AN ACT

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

Be it enacted by the Senate and House of Representa-

tives 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 respect 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 $130,200,557 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 divi-
dends, 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, know-
ing it to be false, or whoever willfully overvalues any secur-
ity, for the purpose of influencing in any way the action
of a Federal Reserve bank upon any application, commit-
ment, 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 other-
wise 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, commis-
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
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."

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

"Sec. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loan applied for is not otherwise available at banks or at the Federal Reserve bank of the district in which the applicant is located, the Corporation is authorized and empowered to make loans to any industrial or commercial business established prior to January 1, 1935. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured; may be made directly in cooperation with banks or other lending institutions; or by the purchase of participations, shall have maturities not to exceed five years; shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor; shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is
solvent, shall not exceed $250,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed $1,000,000.

"The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date:

Provided, That it shall be unlawful for any Federal, State, county, or municipal official, any member of any National, State, or county committee of any political party, or any other person except a bona-fide and regularly employed officer, agent, or employee of the person or corporation seeking a loan under the provisions of this section, to seek to influence in any way any agent, officer, or employee of the Reconstruction Finance Corporation in connection with a loan or any application therefor, under the provisions of this section, and if upon the request of the person or corporation seeking a loan such unlawful influence is used, the person or corporation seeking such loan shall be disqualified."
SEC. 7. Section 12B of the Federal Reserve Act is hereby amended by inserting in the first sentence of the second paragraph of subsection (y) immediately after the words "District of Columbia," the following; "and the Territory of Hawaii."

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

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

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

(c) The seal of any such executive department or corporation shall be judicially noticed."
(b) Section 4 of the Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, sec. 604), is amended by inserting immediately before the semicolon following the words "corporate seal" a comma and the words "which shall be judicially noticed".

Sec. 2. Section 1001 of the Revised Statutes, as amended (U.S.C., title 28, sec. 870), is amended by inserting immediately after the word "Government" the following: "or any corporation all the stock of which is beneficially owned by the United States, either directly or indirectly".

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

"Sec. 5b. Notwithstanding any other provision of law—

"(1) The maturity of drafts or bills of exchange which may be accepted by the Corporation under section 5a of this Act, and the period for which the Corporation may make loans or advances under sections 201(c) and 201(d) of the Emergency Relief and Construction Act of 1932, as amended, and under section 5 of this Act, may be five years, or any shorter period, from February 1, 1935:

Provided, That in respect of loans or advances under such
section 5 to railroads, railways, and receivers or trustees thereof, the Corporation may require as a condition of making any such loan or advance for a period longer than three years that such arrangements be made for the reduction or amortization of the indebtedness of the railroad or railway, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

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

"(3) In connection with the reorganization under section 77 of the Federal Bankruptcy Act, approved July 1, 1898, as amended, or with receivership proceedings in a court or courts, of any railroad or railway indebted
to the Corporation, or of any railroad or railway the receivers or trustees of which are indebted to the Corporation, the Corporation may, with the prior approval of the Interstate Commerce Commission, adjust or compromise its claim against such railroad or railway, or any such receiver or trustee, by accepting, in connection with any such reorganization or receivership proceedings and in exchange for securities or any part thereof then held, new securities which may have such terms as to interest, maturity, and otherwise as may be approved by the Corporation, or part cash and part new securities so approved: Provided, That any such adjustment or compromise shall not be made on less favorable terms than those provided in the reorganization of the railroad or railway for holders of claims of the same class and rank as the claim of the Corporation."

SEC. 4. Section 301 of the National Industrial Recovery Act (U.S.C., Supp. VII, title 40, sec. 412) is amended by inserting before the period at the end thereof a colon and the following: “Provided further, That in connection with any loan or contract or any commitment to make a loan entered into by the Reconstruction Finance Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to section 201(a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such fur-
ther loans and contracts for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment; and the Corporation may disburse funds to the borrower thereunder, at any time prior to January 23, 1939, notwithstanding any provisions to the contrary contained in this section or in section 201(h) of the Emergency Relief and Construction Act of 1932, as amended: Provided further, That any such further loans shall be made subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, with respect to the loans authorized by section 201(a)(1) of said Act."

Sec. 5. Notwithstanding any limitations on its power, the Reconstruction Finance Corporation, upon request of any borrower under section 201(a) of the Emergency Relief and Construction Act of 1932, as amended, may adjust the maturities of any obligations of such borrower now held by it, or hereafter acquired by it under lawful commitments, to such periods as may in the discretion of the Reconstruction Finance Corporation be proper, but such
adjustment shall not extend any such maturity to more
than twenty years from the advancing of the sum or sums
evidenced thereby.

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

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

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

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

“(4) the borrower shall agree, insofar as it may
lawfully do so, that so long as any part of such loan
shall remain unpaid the borrower will in each year
apply to the repayment of such loan or to the purchase
or redemption of the obligations issued to evidence
such loan, an amount equal to the amount by which
the assessments, taxes, and other charges collected by
it exceed (a) the cost of operation and maintenance of
the project, (b) the debt charges on its outstanding
obligations, and (c) provision for such reasonable
reserves as may be approved by the Corporation;
and”.

