

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

February 8, 1961

REPRINTS OF REGULATIONS B, C, E, AND V

**To All Member Banks and Others Concerned
in the Eleventh Federal Reserve District:**

Enclosed are copies of Regulations B, C, E, and V, issued by the Board of Governors of the Federal Reserve System. The Regulations have been reprinted to conform with the style of the Code of the Federal Regulations.

Member banks are requested to remove the old copies of the Regulations from their ring binders containing the Regulations of the Board of Governors and insert the enclosed copies in lieu thereof.

Yours very truly,

Watrous H. Irons

President

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

**OPEN MARKET PURCHASES OF
BILLS OF EXCHANGE, TRADE ACCEPTANCES,
BANKERS' ACCEPTANCES**



REGULATION B

(12 CFR 202)

**This regulation has, since July 10, 1923, been
continuously in effect in the form
printed herewith.**



Reprinted May 1960

INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank or Federal Reserve branch bank of the district in which the inquiry arises.

REGULATION B

(12 CFR 202)

As in effect May 1, 1960

OPEN MARKET PURCHASES OF BILLS OF EXCHANGE, TRADE ACCEPTANCES, AND BANKERS' ACCEPTANCES UNDER SECTION 14 *

SECTION 202.1—GENERAL STATUTORY PROVISIONS

Section 14 of the Federal Reserve Act (38 Stat. 264; 12 U.S.C. 353) provides that, under rules and regulations to be prescribed by the Federal Reserve Board, Federal Reserve banks may purchase and sell in the open market, at home or abroad, from or to domestic or foreign banks, firms, corporations, or individuals, bills of exchange of the kinds and maturities made eligible by the act for discount and bankers' acceptances, with or without the indorsement of a member bank.

SECTION 202.2—GENERAL CHARACTER OF BILLS AND ACCEPTANCES ELIGIBLE

The Federal Reserve Board, exercising its statutory right to regulate the purchase of bills of exchange and acceptances, prescribes that:

(a) Any banker's acceptance or bill of exchange which is eligible for discount under the terms of Part 201 of this chapter is eligible for purchase by Federal Reserve banks in the open market, with or without the indorsement of a member bank, if:

(1) It has been accepted by the drawee prior to purchase;

or

(2) It is accompanied or secured by shipping documents or by warehouse, terminal, or other similar receipts conveying security title; or

(3) It bears a satisfactory bank indorsement;

(b) A banker's acceptance growing out of a transaction involving the importation or exportation of goods may be purchased if it has a maturity not in excess of six months, exclusive of days of grace: *Provided* That it conforms in other respects to the applicable requirements of Part 201 of this chapter; and

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 202; cited as 12 CFR 202.

(c) A banker's acceptance growing out of a transaction involving the storage within the United States of goods actually under contract for sale and not yet delivered or paid for may be purchased: *Provided* That the acceptor is secured by the pledge of such goods: *And Provided further*, That the acceptance conforms in other respects to the applicable requirements of Part 201 of this chapter.

SECTION 202.3—STATEMENTS

A bill of exchange, unless indorsed by a member bank, is not eligible for purchase until a satisfactory statement has been furnished of the financial condition of one or more of the parties thereto.

A banker's acceptance, unless accepted or indorsed by a member bank, is not eligible for purchase until the acceptor has furnished a satisfactory statement of its financial condition in form to be approved by the Federal Reserve bank and has agreed in writing with a Federal Reserve bank to inform it upon request concerning the transaction underlying the acceptance.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

ACCEPTANCE BY MEMBER BANKS OF
DRAFTS OR BILLS OF EXCHANGE



REGULATION C
(12 CFR 203)

As revised effective August 31, 1946



Reprinted May 1960

INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank or Federal Reserve branch bank of the district in which the inquiry arises.

REGULATION C

(12 CFR 203)

As in effect May 1, 1960

ACCEPTANCE BY MEMBER BANKS OF DRAFTS OR BILLS OF EXCHANGE *

SECTION 203.0—SCOPE OF PART

This part is based upon and issued pursuant to various provisions of the Federal Reserve Act, particularly the provisions of the seventh and twelfth paragraphs of section 13 of such Act, the texts of which are published in the appendix hereto. This part relates to the acceptance by member banks of drafts or bills of exchange. Provisions governing the eligibility of bankers' acceptances of member banks for discount by the Federal Reserve Banks are contained in Part 201 of this chapter; and provisions governing the purchase of bankers' acceptances by the Federal Reserve Banks are contained in Part 202 of this chapter.

