

The Papers of Eugene Meyer (mss52019)

118_02_001-

Subject File, Federal Reserve Board, Glass Bill (S. 3215), Confidential
Committee Prints, 1932

EUGENE MEYER

SUBJECT FILE

FEDERAL RESERVE BOARD
GLASS BILL S.3215 1932
CONFIDENTIAL COMMITTEE PRINTS

*(Showing changes made by Confidential
Committee Print of March 12, 1932)* 87

72D CONGRESS
1ST SESSION

S. 3215

IN THE SENATE OF THE UNITED STATES

JANUARY ¹⁹ 21, 1932

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

A BILL

To provide for the safer and more effective use of the assets of
Federal reserve banks and of national banking associations,
to regulate interbank control, to prevent the undue diver-
sion of funds into speculative operations, 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 short title of this Act shall be the "Banking Act
4 of 1932."

5 SEC. 2. As used in this Act—

6 (a) The terms "bank," "national bank," "national
7 banking association," "member bank," "board," "district,"

1 and "reserve bank" shall have the meanings assigned to
2 them in section 1 of the Federal Reserve Act, as amended.

3 (b) The term "affiliate" (except where otherwise
4 expressly defined) shall include the following:

5 (1) Any corporation in which a national bank or a
6 member bank, directly or indirectly owns or controls a
7 majority of the voting shares of its capital, or a lesser
8 number of such shares if such lesser number shall amount
9 to more than 50 per centum of the shares voted for the
10 election of directors at the preceding annual meeting of such
11 corporation; or any corporation in which a national bank
12 or a member bank in any other manner directly or indirectly
13 controls the election of a majority of its board of directors; or

14 (2) Any corporation which directly or indirectly owns
15 or controls a majority of the shares of capital stock of a
16 national bank or member bank, or a lesser number of shares
17 if such lesser number shall amount to more than 50 per
18 centum of the shares voted for the election of directors at
19 the preceding annual meeting of such national bank or
20 member bank; or any corporation which in any other man-
21 ner directly or indirectly controls the election of a majority
22 of the board of directors of such national bank or member
23 bank; or

24 (3) Any corporation of which a majority of the voting
25 shares of the capital stock, or a lesser number of shares of

1 such lesser number shall amount to more than 50 per centum
2 of the shares voted for the election of directors at the pre-
3 ceding annual meeting of such corporation, is directly or
4 indirectly owned or controlled by the same or substantially
5 the same stockholders as directly or indirectly own or con-
6 trol a majority of the shares of capital stock of ~~such~~ national
7 bank or member bank, or a lesser number of shares if such
8 lesser number shall amount to more than 50 per centum of
9 the shares voted for the election of directors at the preced-
10 ing annual meeting of such national bank or member bank;

11 or
12 (4) Any corporation a majority of directors of which
13 shall be directors of any such national bank or member
14 bank, or of which a majority of the executive committee of
15 its board of directors are directors of such national bank or
16 member bank; or

17 (5) Any corporation the board of directors of which
18 shall comprise a majority of the board of directors of any
19 such national bank or member bank, or the executive com-
20 mittee of the board of directors of which shall comprise a
21 majority of the executive committee of such national bank
22 or member bank.

23 (c) "Holding company" means any affiliate specified
24 in subdivision (2) of subsection (b) of this section.

1 (d) "Subsidiary" means any affiliate specified in
2 subdivision (1) of subsection (a) of this section.

3 (e) "Commerce" means commerce as defined by
4 section 1 of the Act entitled "An Act To supplement existing
5 laws against unlawful restraints and monopolies, and for
6 other purposes," approved October 15, 1914, as amended.

7 (f) "Demand deposits" means all deposits payable
8 within thirty days.

9 (g) "Time deposits" includes all deposits payable after
10 thirty days, all savings accounts and certificates of deposit
11 which are subject to not less than thirty days' notice before
12 payment (except thrift deposits), and all postal-savings
13 deposits.

