before the semi-*
4 *colon following the words "corporate seal" a comma and*
5 *the words "which shall be judicially noticed".*

6 *SEC. 2. Section 1001 of the Revised Statutes, as*
7 *amended (U.S.C., title 28, sec. 870), is amended by insert-*
8 *ing immediately after the word "Government" the fol-*
9 *lowing: "or any corporation all the stock of which is*
10 *beneficially owned by the United States, either directly or*
11 *indirectly".*

12 *SEC. 3. The Reconstruction Finance Corporation Act,*
13 *as amended (U.S.C., Supp. VII, title 15, ch. 14), is*
14 *further amended by inserting after section 5a thereof the*
15 *following new section:*

16 "*SEC. 5b. Notwithstanding any other provision of*
17 *law—*

18 "*(1) The maturity of drafts or bills of exchange which*
19 *may be accepted by the Corporation under section 5a of*
20 *this Act, and the period for which the Corporation may*
21 *make loans or advances under sections 201(c) and 201(d)*
22 *of the Emergency Relief and Construction Act of 1932,*
23 *as amended, and under section 5 of this Act, may be five*
24 *years, or any shorter period, from February 1, 1935:*
25 *Provided, That in respect of loans or advances under such*

1 *section 5 to railroads, railways, and receivers or trustees*
2 *thereof, the Corporation may require as a condition of mak-*
3 *ing any such loan or advance for a period longer than three*
4 *years that such arrangements be made for the reduction or*
5 *amortization of the indebtedness of the railroad or railway,*
6 *either in whole or in part, as may be approved by the Cor-*
7 *poration after the prior approval of the Interstate Commerce*
8 *Commission.*

9 “(2) *The Corporation may at any time, or from time*
10 *to time, extend, or consent to the extension of, the time of*
11 *payment of any loan or advance made by it, through*
12 *renewal, substitution of new obligations, or otherwise, but*
13 *the time for such payment shall not be extended beyond*
14 *five years from February 1, 1935: Provided, That the time*
15 *of payment of loans or advances to railroads, railways, and*
16 *receivers or trustees thereof, shall not be so extended except*
17 *with the prior approval of the Interstate Commerce Com-*
18 *mission, and, in the case of a loan to a railroad or railway,*
19 *with the prior certification of the Interstate Commerce*
20 *Commission that the railroad or railway is not in need of*
21 *financial reorganization in the public interest.*

22 “(3) *In connection with the reorganization under sec-*
23 *tion 77 of the Federal Bankruptcy Act, approved July 1,*
24 *1898, as amended, or with receivership proceedings in a*
25 *court or courts, of any railroad or railway indebted*

1 to the Corporation, or of any railroad or railway the receivers
2 or trustees of which are indebted to the Corporation, the Cor-
3 poration may, with the prior approval of the Interstate
4 Commerce Commission, adjust or compromise its claim
5 against such railroad or railway, or any such receiver or
6 trustee, by accepting, in connection with any such reorgani-
7 zation or receivership proceedings and in exchange for secu-
8 rities or any part thereof then held, new securities which may
9 have such terms as to interest, maturity, and otherwise as
10 may be approved by the Corporation, or part cash and part
11 new securities so approved: Provided, That any such adjust-
12 ment or compromise shall not be made on less favorable
13 terms than those provided in the reorganization of the rail-
14 road or railway for holders of claims of the same class and
15 rank as the claim of the Corporation.”

16 SEC. 4. Section 301 of the National Industrial Re-
17 covery Act (U.S.C., Supp. VII, title 40, sec. 412) is
18 amended by inserting before the period at the end thereof
19 a colon and the following: “ Provided further, That in con-
20 nection with any loan or contract or any commitment to
21 make a loan entered into by the Reconstruction Finance
22 Corporation prior to June 26, 1933, to aid in financing part
23 or all of the construction cost of projects pursuant to section
24 201(a) (1) of the Emergency Relief and Construction Act
25 of 1932, as amended, the Corporation may make such fur-

1 *ther loans and contracts for the completion of any such*
2 *project, or for improvements, additions, extensions, or equip-*
3 *ment which are necessary or desirable for the proper func-*
4 *tioning of any such project, or which will materially increase*
5 *the assurance that the borrower will be able to repay the*
6 *entire investment of the Corporation in such project, in-*
7 *cluding such improvements, additions, extensions, or equip-*
8 *ment; and the Corporation may disburse funds to the bor-*
9 *rower thereunder, at any time prior to January 23, 1939,*
10 *notwithstanding any provisions to the contrary contained*
11 *in this section or in section 201(h) of the Emergency Relief*
12 *and Construction Act of 1932, as amended: Provided fur-*
13 *ther, That any such further loans shall be made subject*
14 *to all the terms and conditions set forth in the Emergency*
15 *Relief and Construction Act of 1932, as amended, with*
16 *respect to the loans authorized by section 201(a)(1) of*
17 *said Act."*