SECTION 203.1—ACCEPTANCE OF COMMERCIAL DRAFTS OR BILLS

(a) **Authority.**—Any member bank may accept drafts or bills of exchange drawn upon it which grow out of any of the following transactions (referred to in this part as “commercial drafts or bills”):

(1) The importation or exportation of goods, that is, the shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between dependencies or insular possessions and foreign countries, or between foreign countries; ¹

(2) The shipment of goods within the United States, provided shipping documents conveying or securing title are attached or are in the physical possession of the accepting bank or its agent at the time of acceptance;

(3) The storage in the United States or in any foreign country of readily marketable staples; ² *Provided*, That the draft or bill of

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 203; cited as 12 CFR 203.

¹ A member bank accepting any commercial draft or bill growing out of a transaction of the kinds described in §203.1(a) (1) will be expected to obtain before acceptance and retain in its files satisfactory evidence, documentary or otherwise, showing the nature of the transactions underlying the credit extended.

² A readily marketable staple within the meaning of this part means an article of commerce, agriculture, or industry, of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable, and (b) the staple itself easy to realize upon by sale at any time.

exchange is secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering such readily marketable staples.³

(b) **Maturity.**—No member banks shall accept any commercial draft or bill unless at the date of its acceptance such draft or bill has not more than six months to run, exclusive of days of grace.

(c) **Acceptances for one person.**—No member bank shall accept commercial drafts or bills, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation in an amount equal at any time in the aggregate to more than 10 per cent of its paid-up and unimpaired capital stock and surplus, unless the bank be and remain secured as to the amount in excess of such 10 per cent limitation by either attached documents or some other actual security growing out of the same transaction as the acceptance; but a trust receipt which permits the customer to have access to or control over the goods will not be considered “actual security” within the meaning of this paragraph.

(d) **Limitation on aggregate amount.**—No member bank shall accept commercial drafts or bills in an amount equal at any time in the aggregate to more than 50 per cent of its paid-up and unimpaired capital stock and surplus; except that, with the permission of the Board of Governors of the Federal Reserve System as provided in paragraph (e) of this section, any such member bank may accept such drafts or bills in an amount not exceeding at any time in the aggregate 100 per cent of its paid-up and unimpaired capital stock and surplus (hereinafter referred to as “authority to accept commercial drafts or bills up to 100 per cent”); but in no event may the aggregate amount of such acceptances growing out of domestic transactions exceed 50 per cent of such capital and surplus. Commercial drafts or bills accepted by another bank, whether domestic or foreign, at the request of a member bank which agrees to put such other bank in funds to meet such acceptances at maturity shall be considered as part of the acceptance liabilities of the member bank requesting such acceptances as well as of such other bank, if a member bank, within the meaning of the limitations prescribed in this section.

(e) **Authority to accept up to 100 per cent.**—(1) Any member bank desiring authority to accept commercial drafts or bills up to 100

³ It should be noted that pursuant to Part 201 and 202 of this chapter Federal Reserve Banks may neither discount nor purchase bills arising out of the storage of readily marketable staples unless the acceptor remains secured throughout the life of the bill.

per cent shall file with the Board of Governors, through the Federal Reserve Bank of its district, an application for permission to exercise such authority. Such application need not be made in any particular form, but shall show the present and anticipated need of the applicant bank for the authority requested.

(2) The Board of Governors may at any time rescind any authority granted by it pursuant to this section after not less than 90 days' notice in writing to the bank affected.

SECTION 203.2--ACCEPTANCE OF DRAFTS OR BILLS TO FURNISH
DOLLAR EXCHANGE

(a) **Authority.**—(1) Any member bank, after obtaining the permission of the Board of Governors, may accept drafts or bills of exchange drawn upon it by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange (referred to in this part as “dollar exchange drafts or bills”) as required by the usages of trade in the respective countries, dependencies, or insular possessions, subject to the conditions set forth in this section. Any member bank desiring to obtain such permission shall file with the Board of Governors through the Federal Reserve Bank of its district an application for such permission. Such application need not to be in any particular form but shall show the present and anticipated need for the authority requested.

(2) The Board of Governors may at any time rescind any permission granted by it pursuant to this section after not less than 90 days' notice in writing to the bank affected.