14 ~~(h) "Thrift deposits" means all deposits subject to
15 not less than sixty days' notice before payment which are
16 not subject to transfer by check and the total monthly bal-
17 ance of which in any individual case does not exceed \$5,000.~~

18 SEC. 3. The fourth paragraph after paragraph
19 "Eighth" of section 4 of the Federal Reserve Act, as
20 amended, is amended by inserting before the period at the
21 end thereof a comma and the following: "but only if
22 such discounts, advancements, and accommodations are in-
23 tended for the accommodation of commerce, industry, and
24 agriculture. The Federal Reserve Board may prescribe
25 regulations further defining and regulating the use of the

1 credit facilities of the Federal reserve system within the
2 limitations of this Act. Such facilities shall not be extended
3 to member banks for the purpose of making or carrying
4 loans covering investments, or facilitating the carrying of,
5 or trading in, stocks, bonds, or other investment securities
6 other than obligations of the Government of the United
7 States. Each Federal reserve bank shall keep itself in-
8 formed of the loan and investment practices of its member
9 banks and the uses made by them of the credit facilities of
10 the Federal reserve system. The chairman of each Fed-
11 eral reserve bank shall report to the Federal Reserve Board
12 any undue, unauthorized, or improper use of such credit
13 facilities, together with his recommendation for remedial
14 action in the matter. The Federal Reserve Board may,
15 in its discretion, suspend for not more than one year from
16 the use of the credit facilities of the Federal reserve system
17 any member bank making undue, unauthorized, or improper
18 use of such facilities."

19 SEC. 4. The twenty-fifth paragraph of section 4 of the
20 Federal Reserve Act, as amended, is amended by inserting
21 before the period at the end thereof a colon and the follow-
22 ing: "Provided, That no such vote shall be cast by or on
23 behalf of any member bank, if a majority of its stock shall
24 be held or owned by any holding company, affiliate, or other
25 corporation, which is in fact one of a chain, or of a jointly

And provision made when necessary for restoring surplus to its position as of December 31, 1931

1 controlled group of banks, controlled by an individual, or if
2 its stock is in the hands of a voting trust, or if in any other
3 way such bank is prevented from acting subject to the un-
4 controlled decision of the general body of stockholders of
5 such bank locally resident in the town or city in which such
6 bank is established."

7 SEC. 5. The first paragraph of section 7 of the Federal
8 Reserve Act, as amended, is amended to read as follows:

9 "After all necessary expenses of a Federal reserve bank
10 shall have been paid or provided for, the stockholders shall
11 be entitled to receive an annual dividend of 6 per centum on
12 the paid-in capital stock, which dividend shall be cumulative.
13 After the aforesaid dividend claims have been fully met the
14 net earnings, beginning with the net earnings for the year
15 ending December 31, 1932, shall be paid to the Federal
16 Liquidating Corporation provided for in section 12B of this
17 Act and shall be used by the said corporation for carrying
18 out the purposes of such section."

19 SEC. 6. Section 9 of the Federal Reserve Act, as
20 amended, is amended by changing the fifth paragraph
21 thereof to read as follows:

22 "All banks admitted to membership under authority of
23 this section shall be required to comply with the reserve and
24 capital requirements of this Act and to conform to those
25 provisions of law imposed on national banks which prohibit

~~1 such banks from lending on or purchasing their own stock,
2 which relate to the withdrawal or impairment of their capital
3 stock, and which relates to the payment of unearned divi-
4 dends. They shall also comply with all the requirements of
5 this Act applicable to national banks. Such banks and the
6 officers, agents, and employees thereof shall also be subject
7 to the provisions of and to the penalties prescribed by section
8 5209 of the Revised Statutes, and shall be required to make
9 reports of condition and of the payment of dividends to the
10 Federal reserve bank of which they become a member. Not
11 less than three of such reports shall be made annually on call
12 of the Federal reserve bank on dates to be fixed by the
13 Federal Reserve Board. Failure to make such reports
14 within ten days after the date they are called for shall subject
15 the offending bank to a penalty of \$100 a day for each day
16 that it fails to transmit such report; such penalty to be col-
17 lected by the Federal reserve bank by suit or otherwise."~~

Sec. 6.