18 *SEC. 5. Notwithstanding any limitations on its power,*
19 *the Reconstruction Finance Corporation, upon request of*
20 *any borrower under section 201(a) of the Emergency Re-*
21 *lief and Construction Act of 1932, as amended, may adjust*
22 *the maturities of any obligations of such borrower now*
23 *held by it, or hereafter acquired by it under lawful com-*
24 *mitments, to such periods as may in the discretion of the*
25 *Reconstruction Finance Corporation be proper, but such*

1 *adjustment shall not extend any such maturity to more*
2 *than twenty years from the advancing of the sum or sums*
3 *evidenced thereby.*

4 *SEC. 6. Section 36 of the Emergency Farm Mortgage*
5 *Act of 1933, as amended (U.S.C., Supp. VII, title 43,*
6 *sec. 403), is amended as follows:*

7 *(1) By striking from the first sentence thereof “\$50,-*
8 *000,000 to or for the benefit of drainage districts, levee*
9 *districts, levee and drainage districts, irrigation districts,*
10 *and similar districts,” and inserting in lieu thereof “\$125,-*
11 *000,000 to or for the benefit of drainage districts, levee*
12 *districts, levee and drainage districts, irrigation districts, and*
13 *similar districts, mutual nonprofit companies and incorpo-*
14 *rated water users’ associations”.*

15 *(2) By striking from the second sentence thereof*
16 *“district or political subdivision” and inserting in lieu*
17 *thereof “district, political subdivision, company, or associa-*
18 *tion”.*

19 *(3) By amending clause (4) thereof to read as*
20 *follows:*

21 *“(4) the borrower shall agree, insofar as it may*
22 *lawfully do so, that so long as any part of such loan*
23 *shall remain unpaid the borrower will in each year*
24 *apply to the repayment of such loan or to the purchase*
25 *or redemption of the obligations issued to evidence*

1 *such loan, an amount equal to the amount by which*
2 *the assessments, taxes, and other charges collected by*
3 *it exceed (a) the cost of operation and maintenance of*
4 *the project, (b) the debt charges on its outstanding*
5 *obligations, and (c) provision for such reasonable*
6 *reserves as may be approved by the Corporation;*
7 *and”.*

8 *(4) By adding at the end thereof the following new*
9 *paragraph:*

10 *“ When any loan is authorized pursuant to the provi-*
11 *sions of this section and it shall then or thereafter appear*
12 *that repairs and necessary extensions or improvements to the*
13 *project of such district, political subdivision, company, or*
14 *association are necessary or desirable for the proper func-*
15 *tioning of its project or for the further assurance of its ability*
16 *to repay such loan, and if it shall also appear that such*
17 *repairs and necessary extensions or improvements are not*
18 *designed to bring new lands into production, the Corporation,*
19 *within the limitation as to total amount provided in this*
20 *section, may make an additional loan or loans to such dis-*
21 *trict, political subdivision, company, or association for such*
22 *purpose or purposes. When application therefor shall have*
23 *been made by any such district, political subdivision, com-*
24 *pany, or association any loan authorized by this section may*
25 *be made either to such district, political subdivision, com-*

1 *pany, or association or to the holders or representatives of*
2 *the holders of their existing indebtedness, and such loans*
3 *may be made upon promissory notes collateralized by the obli-*
4 *gations of such district, political subdivision, company, or*
5 *association or through the purchase of securities issued or to*
6 *be issued by such district, political subdivision, company, or*
7 *association."*

8 *SEC. 7. (a) Sections 2 and 3 of the Act entitled "An*
9 *Act to authorize the Reconstruction Finance Corporation to*
10 *subscribe for preferred stock and purchase the capital notes*
11 *of insurance companies, and for other purposes", approved*
12 *June 10, 1933, as amended (U.S.C., Supp. VII, title 15,*
13 *secs. 605f and 605g), are amended to read as follows:*