(b) **Countries with respect to which dollar exchange drafts or bills may be accepted.**—(1) Any such foreign country or dependency or insular possession of the United States must be one of those specified in a list published by the Board of Governors for the purposes of this part, with respect to which the Board of Governors has found that the usages of trade are such as to justify banks or bankers therein in drawing on member banks for the purpose of furnishing dollar exchange. Any member bank desiring to place itself in position to accept drafts or bills of exchange from a country, dependency, or insular possession not specified in such list may request the Board of Governors through the Federal Reserve Bank of its district to add such country, dependency, or insular possession to the list upon a showing that the furnishing of dollar exchange is required by the usages of trade therein.

(2) The Board of Governors may at any time after 90 days' published notice, remove from such list the name of any country, dependency, or insular possession, contained therein.

(c) **Purpose of transaction.**—(1) Any such dollar exchange draft or bill must be drawn and accepted in good faith for the purpose of furnishing dollar exchange as required by the usages of trade in the country, dependency, or insular possession in which the draft or bill is drawn. Drafts or bills drawn merely because dollar exchange is at a premium in the place where drawn or for any speculative purpose or drafts or bills commonly referred to as “finance bills” (i.e., which are not drawn primarily to furnish dollar exchange) will not be deemed to meet the requirements of this section.

(2) The aggregate of drafts or bills accepted by such member bank for any one foreign bank or banker shall not exceed an amount which the member bank would expect such foreign bank or banker to liquidate within the terms of the agreements under which the drafts or bills were accepted, through the proceeds of export documentary bills or from other sources reasonably available to such foreign bank or banker arising in the normal course of trade.

(d) **Maturity.**—Such member bank shall not accept any dollar exchange draft or bill unless at the date of its acceptance it has not more than three months to run, exclusive of days of grace.

(e) **Acceptances for one bank or banker.**—Such member bank shall not accept dollar exchange drafts or bills for any one bank or banker in an amount exceeding in the aggregate 10 per cent of the paid-up and unimpaired capital and surplus of the accepting bank, unless it be and remain secured as to the amount in excess of such 10 per cent limitation by documents conveying or securing title or by some other adequate security.

(f) **Limitation on aggregate amount.**—Such member bank shall not accept dollar exchange drafts or bills in an amount exceeding at any one time in the aggregate 50 per cent of its paid-up and unimpaired capital and surplus. This limitation is separate and distinct from and not included in the limitations prescribed by § 203.1 (d) with respect to acceptances of commercial drafts or bills. Dollar exchange draft or bills accepted by another bank, whether domestic or foreign, at the request of a member bank which agrees to put such other bank in funds to meet such acceptances at maturity shall be considered as part of the acceptance liabilities of the member bank requesting such acceptances as well as of such other bank, if a member bank, within the meaning of the limitations prescribed in this section.

APPENDIX

STATUTORY PROVISIONS

With respect to the acceptance by member banks of drafts or bills of exchange, the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. sec. 372) provides as follows:

Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided, however,* That the Board of Governors of the Federal Reserve System, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided further,* That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.

With respect to dollar exchange acceptances, the twelfth paragraph of section 13 of the Federal Reserve Act (12 U.S.C. sec. 373) provides as follows:

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Board of Governors of the Federal Reserve System by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing

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dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal Reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Board of Governors of the Federal Reserve System: *Provided, however,* That no member bank shall accept such drafts or bills of exchange referred to¹ this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further,* That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

¹ So in statute as enacted.

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

PURCHASE OF WARRANTS



**REGULATION E
(12 CFR 205)**

As amended effective August 21, 1959



INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the District in which the inquiry arises.

REGULATION E

(12 CFR 205)

As amended effective August 21, 1959

PURCHASE OF WARRANTS *

SECTION 205.1—STATUTORY REQUIREMENTS

Section 14 of the Federal Reserve Act reads in part as follows: ¹

Every Federal Reserve Bank shall have power—

To buy and sell, at home or abroad, bonds and notes of the United States, bonds of the Federal Farm Mortgage Corporation having maturities from date of purchase of not exceeding 6 months, bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and having maturities from date of purchase of not exceeding 6 months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding 6 months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System: * * *

SECTION 205.2—DEFINITIONS

Within the meaning of this part:

(a) The term "warrant" shall be construed to mean "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months."