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

“When any loan is authorized pursuant to the provi-
sions of this section and it shall then or thereafter appear
that repairs and necessary extensions or improvements to the
project of such district, political subdivision, company, or
association are necessary or desirable for the proper func-
tioning of its project or for the further assurance of its ability
to repay such loan, and if it shall also appear that such
repairs and necessary extensions or improvements are not
designed to bring new lands into production, the Corporation,
within the limitation as to total amount provided in this
section, may make an additional loan or loans to such dis-
trict, political subdivision, company, or association for such
purpose or purposes. When application therefor shall have
been made by any such district, political subdivision, com-
pany, or association any loan authorized by this section may
be made either to such district, political subdivision, com-
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pany, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateralized by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association.”

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

“Sec. 2. In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than twenty days, or if the insurance company is a mutual organization without capital stock, the Reconstruction Finance Corporation is authorized for the purposes of this Act to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under
which such company is organized permit, or to make loans
secured by such notes or such other form or forms of indebt-
edness as collateral, which may be subordinated in whole or
in part or to any degree to claims of other creditors.

"Sec. 3. The Reconstruction Finance Corporation
shall not subscribe for or purchase any preferred stock or
capital notes of any applicant insurance company, (1) until
the applicant shows to the satisfaction of the Corporation
that it has unimpaired capital, or that it will furnish new
capital which will be subordinate to the preferred stock or
capital notes to be subscribed for or purchased by the
Corporation, equal to the amount of said preferred stock or
capital notes so subscribed for or purchased by the Corpora-
tion: Provided, That the Corporation may make loans upon
said preferred stock or capital notes, or other form or forms
of indebtedness permitted by the laws of the State under
which said applicant is organized, if, in its opinion, such
loans will be adequately secured by said stock or capital
notes or other form or forms of indebtedness and/or such
other forms of security as the Corporation may require, (2)
if at the time of such subscription, purchase, or loan any
officer, director, or employee of the applicant is receiving
total compensation in a sum in excess of $17,500 per annum
from the applicant and/or any of its affiliates, and (3) unless
at such time, the insurance company agrees to the satisfac-
tion of the Corporation that while any part of the preferred
stock, notes, bonds, or debentures (or, in the case of a
mutual insurance company, other form or forms of indebted-
ness permitted by the laws of the State under which the
company is organized) of such insurance company is held
by the Corporation, the insurance company, except with the
consent of the Corporation, will not (a) increase the com-
ensation received by any of its officers, directors, or em-
ployees from the insurance company and/or any of its
affiliates, and in no event increase any such compensation
to an amount exceeding $17,500 per annum, or (b) retire
any of its stock, notes, bonds, debentures, or other forms of
indebtedness issued for capital purposes. For the purposes
of this section, the term "compensation" includes any
salary, fee, bonus, commission, or other payment, direct or
indirect, in money or otherwise for personal services.”

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

SEC. 8. The Reconstruction Finance Corporation is
authorized and empowered to make loans upon full and
adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools.

Sec. 9. The Reconstruction Finance Corporation is authorized and empowered to make loans upon adequate security, based on mineral acreage to recognized and established incorporated agencies, individuals, and partnerships engaged in the business of mining, milling, or smelting of ores.

Sec. 10. The Corporation is authorized and empowered to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under said section 5, as amended.

Sec. 11. The Reconstruction Finance Corporation is hereby authorized and empowered to make loans at any time prior to January 31, 1935, out of the funds of the Corpo-
ration upon full and adequate security, to public-school
districts or other similar public-school authorities organized
pursuant to State law, for the purpose of payment of teachers'
salaries due prior to June 1, 1934: Provided, That the aggrega-
tive amount of such loans at any time outstanding shall not
exceed $75,000,000.

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

"Sec. 5c. With the approval of the President, the
Corporation is authorized and directed, notwithstanding any
other provisions of law, to establish or to utilize export or
import trading and banking corporations in which the
United States shall own, directly or indirectly, the entire
beneficial interest, and to subscribe for and purchase the
common and preferred stock and obligations thereof, for the
purpose of aiding in financing and facilitating exports and
imports between the United States and other nations or the
agencies or nationals of either of them: Provided, That the
corporations in which the United States owns or controls,
directly or indirectly, the entire beneficial interest, shall
report to Congress annually and include in the report a
complete financial statement,"
SEC. 13. The Reconstruction Finance Corporation Act, as amended (U.S.C., Supp. VII, title 15, ch. 14), is amended by inserting before section 6 thereof the following new section:

"SEC. 5d. For the purpose of maintaining and increasing the employment of labor when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business, which shall include the fishing industry, established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed $300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed $100,000,"
"The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date."

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

"Sec. 13b. 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 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 hav-
ing maturities not exceeding five years, entered into for
the purpose of obtaining capital for any such estab-
lished 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 under-
taking 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 regula-
tions 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 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 commitments 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 com-
mittee 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. 15. 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. 16. 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, know-
ing 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 other-
wise, 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, commission, 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 paragraph 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.”

Passed the House of Representatives with an amendment May 23, 1934.

Attest: SOUTH TRIMBLE,

Clerk.

Passed the Senate May 10 (calendar day, May 14), 1934.

Attest: EDWIN A. HALSEY,

Secretary.
Ordered to be printed with the Agreement of the
Joint Committee (April 15, 1874)

IN THE SENATE OF THE UNITED STATES

Relating to direct loans for industrial purposes.

AN ACT

S. 3487
73rd Congress