14 *"SEC. 2. In the event that any such insurance com-*
15 *pany shall be incorporated under the laws of any State which*
16 *does not permit it to issue preferred stock, exempt from*
17 *assessment or additional liability, or if such laws permit such*
18 *issue of preferred stock only by unanimous consent of stock-*
19 *holders, or upon notice of more than twenty days, or if the*
20 *insurance company is a mutual organization without capital*
21 *stock, the Reconstruction Finance Corporation is authorized*
22 *for the purposes of this Act to purchase the legally issued*
23 *capital notes of such insurance company, or, if the company*
24 *is a mutual organization without capital stock, such other*
25 *form or forms of indebtedness as the laws of the State under*

1 *which such company is organized permit, or to make loans*
2 *secured by such notes or such other form or forms of indebt-*
3 *edness as collateral, which may be subordinated in whole or*
4 *in part or to any degree to claims of other creditors.*

5 “*SEC. 3. The Reconstruction Finance Corporation*
6 *shall not subscribe for or purchase any preferred stock or*
7 *capital notes of any applicant insurance company, (1) until*
8 *the applicant shows to the satisfaction of the Corporation*
9 *that it has unimpaired capital, or that it will furnish new*
10 *capital which will be subordinate to the preferred stock or*
11 *capital notes to be subscribed for or purchased by the*
12 *Corporation, equal to the amount of said preferred stock or*
13 *capital notes so subscribed for or purchased by the Corpora-*
14 *tion: Provided, That the Corporation may make loans upon*
15 *said preferred stock or capital notes, or other form or forms*
16 *of indebtedness permitted by the laws of the State under*
17 *which said applicant is organized, if, in its opinion, such*
18 *loans will be adequately secured by said stock or capital*
19 *notes or other form or forms of indebtedness and/or such*
20 *other forms of security as the Corporation may require, (2)*
21 *if at the time of such subscription, purchase, or loan any*
22 *officer, director, or employee of the applicant is receiving*
23 *total compensation in a sum in excess of \$17,500 per annum*
24 *from the applicant and/or any of its affiliates, and (3) unless*
25 *at such time, the insurance company agrees to the satisfac-*

1 *tion of the Corporation that while any part of the preferred*
2 *stock, notes, bonds, or debentures (or, in the case of a*
3 *mutual insurance company, other form or forms of indebted-*
4 *ness permitted by the laws of the State under which the*
5 *company is organized) of such insurance company is held*
6 *by the Corporation, the insurance company, except with the*
7 *consent of the Corporation, will not (a) increase the com-*
8 *pen-sation received by any of its officers, directors, or em-*
9 *ployees from the insurance company and/or any of its*
10 *affiliates, and in no event increase any such compensation*
11 *to an amount exceeding \$17,500 per annum, or (b) retire*
12 *any of its stock, notes, bonds, debentures, or other forms of*
13 *indebtedness issued for capital purposes. For the purposes*
14 *of this section, the term "compensation" includes any*
15 *salary, fee, bonus, commission, or other payment, direct or*
16 *indirect, in money or otherwise for personal services."*

17 *(b) Section 11 of such Act of June 10, 1933, as*
18 *amended (U.S.C., Supp. VII, title 15, sec. 605i), is*
19 *amended by adding at the end thereof the following new*
20 *sentence: "As used in this section and in sections 1, 2,*
21 *and 3 of this Act, the term 'State' means any State, Terri-*
22 *tory, or possession of the United States, the Canal Zone,*
23 *and the District of Columbia."*

24 *SEC. 8. The Reconstruction Finance Corporation is*
25 *authorized and empowered to make loans upon full and*

1 *adequate security, based on mineral acreage, to recognized*
2 *and established incorporated managing agencies of farmers'*
3 *cooperative mineral rights pools not engaged in drilling or*
4 *mining operations, said loans to be made for the purpose*
5 *of defraying the cost of organizing such pools.*

6 *SEC. 9. The Reconstruction Finance Corporation is*
7 *authorized and empowered to make loans upon adequate*
8 *security, based on mineral acreage to recognized and estab-*
9 *lished incorporated agencies, individuals, and partnerships*
10 *engaged in the business of mining, milling, or smelting of*
11 *ores.*

12 *SEC. 10. The Corporation is authorized and empow-*
13 *ered to make loans under section 5 of the Reconstruction*
14 *Finance Corporation Act, as amended, to any person, asso-*
15 *ciation, or corporation organized under the laws of any*
16 *State, the District of Columbia, Alaska, Hawaii, or Puerto*
17 *Rico, for the purpose of financing the production, storage,*
18 *handling, packing, processing, carrying, and/or orderly*
19 *marketing of fish of American fisheries and/or products*
20 *thereof upon the same terms and conditions, and subject to*
21 *the same limitations, as are applicable in case of loans made*
22 *under said section 5, as amended.*