(b) The term "municipality" shall be construed to mean "State, county, district, political subdivision, or municipality in the States of the United States and the District of Columbia, including irrigation, drainage, and reclamation districts."

(c) The term "net funded indebtedness" shall be construed to mean the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

(1) The amount of outstanding bonds or other debt obligations made payable from current revenues;

(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities,

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 205; cited as 12 CFR 205.

¹ 12 U.S.C., sec. 355.

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such as waterworks, docks, electric plants, transportation facilities, etc.: *Provided*, That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund sufficient for their redemption at maturity;

(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof at maturity: *Provided*, That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality; and

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds described in subparagraphs (1), (2), and (3) of this paragraph.

SECTION 205.3—CLASS OF WARRANTS ELIGIBLE FOR PURCHASE

Any Federal Reserve Bank may purchase warrants issued by a municipality in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues, provided:

(a) They are the general obligations of the entire municipality; it being intended to exclude as ineligible for purchase all such obligations as are payable from "local benefit" and "special assessment" taxes when the municipality at large is not directly or ultimately liable;

(b) They are issued in anticipation of taxes or revenues which are due and payable on or before the date of maturity of such warrants; but the Federal Reserve Board may waive this condition in specific cases. For the purposes of this part, taxes shall be considered as due and payable on the last day on which they may be paid without penalty;

(c) They are issued by a municipality:

(1) Which has been in existence for a period of 10 years;

(2) Which for a period of 10 years previous to the purchase has not defaulted for longer than 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it;

(3) Whose net funded indebtedness does not exceed 10 per centum of the valuation of its taxable property, to be

ascertained by the last preceding valuation of property for the assessment of taxes.

SECTION 205.4—"EXISTENCE" AND "NONDEFAULT"

Warrants will be construed to comply with that part of §205.3(c) relative to term of existence and nondefault, under the following conditions:

(a) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, consolidated with or merged into an existing political division which meets the requirements of these regulations, will be deemed to be the warrants of such political division: *Provided*, That such warrants were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(b) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, wholly succeeded by a newly organized political division whose term of existence, added to that of such original political division or of any other political division so succeeded, is equal to a period of 10 years will be deemed to be warrants of such succeeding political division: *Provided*, That during such period none of such political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it: *And Provided further*, That such warrants were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(c) Warrants issued by or in behalf of any municipality which, prior to such issuance, became the successor of one or more, or was formed by the consolidation or merger of two or more, pre-existing political divisions, the term of existence of one or more of which, added to that of such succeeding or consolidated political division, is equal to a period of 10 years, will be deemed to be warrants of a political division which has been in existence for a period of 10 years: *Provided*,

That during such period none of such original, succeeding, or consolidated political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

SECTION 205.5—LIMITATIONS

(a) Except with the approval of the Federal Reserve Board, no Federal Reserve Bank shall purchase and hold an amount in excess of 25 per cent of the total amount of warrants outstanding at any time and issued in conformity with provisions of section 14(b), quoted in §205.1 and actually sold by a municipality.

(b) Except with the approval of the Federal Reserve Board, the aggregate amount invested by any Federal Reserve Bank in warrants of all kinds shall not exceed at the time of purchase a sum equal to 10 per cent of the deposits kept by its member banks with such Federal Reserve Bank.

(c) Except with the approval of the Federal Reserve Board, the maximum amount which may be invested at the time of purchase by any Federal Reserve Bank in warrants of any single municipality shall be limited to the following percentages of the deposits kept in such Federal Reserve Bank by its member banks:

- (1) Five per cent of such deposits in warrants of a municipality of 50,000 population or over;
- (2) Three per cent of such deposits in warrants of a municipality of over 30,000 population, but less than 50,000;
- (3) One per cent of such deposits in warrants of a municipality of over 10,000 population, but less than 30,000.

(d) Any Federal Reserve Bank may purchase from any of its member banks warrants of any municipality, indorsed by such member bank, with waiver of demand, notice, and protest if such warrants comply with §§205.3, 205.5(b) except that where a period of 10 years is mentioned in §205.3(c) a period of 5 years shall be substituted for the purposes of this clause.

SECTION 205.6—WARRANTS OF SMALL MUNICIPALITIES

Warrants of a municipality of 10,000 population or less shall be purchased only with the special approval of the Federal Reserve Board.