18 Section 9 of the Federal Reserve Act, as amended, is
19 further amended by inserting between the fifth and sixth
20 paragraphs thereof the following new paragraph:

21 "Each affiliate of a bank admitted to membership
22 under authority of this section shall, during the period of ~~two~~ *three*
23 years after this section as amended takes effect, make and
24 furnish to the president of the bank, for transmission by him
25 to the Federal Reserve Board, not less than three reports

1 during each year. Such reports shall be in such form as
 2 the Federal Reserve Board may prescribe, shall be verified
 3 by the oath or affirmation of the president or such other
 4 officer as may be designated by the board of directors of
 5 such affiliate to verify such reports, and shall cover the
 6 condition of such affiliate on dates identical with those fixed
 7 by the Federal Reserve Board for reports of the condition
 8 of the member bank. Each such report of an affiliate shall
 9 be transmitted to the Federal Reserve Board at the same
 10 time as the corresponding report of the member bank,
 11 except that the Federal Reserve Board may, in its discre-
 12 tion, extend such time for good cause shown. Each such
 13 report shall exhibit in detail and under appropriate heads,
 14 the holdings of the affiliate in question, their cost and present
 15 value, the expenses of operation for the preceding year, and
 16 the balance sheet of the enterprise. It shall be the duty
 17 of the president of such member bank to satisfy himself
 18 as to the correctness of the report before transmitting the
 19 same to the Federal Reserve Board. Any affiliate which
 20 fails to make and furnish any report required of it under
 21 this section, and any member bank whose president fails
 22 to transmit, as required by this section, any such report
 23 furnished to him, shall be subject to a penalty of \$100 for
 24 each day during which such failure continues. As used in
 25 this paragraph the term 'affiliate' includes a trust com-

1 pany, a finance company, securities company, investment
 2 trust or other similar institution, or any other corporation,
 3 of which control is held, directly or indirectly, through stock
 4 ownership or in any other manner, by any such bank or by
 5 the shareholders thereof who own or control a majority of
 6 the stock of such bank."

7 SEC. 7. (a) The first paragraph of section 10 of the
 8 Federal Reserve Act, as amended, is amended to read as
 9 follows:

10 "A Federal Reserve Board is hereby created which
 11 shall consist of seven members, including the Comptroller
 12 of the Currency, who shall be a member ex officio, and six
 13 members appointed by the President of the United States,
 14 by and with the advice and consent of the Senate. In select-
 15 ing the six appointive members of the Federal Reserve
 16 Board, not more than one of whom shall be selected from
 17 any one Federal reserve district, the President shall have
 18 due regard to a fair representation of the financial, agricul-
 19 tural, industrial, and commercial interests, and geographical
 20 divisions of the country, and at least two of such members
 21 shall be persons of tested banking experience. The six
 22 members of the Federal Reserve Board appointed by the
 23 President and confirmed as aforesaid shall devote their entire
 24 time to the business of the Federal Reserve Board and shall
 25 each receive an annual salary of \$12,000, payable monthly,

1 together with actual necessary traveling expenses, and the
 2 Comptroller of the Currency, as ex officio member of the
 3 Federal Reserve Board, shall, in addition to the salary now
 4 paid him as Comptroller of the Currency, receive the sum
 5 of \$7,000 annually for his services as a member of said
 6 board."

7 (b) The second paragraph of section 10 of the Fed-
 8 eral Reserve Act, as amended, is amended to read as follows:

9 "The Comptroller of the Currency shall be ineligible
 10 during the time he is in office and for two years thereafter
 11 to hold any office, position, or employment in any member
 12 bank. The appointive members of the Federal Reserve
 13 Board shall be ineligible during the time they are in office
 14 and for two years thereafter to hold any office, position,
 15 or employment in any member bank, except that this
 16 restriction shall not apply to a member who has served
 17 the full term for which he was appointed. Upon the ex-
 18 piration of the term of any member of the Federal Reserve
 19 Board in office when this paragraph as amended takes
 20 effect, the President shall fix the term of the successor to
 21 such member at not to exceed twelve years, as designated
 22 by the President at the time of nomination, but in such
 23 manner as to provide for the expiration of the term of not
 24 more than one member in any two-year period, and there-
 25 after each member shall hold office for a term of twelve

1 years. Of the six persons thus appointed, one shall be desig-
 2 nated by the President as governor and one as vice governor
 3 of the Federal Reserve Board. The governor of the Federal
 4 Reserve Board, subject to its supervision, shall be its active
 5 executive officer. Each member of the Federal Reserve
 6 Board shall within fifteen days after notice of appointment
 7 make and subscribe to the oath of office."