23 *SEC. 11. The Reconstruction Finance Corporation is*
24 *hereby authorized and empowered to make loans at any time*
25 *prior to January 31, 1935, out of the funds of the Corpo-*

1 *ration upon full and adequate security, to public-school*
2 *districts or other similar public-school authorities organized*
3 *pursuant to State law, for the purpose of payment of teachers'*
4 *salaries due prior to June 1, 1934: Provided, That the aggre-*
5 *gate amount of such loans at any time outstanding shall not*
6 *exceed \$75,000,000.*

7 *SEC. 12. The Reconstruction Finance Corporation*
8 *Act, as amended (U.S.C., Supp VII, title 15, ch. 14), is*
9 *amended by inserting before section 6 thereof the following*
10 *new section:*

11 *“SEC. 5c. With the approval of the President, the*
12 *Corporation is authorized and directed, notwithstanding any*
13 *other provisions of law, to establish or to utilize export or*
14 *import trading and banking corporations in which the*
15 *United States shall own, directly or indirectly, the entire*
16 *beneficial interest, and to subscribe for and purchase the*
17 *common and preferred stock and obligations thereof, for the*
18 *purpose of aiding in financing and facilitating exports and*
19 *imports between the United States and other nations or the*
20 *agencies or nationals of either of them: Provided, That the*
21 *corporations in which the United States owns or controls,*
22 *directly or indirectly, the entire beneficial interest, shall*
23 *report to Congress annually and include in the report a*
24 *complete financial statement.”*

1 *SEC. 13. The Reconstruction Finance Corporation Act,*
2 *as amended (U.S.C., Supp. VII, title 15, ch. 14), is*
3 *amended by inserting before section 6 thereof the following*
4 *new section:*

5 “ *SEC. 5d. For the purpose of maintaining and increas-*
6 *ing the employment of labor when credit at prevailing bank*
7 *rates for the character of loans applied for is not otherwise*
8 *available at banks, the Corporation is authorized and em-*
9 *powered to make loans to any industrial or commercial busi-*
10 *ness, which shall include the fishing industry, established prior*
11 *to January 1, 1934. Such loans shall in the opinion of*
12 *the board of directors of the Corporation be adequately se-*
13 *cured, may be made directly, or in cooperation with banks or*
14 *other lending institutions, or by the purchase of participa-*
15 *tions, shall have maturities not to exceed five years, shall be*
16 *made only when deemed to offer reasonable assurance of con-*
17 *tinued or increased employment of labor, shall be made only*
18 *when, in the opinion of the board of directors of the Corpora-*
19 *tion, the borrower is solvent, shall not exceed \$300,000,000*
20 *in aggregate amount at any one time outstanding, and shall be*
21 *subject to such terms, conditions, and restrictions as the board*
22 *of directors of the Corporation may determine. The aggre-*
23 *gate amount of loans to any one borrower under this section*
24 *shall not exceed \$100,000.*

1 *“The power to make loans given herein shall termi-*
2 *nate on January 31, 1935, or on such earlier date as the*
3 *President shall by proclamation fix; but no provision of*
4 *law terminating any of the functions of the Corporation*
5 *shall be construed to prohibit disbursement of funds on loans*
6 *and commitments, or agreements to make loans, made under*
7 *this section prior to January 31, 1935, or such earlier date.”*

8 *SEC. 14. The Federal Reserve Act, as amended, is*
9 *amended by adding after section 13a thereof a new section*
10 *reading as follows:*

11 *“SEC. 13b. When it appears to the satisfaction of a*
12 *Federal Reserve bank that an established industrial or com-*
13 *mercial business located in its district is unable to obtain*
14 *requisite financial assistance on a reasonable basis from the*
15 *usual sources, the Federal Reserve bank, pursuant to author-*
16 *ity granted by the Federal Reserve Board, may make loans*
17 *to, or purchase obligations of, such business, or may make*
18 *commitments with respect thereto, on a reasonable and sound*
19 *basis, for the purpose of providing it with capital, but no*
20 *obligation shall be acquired or commitment made hereunder*
21 *with a maturity exceeding five years.*

22 *“Each Federal Reserve bank shall also have power to*
23 *discount for, or purchase from, any bank, trust company,*
24 *mortgage company, credit corporation for industry, or other*
25 *financing institution operating in its district, obligations hav-*