The population of a municipality shall be determined by the last Federal or State census. Where it cannot be exactly determined the Federal Reserve Board will make special rulings.

SECTION 205.7—OPINION OF COUNSEL

Opinion of recognized counsel on municipal issues or of the regularly appointed counsel of the municipality as to the legality of the issue shall be secured and approved in each case by counsel for the Federal Reserve Bank.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

**LOAN GUARANTEES FOR DEFENSE
PRODUCTION**



REGULATION V
(32A CFR Ch. XV)

As Revised Effective September 27, 1950



Print of December 1960

INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank or Federal Reserve branch bank of the district in which the inquiry arises.

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REGULATION V

(32A CFR Ch. XV)

Revised Effective September 27, 1950

LOAN GUARANTEES FOR DEFENSE PRODUCTION *

SECTION 1. AUTHORITY

This regulation is based upon and issued pursuant to the Defense Production Act of 1950 (referred to in this regulation as the "act"), and Executive Order No. 10161, dated September 9, 1950 (3, CFR, 1950 Supp., p. 123) (referred to in this regulation as the "order"), and after consultation with the heads of the guaranteeing agencies designated in the act and the order, namely, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the Department of the Interior, the Department of Agriculture, and the General Services Administration.

SECTION 2. OBJECTIVES OF FEDERAL RESERVE SYSTEM

In carrying out its functions under the act and the order, it will be the objective of the Federal Reserve System to facilitate and expedite to the greatest extent possible the financing of contractors, subcontractors, and other persons having contracts or engaged in operations deemed by the guaranteeing agencies to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense. The Board of Governors of the Federal Reserve System (referred to in this regulation as the "Board") and the Federal Reserve Banks will cooperate fully with the guaranteeing agencies in order to achieve this objective and will follow in general and to the extent applicable procedures developed from experience obtained in the administration of the V-loan and T-loan programs during World War II.

SECTION 3. PROCEDURES

(a) **Applications.**—Any private financing institution may submit to the Federal Reserve Bank of its district an application for a guarantee of a loan to an eligible borrower. Such application shall be in such form and contain such information as the Board may prescribe after consultation with the guaranteeing agencies.

(b) **Eligibility of Borrower.**—No loan shall be guaranteed unless

* This text corresponds to the Code of Federal Regulations, title 32A, Chapter XV, Reg. V; cited as 32A CFR ch. XV, Reg. V.

it shall first be determined that the contract or other operation of the prospective borrower to be financed by such loan is one which is deemed by the guaranteeing agency involved to be necessary to expedite production and deliveries or services under a Government contract for the procurement of materials or the performance of services for the national defense. Such determination will be made in each case by a duly authorized certifying officer of the appropriate guaranteeing agency or in such other manner as the guaranteeing agency may prescribe. The determination will be made upon the basis of information contained in the application and accompanying papers filed by the applicant financing institution, unless in the circumstances of a particular case it appears that further information is necessary.

(c) **Approval of Guarantees.**—Each application by a financing institution for a loan guarantee will be subject to approval by the appropriate guaranteeing agency in Washington or, to such extent as the guaranteeing agency may prescribe, by the Federal Reserve Bank to which the application is submitted. In any case in which an application is required to be submitted to Washington for approval, the Federal Reserve Bank will transmit the application, together with all necessary supporting information and the recommendation of the Federal Reserve Bank, through the Board of Governors to the guaranteeing agency involved. Subject to determination of the borrower's eligibility, if the application is approved by a duly authorized contracting officer of the guaranteeing agency, such contracting officer will authorize the Federal Reserve Bank to execute and deliver the guarantee on behalf of the guaranteeing agency. Such authorization will be transmitted to the Federal Reserve Bank through the Board of Governors; and, thereupon, the Federal Reserve Bank, acting as fiscal agent of the United States, will execute and deliver the guarantee on behalf of the guaranteeing agency in accordance with the terms of the authorization. In any case in which the Federal Reserve Bank is authorized by a guaranteeing agency to approve applications for guarantees, the Reserve Bank, if it approves the application and subject to determination of the borrower's eligibility, will execute and deliver the guarantee without submission of the application for prior approval by any officer of the guaranteeing agency; but the Reserve Bank will promptly notify the guaranteeing agency of the execution of such guarantee.