8 (c) The fourth paragraph of section 10 of the Federal
 9 Reserve Act, as amended, is amended to read as follows:

10 "No member of the Federal Reserve Board shall be an
 11 officer or director of any bank, banking institution, trust
 12 company, or Federal reserve bank or hold stock in any bank,
 13 banking institution, or trust company; and before entering
 14 upon his duties as a member of the Federal Reserve Board
 15 he shall certify under oath to be filed with the secretary of
 16 the board that he has complied with this requirement.
 17 Whenever a vacancy shall occur, other than by expiration of
 18 term, among the six members of the Federal Reserve Board
 19 appointed by the President, as above provided, a successor
 20 shall be appointed by the President, with the advice and
 21 consent of the Senate, to fill such vacancy, and when ap-
 22 pointed he shall hold office for the unexpired term of the
 23 member whose place he is selected to fill."

24 ~~SEC. 8. Subsection (c) of section 11 of the Federal~~
 25 ~~Reserve Act, as amended, is amended to read as follows:~~

1 ~~“(e) To add to the number of cities classified as~~
 2 ~~reserve and central reserve cities under existing law in~~
 3 ~~which national banking associations are subject to the re-~~
 4 ~~serve requirements set forth in section 20 of this Act; or to~~
 5 ~~reclassify reserve or central reserve cities or to terminate~~
 6 ~~their designation as such: *Provided, however,* That the~~
 7 ~~Federal Reserve Board shall, within two years after this~~
 8 ~~subsection as amended takes effect, prepare and put into~~
 9 ~~effect a complete reclassification of reserve and central~~
 10 ~~reserve cities, but such reclassification shall be so effected~~
 11 ~~as to maintain a total reserve requirement for the national~~
 12 ~~banking system as a whole which shall not be less in the~~
 13 ~~aggregate than the total reserves of national banking asso-~~
 14 ~~ciations computed on the basis of the last all-member-bank~~
 15 ~~report furnished to the Federal Reserve Board preceding~~
 16 ~~such reclassification.”~~

17 SEC. 9. Subsection (m) of section 11 of the Federal
 18 Reserve Act, as amended, is amended to read as follows:

19 “(m) Upon the affirmative vote of not less than six
 20 of its members the Federal Reserve Board shall have power
 21 to fix from time to time for ^{any member bank} each Federal reserve district the
 22 percentage of individual bank ^{the} capital and surplus ^{of such bank} which may
 23 be represented by loans ^{protected} secured by collateral ^{security} by member
 24 banks within such district but no loan shall be made by
 25 any such bank to any person in an amount in excess of 10

1 ~~per centum of the unimpaired capital and surplus of such~~
 2 ~~bank. Any percentage so fixed by the Federal Reserve~~
 3 ~~Board shall be subject to change from time to time upon~~
 4 ~~ten days' notice, and it shall be the duty of the board to~~
 5 ~~establish such percentages with a view to preventing the~~
 6 ~~undue use of bank loans for the speculative carrying of~~
 7 ~~securities. The Federal Reserve Board shall have power~~
 8 ~~to direct any member bank to refrain from further increase~~
 9 ~~of its security loans for any period up to one year. ^{Any violation} under~~
 10 ~~penalty of suspension of all rediscount privileges at Federal~~
 11 ~~reserve banks.”~~

12 ~~SEC. 10. The Federal Reserve Act, as amended, is~~
 13 ~~further amended by inserting between sections 11 and 12~~
 14 ~~thereof the following new section:~~

15 ~~“SEC. 11A. Upon receiving the unanimous consent of~~
 16 ~~the members of the Federal Reserve Board, any Federal~~
 17 ~~reserve bank may make advances to groups of ten or more~~
 18 ~~member banks within its district upon their joint and several~~
 19 ~~demand promissory notes in such amounts as the board of~~
 20 ~~directors of such Federal reserve bank may determine, but~~
 21 ~~such advances may be made to a lesser number of such~~
 22 ~~member banks if the aggregate amount of their demand and~~
 23 ~~time deposits constitutes at least 10 per centum of the entire~~
 24 ~~demand and time deposits of the member banks within such~~
 25 ~~district. Such banks shall be authorized to distribute the~~