1 *ing maturities not exceeding five years, entered into for*
2 *the purpose of obtaining capital for any such estab-*
3 *lished industrial or commercial business; to make loans or*
4 *advances direct to any such financing institution on the*
5 *security of such obligations; and to make commitments with*
6 *regard to such discount or purchase of obligations or with*
7 *respect to such loans or advances on the security thereof,*
8 *including commitments made in advance of the actual under-*
9 *taking of such obligations. Each such financing institution*
10 *shall obligate itself to the satisfaction of the Federal Reserve*
11 *bank for at least 20 per centum of any loss which may be*
12 *sustained by such bank upon any of the obligations acquired*
13 *from such financing institution, the existence and amount of*
14 *any such loss to be determined in accordance with regula-*
15 *tions of the Federal Reserve Board: Provided, That in lieu*
16 *of such obligation against loss any such financing institution*
17 *may advance at least 20 per centum of such capital*
18 *for any established industrial or commercial business without*
19 *obligating itself to the Federal Reserve bank against loss*
20 *on the amount advanced by the Federal Reserve bank:*
21 *Provided, however, That such advances by the financing*
22 *institution and the Federal Reserve bank shall be considered*
23 *as one advance, and repayment shall be made pro rata under*
24 *such regulations as the Federal Reserve Board may prescribe.*

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

9 *“ For the purpose of aiding the Federal Reserve banks*
10 *in carrying out the provisions of this section, there is hereby*
11 *established in each Federal Reserve district an industrial*
12 *advisory committee, to be appointed by the Federal Reserve*
13 *bank subject to the approval and regulations of the Federal*
14 *Reserve Board, and to be composed of not less than three*
15 *nor more than five members as determined by the Federal*
16 *Reserve Board. Each member of such committee shall be*
17 *actively engaged in some industrial pursuit within the Fed-*
18 *eral Reserve district in which the committee is established,*
19 *and each such member shall serve without compensation but*
20 *shall be entitled to receive from the Federal Reserve bank*
21 *of such district his necessary expenses while engaged in the*
22 *business of the committee, or a per diem allowance in lieu*
23 *thereof to be fixed by the Federal Reserve Board. Each*
24 *application for any such loan, advance, purchase, discount,*
25 *or commitment shall be submitted to the appropriate com-*

1 *mittee and, after an examination by it of the business with*
2 *respect to which the application is made, the application*
3 *shall be transmitted to the Federal Reserve bank, together*
4 *with the recommendation of the committee."*

5 *SEC. 15. Section 5202 of the Revised Statutes of the*
6 *United States, as amended, is hereby amended by adding*
7 *at the end thereof the following new paragraph:*

8 *"Tenth. Liabilities incurred under the provisions of*
9 *section 13b of the Federal Reserve Act,"*

10 *SEC. 16. Section 22 of the Federal Reserve Act is*
11 *amended by adding at the end thereof the following new*
12 *paragraphs:*

13 *"(h) Whoever makes any material statement, know-*
14 *ing it to be false, or whoever willfully overvalues any*
15 *security, for the purpose of influencing in any way the*
16 *action of a Federal Reserve bank upon any application,*
17 *commitment, advance, discount, purchase, or loan, or any*
18 *extension thereof by renewal, deferment of action, or other-*
19 *wise, or the acceptance, release, or substitution of security*
20 *therefor, shall be punished by a fine of not more than*
21 *\$5,000 or by imprisonment for not more than two years,*
22 *or both.*

23 *"(i) Whoever, being connected in any capacity with*
24 *a Federal Reserve bank (1) embezzles, abstracts, purloins,*
25 *or willfully misapplies any moneys, funds, securities, or other*

1 *things of value, whether belonging to it or pledged or other-*
2 *wise entrusted to it, or (2) with intent to defraud any*
3 *Federal Reserve bank, or any other body politic or cor-*
4 *porate, or any individual, or to deceive any officer, auditor,*
5 *or examiner, makes any false entry in any book, report, or*
6 *statement of or to a Federal Reserve bank, or, without being*
7 *duly authorized, draws any order or issues, puts forth, or*
8 *assigns any note, debenture, bond, or other obligation, or*
9 *draft, mortgage, judgment, or decree shall be punished by*
10 *a fine of not more than \$10,000 or by imprisonment for*
11 *not more than five years, or both.*

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

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

73^d CONGRESS }
2^d Session

S. 3487

AN ACT

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

IN THE SENATE OF THE UNITED STATES

MAY 10 (calendar day, MAY 25), 1934

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