(d) **Other Forms and Procedures.**—The Board will prescribe from time to time, after consultation with the guaranteeing agencies,

forms to be followed in the execution of guarantees pursuant to this regulation and such other forms as may be necessary. The Board will also prescribe, after consultation with the guaranteeing agencies, procedures with respect to such matters as the purchase of guaranteed loans by the Federal Reserve Banks as fiscal agents, the handling and disposition by the Federal Reserve Banks of guarantee fees and other fees collected, and such other procedures as may be found necessary.

SECTION 4. RESPONSIBILITY OF FEDERAL RESERVE BANKS

A Federal Reserve Bank in arranging for or making any guarantee on behalf of any guaranteeing agency will be expected to make reasonable efforts to afford such guaranteeing agency the best available protection against possible financial loss consistent with the obtaining of national defense production expeditiously. No Federal Reserve Bank, however, shall have any responsibility or accountability except as agent in taking any action pursuant to or under authority of the act, the order, or this regulation. Each Federal Reserve Bank will be reimbursed by each guaranteeing agency in the usual manner for all expenses and losses incurred by the Reserve Bank in acting as agent on behalf of such guaranteeing agency, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

SECTION 5. RATES AND FEES

Rates of interest, guarantee fees, commitment fees, and other charges which may be made with respect to guaranteed loans and guarantees executed through the agency of any Federal Reserve Bank under this regulation will from time to time be prescribed, either specifically or by maximum limits or otherwise, by the Board of Governors after consultation with the guaranteeing agencies.

SECTION 6. REPORTS

Each Federal Reserve Bank shall make such reports as the Board of Governors shall require with respect to its operations pursuant to the terms of the act, the order and this regulation.

APPENDIX
STATUTORY PROVISIONS

Defense Production Act of 1950

(Pub. No. 774—81st Cong., Approved September 8, 1950)

* * * * *

TITLE III—EXPANSION OF PRODUCTIVE CAPACITY
AND SUPPLY

SEC. 301. (a) In order to expedite production and deliveries or services under Government contracts, the President may authorize, subject to such regulations as he may prescribe, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, and such other agencies of the United States engaged in procurement for the national defense as he may designate (hereinafter referred to as "guaranteeing agencies"), without regard to provisions of law relating to the making, performance, amendment, or modification of contracts, to guarantee in whole or in part any public or private financing institution (including any Federal Reserve bank), by commitment to purchase, agreement to share losses, or otherwise, against loss of principal or interest on any loan, discount, or advance, or on any commitment in connection therewith, which may be made by such financing institution for the purpose of financing any contractor, subcontractor, or other person in connection with the performance of any contract or other operation deemed by the guaranteeing agency to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense, or for the purpose of financing any contractor, subcontractor or other person in connection with or in contemplation of the termination, in the interest of the United States, of any contract made for the national defense; but no small-business concern (as defined in section 714 (a) (1) of this Act) shall be held ineligible for the issuance of such a guaranty by reason of alternative sources of supply.

(b) Any Federal agency or any Federal Reserve bank, when designated by the President, is hereby authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of this section. All such funds as may be necessary to enable any such fiscal agent to carry out any guarantee made by it on behalf of any guaranteeing agency shall be supplied and disbursed by or

under authority from such guaranteeing agency. No such fiscal agent shall have any responsibility or accountability except as agent in taking any action pursuant to or under authority of the provisions of this section. Each such fiscal agent shall be reimbursed by each guaranteeing agency for all expenses and losses incurred by such fiscal agent in acting as agent on behalf of such guaranteeing agency, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(c) All actions and operations of such fiscal agents under authority of or pursuant to this section shall be subject to the supervision of the President, and to such regulations as he may prescribe; and the President is authorized to prescribe, either specifically or by maximum limits or otherwise, rates of interest, guarantee and commitment fees, and other charges which may be made in connection with loans, discounts, advances, or commitments guaranteed by the guaranteeing agencies through such fiscal agents, and to prescribe regulations governing the forms and procedures (which shall be uniform to the extent practicable) to be utilized in connection with such guarantees.

(d) Each guaranteeing agency is hereby authorized to use for the purposes of this section any funds which have heretofore been appropriated or allocated or which hereafter may be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purpose of meeting the necessities of the national defense.

[50 App. U.S.C. 2091.]

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TITLE VII—GENERAL PROVISIONS

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SEC. 702. As used in this Act—

(a) The word "person" includes an individual, corporation, partnership, association, or any other organized group of persons, or legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of any of the foregoing: *Provided*, That no punishment provided by this Act shall apply to the United States, or to any such government, political subdivision, or government agency.