~~1 proceeds of such loans to such of their number and in such
 2 amounts as they may agree upon, but before so doing they
 3 shall request such recipient banks to deposit with a suitable
 4 trustee, representing the entire group, their individual notes
 5 made in favor of the group and protected by such collateral
 6 security as may be agreed upon. The Federal reserve bank
 7 making any such advance shall charge and reserve a rate
 8 of interest of not less than one-half of 1 per centum a
 9 month for the first period of ninety days of the life of such
 10 advance, and thereafter the rate of interest shall be increased
 11 by one-fourth of 1 per centum a month for each succeeding
 12 period of ninety days or fraction thereof. The banks
 13 included in any such group which receive the proceeds of
 14 any such advance shall pay to the group collectively interest
 15 equal to the entire interest paid by the group during the life
 16 of the advance, plus an indorsement fee of 1 per centum
 17 upon the total amount of the advance. The indorse-
 18 ment fee so received by the group shall, after pay-
 19 ment of all expenses, be distributed to the members of the
 20 group in proportion to their capital funds. No such joint
 21 notes upon which advances are made by a Federal reserve
 22 bank under this section shall be eligible under section 16
 23 of this Act as collateral security for Federal reserve notes."~~

24 SEC. 11. No national banking association and no mem-
 25 ber bank shall (1) make any loan or any extension of credit

1 to any affiliate organized and existing for the purpose of buy-
 2 ing and selling stocks, bonds, real estate, or real-estate mort-
 3 gages, or for the purpose of holding title to any such prop-
 4 erty, or (2) invest any of its funds in the capital stock, bonds,
 5 or other obligations of any such affiliate, or (3) accept the
 6 capital stock, bonds, or other obligations of any such affiliate
 7 as collateral security to protect loans made to any person,
 8 copartnership, or corporation, if the aggregate amount of
 9 such loans, extensions of credit, investments, and acceptances
 10 of collateral security in the case of any such affiliate, will
 11 exceed 10 per centum of the outstanding capital stock and
 12 surplus of such national banking association or member bank.

13 Each loan made to an affiliate within the foregoing
 14 limitations shall be secured by stocks or bonds listed on a
 15 stock exchange which have an ascertained market value at
 16 the time of making the loan of at least 20 per centum more
 17 than the amount of such loan, or shall be secured by notes,
 18 drafts, bills of exchange or acceptances, eligible for redis-
 19 count at Federal reserve banks, or by bonds or other obliga-
 20 tions eligible for investment by savings banks in the State
 21 in which the association or member bank making the loan is
 22 located. A loan to a director, officer, clerk, or other em-
 23 ployee of any such affiliate shall be deemed a loan to the
 24 affiliate to the extent that the proceeds of such loan are
 25 transferred to the affiliate.

1 SEC. ^{10.} 12. The Federal Reserve Act, as amended, is
2 amended by inserting between sections 12 and 13 thereof
3 the following new sections:

4 "SEC. 12A. (a) There is hereby created a Federal
5 Open Market Committee (hereinafter referred to as the
6 "committee"), which shall consist of the Governor of the
7 Federal Reserve Board and as many additional members
8 as there are Federal reserve districts. Each Federal reserve
9 bank by its board of directors shall annually select from
10 among the officers of the said bank one member of said
11 committee ~~subject to the confirmation of the Federal Re-~~
12 ~~serve Board.~~ The meetings of said committee shall be
13 held at Washington, District of Columbia, at least four times
14 each year. Additional meetings may be held elsewhere
15 upon the call of the Federal Reserve Board, either upon the
16 motion of the board or at the request of any three members
17 of the committee. In the absence or inability of the Gov-
18 ernor of the Federal Reserve Board to act at such meetings
19 the board shall designate the vice governor or some other
20 member of the board to act in place of the governor.