(b) The word "materials" shall include raw materials, articles, commodities, products, supplies, components, technical information, and processes.

(c) The word "facilities" shall not include farms, churches or other places of worship, or private dwelling houses.

(d) The term "national defense" means programs for military and atomic energy production or construction, military assistance to any foreign nation, stockpiling, and directly related activity.

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[50 App. U.S.C. 2152.]

Sec. 703. (a) Except as otherwise specifically provided, the President may delegate any power or authority conferred upon him by this Act to any officer or agency of the Government, including any new agency or agencies (and the President is hereby authorized to create such new agencies, other than corporate agencies, as he deems necessary), and he may authorize such redelegations by that officer or agency as the President may deem appropriate. * * *

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[50 App. U.S.C. 2153.]

Sec. 704. The President may make such rules, regulations, and orders as he deems necessary or appropriate to carry out the provisions of this Act. Any regulation or order under this Act may be established in such form and manner, may contain such classifications and differentiations, and may provide for such adjustments and reasonable exceptions as in the judgment of the President are necessary or proper to effectuate the purposes of this Act, or to prevent circumvention or evasion, or to facilitate enforcement of this Act, or any rule, regulation, or order issued under this Act. * * *

[50 App. U.S.C. 2154.]

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Sec. 709. The functions exercised under this Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof. Any rule, regulation, or order, or amendment thereto, issued under authority of this Act shall be accompanied by a statement that in the formulation thereof there has been consultation with industry representatives, including trade association representatives, and that consideration has been given to their recommendations, or that special circumstances have rendered such consultation impracticable or contrary to the interest of the national defense, but no such rule, regulation, or order

shall be invalid by reason of any subsequent finding by judicial or other authority that such a statement is inaccurate.

[50 App. U.S.C. 2159.]

* * * * *

SEC. 711. There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act by the President and such agencies as he may designate or create. Funds made available for the purposes of this Act may be allocated or transferred for any of the purposes of this Act, with the approval of the Bureau of the Budget, to any agency designated to assist in carrying out this Act. Funds so allocated or transferred shall remain available for such period as may be specified in the Acts making such funds available.

[50 App. U.S.C. 2161.]

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SEC. 717. (a) Title I (except section 104), title III, and title VII (except section 714) of this Act, and all authority conferred thereunder, shall terminate at the close of June 30, 1962. Section 714 of this Act, and all authority conferred thereunder, shall terminate at the close of July 31, 1953. Section 104, title II, and title VI of this Act, and all authority conferred thereunder, shall terminate at the close of June 30, 1953. Titles IV and V of this Act, and all authority conferred thereunder, shall terminate at the close of April 30, 1953.

(b) Notwithstanding the foregoing—

(1) The Congress by concurrent resolution or the President by proclamation may terminate this Act prior to the termination otherwise provided therefor.

(2) The Congress may also provide by concurrent resolution that any section of this Act and all authority conferred thereunder shall terminate prior to the termination otherwise provided therefor.

(3) Any agency created under this Act may be continued in existence for purposes of liquidation for not to exceed six months after the termination of the provision authorizing the creation of such agency.

(c) The termination of any section of this Act, or of any agency or corporation utilized under this Act, shall not affect the disbursement of funds under, or the carrying out of, any contract, guarantee, com-

mitment or other obligation entered into pursuant to this Act prior to the date of such termination, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying on operations under this Act, or the taking of any action (including the making of new guarantees) deemed by a guaranteeing agency to be necessary to accomplish the orderly liquidation, adjustment or settlement of any loans guaranteed under this Act, including actions deemed necessary to avoid undue hardship to borrowers in reconverting to normal civilian production; and all of the authority granted to the President, guaranteeing agencies, and fiscal agents, under section 301 of this Act shall be applicable to actions taken pursuant to the authority contained in this subsection.

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[50 App. U.S.C. 2166.]

EXECUTIVE ORDER NO. 10161

[3 CFR, 1949-1953 Comp.]

Approved September 9, 1950

DELEGATING CERTAIN FUNCTIONS OF THE PRESIDENT UNDER THE DEFENSE PRODUCTION ACT OF 1950

By virtue of the authority vested in me by the Constitution and statutes, including the Defense Production Act of 1950, and as President of the United States and Commander in Chief of the armed forces, it is hereby ordered as follows:

* * * * *

PART III. EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

SEC. 301. The Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the Department of the Interior, the Department of Agriculture, and the General Services Administration, in this Part referred to as guaranteeing agencies, and each delegate under section 101 of this Executive order shall develop and promote measures for the expansion of productive capacity and of production and supply of materials and facilities necessary for the national defense.

SEC. 302. (a) Each guaranteeing agency is hereby authorized, in accordance with section 301 of the Defense Production Act of 1950,

subject to the provisions of this section, in order to expedite production and deliveries or services under Government contracts, and without regard to provisions of law relating to the making, performance, amendment, or modification of contracts, to guarantee in whole or in part any public or private financing institution (including any Federal Reserve Bank), by commitment to purchase, agreement to share losses, or otherwise, against loss of principal or interest on any loan, discount, or advance, or on any commitment in connection therewith, which may be made by such financing institution for the purpose of financing any contractor, subcontractor, or other person in connection with the performance, or in connection with or in contemplation of the termination, of any contract or other operation deemed by the guaranteeing agency to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense.

(b) Each Federal Reserve Bank is hereby designated and authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of the said section 301, in respect of private financing institution.

(c) All actions and operations of Federal Reserve Banks, under authority of or pursuant to the said section 301 of the Defense Production Act of 1950, shall be subject to the supervision of the Board of Governors of the Federal Reserve System. Said Board is hereby authorized, after consultation with the heads of the guaranteeing agencies, (1) to prescribe such regulations governing the actions and operations of fiscal agents hereunder as it may deem necessary, (2) to prescribe, either specifically or by maximum limits or otherwise, rates of interest, guarantee and commitment fees, and other charges which may be made in connection with loans, discounts, advances, or commitments guaranteed by the guaranteeing agencies through such fiscal agents, and (3) to prescribe regulations governing the forms and procedures (which shall be uniform to the extent practicable) to be utilized in connection with such guarantees.

* * * * *

PART IX. GENERAL PROVISIONS

SEC. 902. (a) Except as otherwise provided in section 902(c) of this Executive order, each officer or agency having functions under the Defense Production Act of 1950 delegated or assigned thereto by

this Executive order may exercise and perform, with respect to such functions, the functions vested in the President by title VII of the said Act.

(b) The functions which may be exercised and performed pursuant to the authority of section 902(a) of this Executive order shall include, but not by way of limitation, (1) except as otherwise provided in section 701(c) of this Executive order, and except as otherwise required by section 403 of the Defense Production Act of 1950, the power to redelegate functions, and to authorize the successive re delegation of functions, to agencies, officers, and employees of the Government, (2) the power to create an agency or agencies, under the jurisdiction of the officer concerned, to administer functions delegated by this Executive order, and (3) in respect of Parts I, II, IV, and V of this Executive order, the power of subpoena: *Provided*, That the subpoena power shall be utilized only after the scope and purpose of the investigation, inspection, or inquiry to which the subpoena relates have been defined either by the appropriate officer referred to in section 902(a) of this Executive order or by such other person or persons as he shall designate.

(c) There are excluded from the functions delegated by section 902(a) of this Executive order (1) the functions delegated by Part VII of this Executive order, (2) the functions of the President under sections 703(b) and 710(a) of the Defense Production Act of 1950, (3) the functions of the President with respect to regulations under sections 710(b), 710(c), and 710(d) of the said Act, and (4) the functions of the President with respect to fixing compensation under section 703(a) of the said Act.

* * * * *

SEC. 903. All agencies of the Government (including departments, establishments, and corporations) shall furnish to each officer to whom functions are delegated or assigned by this Executive order such information relating to defense production or procurement, or otherwise relating to the functions delegated or assigned to such officer by this Executive order, as he may deem necessary.

SEC. 904. Each delegate referred to in section 101 of this Executive order shall, when and if he shall deem it necessary and appropriate, appoint a committee composed of representatives of such agencies of the Government as he may determine. Any committee so appointed shall advise and consult with the delegate concerned, as he may request,

REGULATION V

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in connection with the carrying out of the functions delegated to him by sections 101, 201, and 302 of this Executive order, and shall advise the delegate concerned regarding requirements of materials and facilities.

HARRY S. TRUMAN

The White House,
September 9, 1950.