21 "(b) No Federal reserve bank shall engage in open
22 market operations described in section 14 of this Act except
23 after approval and authorization by the committee. The
24 committee shall discuss, adopt, and transmit to the several
25 Federal reserve banks resolutions relating to all matters

1 affecting the open market transactions of such banks and to
2 all matters affecting the relations of the Federal reserve
3 system with foreign central or other banks. Every such
4 resolution shall be reported within three days to the Federal
5 Reserve Board and shall be subject to its approval. The
6 board shall annually include in its report to the Speaker
7 of the House of Representatives a review of the decisions
8 of the committee for the preceding year and an explanation
9 of the reasons for such decisions and the results thereof, so
10 far as they may be ascertained.

11 “(c) The time, character, and volume of purchases
12 and sales in the open market shall be governed with a
13 view to accommodating commerce and business and with
14 regard to their bearing upon the general credit situation of
15 the country. Such purchases and sales shall include all
16 paper described in section 14 of this Act as eligible for
17 open market operations.

18 “(d) The conclusions and recommendations of the
19 committee when approved by the Federal Reserve Board
20 shall be submitted to each Federal reserve bank for de-
21 termination whether it will participate in any purchases or
22 sales recommended. If any Federal reserve bank shall
23 decide not to participate in the open market operations
24 so recommended, it shall file with the chairman of the com-
25 mittee within thirty days a notice of its decision.

1 "SEC. 12B. (a) There is hereby created a Federal
 2 Liquidating Corporation (hereinafter referred to as the
 3 "corporation"), whose duty it shall be to purchase, hold,
 4 and liquidate as hereinafter provided, the assets of banks
 5 which have been ordered closed by the Comptroller of the
 6 Currency, *or by vote of their directors, and the assets of* and member banks which have been ordered
 7 closed by the appropriate State authorities.

8 "(b) The Comptroller of the Currency and the mem-
 9 bers of the Federal Open Market Committee created by
 10 section 12A of this Act shall constitute the directors of
 11 the corporation. The Comptroller of the Currency shall
 12 be the chairman of the board of directors of the cor-
 13 poration.

14 "(c) The capital stock of the corporation shall be
 15 divided into shares of \$100 each. Certificates of stock of
 16 the corporation shall be of two classes, class A and class
 17 B. Class A stock shall be held by member banks only and
 18 shall be entitled to prior payment of dividends out of net
 19 earnings, to the extent of 30 per centum of such net
 20 earnings in any one year, after payment of all expenses
 21 of the corporation, but such stock shall have no vote at
 22 meetings of stockholders. Class B stock shall be held by
 23 Federal reserve banks only and shall not be entitled to
 24 the payment of dividends. Every Federal reserve bank
 25 shall subscribe to shares of class B stock in the corpora-

1 tion to an amount equal to one-fourth of the surplus of
 2 such bank on December 31, 1931, and its subscription shall
 3 be accompanied by a certified check payable to the Comp-
 4 troller of the Currency in an amount equal to one-half of
 5 1 per centum of such subscription. The remainder of such
 6 subscription shall be subject to call from time to time by
 7 the board of directors upon ninety days' notice and annual
 8 subscriptions to such stock shall be made by each such bank
 9 in an amount equal to one-fourth of the annual increase
 10 of such surplus.

11 "(d) Every member bank shall subscribe to the class
 12 A capital stock of the corporation in an amount equal to
 13 one-half of 1 per centum of its total net outstanding time
 14 and demand deposits on the last call date in the year 1931.
 15 One-half of such subscription shall be paid in full within
 16 ninety days after receipt of notice from the chairman of
 17 the board of directors of the corporation; and the remainder
 18 of such subscription shall be subject to call from time to
 19 time by the board of directors of the corporation.

20 "(e) The amount of the outstanding class A stock of
 21 the corporation held by member banks shall be annually
 22 adjusted as hereinafter provided as member banks increase
 23 their time and demand deposits or as additional banks be-
 24 come members, and such stock may be decreased in amount
 25 as member banks reduce their time and demand deposits or

1 cease to be members. Shares of the capital stock of the
 2 corporation owned by member banks shall not be transferred
 3 or hypothecated. When a member bank increases its time
 4 and demand deposits, it shall at the beginning of each calen-
 5 dar year subscribe for an additional amount of capital stock
 6 of the corporation equal to one-half of 1 per centum of such
 7 increase in deposits. One-half of the amount of such addi-
 8 tional stock shall be paid for at the time of the subscription
 9 therefor and the balance shall be subject to call by the board
 10 of directors of the corporation. A bank applying for stock
 11 in the corporation at any time after the organization thereof
 12 shall be required to subscribe for an amount of class A capital
 13 stock equal to one-half of 1 per centum of the time and
 14 demand deposits of the applicant bank, paying therefor its
 15 par value plus one-half of 1 per centum a month from the
 16 period of the last dividend on the class A stock of the cor-
 17 poration. When the capital stock of the corporation shall
 18 have been increased, either on account of the increase of the
 19 time and demand deposits of member banks or on account
 20 of the increase in the number of member banks, the board
 21 of directors of the corporation shall cause to be executed a
 22 certificate to the Comptroller of the Currency showing the
 23 increase in capital stock of the corporation, the amount paid
 24 in, and by whom paid. When a member bank reduces its
 25 time and demand deposits it shall surrender, not later than

1 the 1st day of January thereafter, a proportionate amount
 2 of its holdings in the capital stock of the corporation, and
 3 when a member bank voluntarily liquidates it shall surrender
 4 all its holdings of the capital stock of the corporation and be
 5 released from its stock subscription not previously called.
 6 The shares so surrendered shall be cancelled and the mem-
 7 ber bank shall receive in payment therefor, under regula-
 8 tions to be prescribed by the Federal Reserve Board, a sum
 9 equal to its cash-paid subscriptions on the shares surrendered
 10 and its proportionate share of earnings not to exceed one-half
 11 of 1 per centum a month, from the period of the last divi-
 12 dend on such stock, but not above the book value of such
 13 earnings, less any liability of such member bank to the
 14 corporation.
 15 “(f) If any member bank shall be declared insolvent,
 16 the stock held by it in the corporation shall be cancelled,
 17 without impairment of the liability of such bank, and all
 18 cash-paid subscriptions on such stock, with its proportionate
 19 share of earnings not to exceed one-half of 1 per centum
 20 per month from the period of last dividend on such stock
 21 but not above the book value of such earnings, shall be first
 22 applied to all debts of the insolvent bank to the corpora-
 23 tion, and the balance, if any, shall be paid to the receiver
 24 of the insolvent bank. Whenever the capital stock of the
 25 corporation is reduced, either on account of a reduction in

1 time and demand deposits of any member bank or on account
 2 of the liquidation or insolvency of such bank, the board
 3 of directors shall cause to be executed a certificate to the
 4 Comptroller of the Currency showing such reduction of
 5 capital stock and the amount repaid to such bank.

6 “(g) When the minimum amount of class A and class
 7 B capital stock required by this Act shall have been sub-
 8 scribed and paid for by such banks, the Comptroller shall
 9 designate five reserve banks to execute a certificate of organi-
 10 zation, and thereupon the banks so designated shall, under
 11 their seals, make an organization certificate which shall
 12 specifically state the name of the corporation and the city
 13 and State in which the corporation is to be located, the
 14 amount of capital stock and the number of shares into
 15 which the same is divided, the name and place of doing
 16 business of each bank executing such certificate and of all
 17 banks which have subscribed to the capital stock of such
 18 corporation, the number of shares subscribed by each such
 19 bank, and the fact that the certificate is made to enable the
 20 banks executing the same and all banks which have sub-
 21 scribed or may thereafter subscribe to such capital stock to
 22 avail themselves of the advantages of this section.

23 “(h) Such organization certificate shall be acknowl-
 24 edged before a judge of a court of record or a notary public
 25 and shall, together with the acknowledgment thereof au-

1 thenticated by the seal of such court or notary public, be
 2 transmitted to the Comptroller of the Currency, who shall
 3 file, record, and carefully preserve the same in his office.

4 “(i) Upon the filing of such certificate with the
 5 Comptroller of the Currency as aforesaid, the said corpora-
 6 tion shall become a body corporate and as such shall have
 7 power—

8 “First. To adopt and use a corporate seal.

9 “Second. To have succession for a period of twenty
 10 years from its organization unless it is sooner dissolved by
 11 an Act of Congress, or unless its franchise becomes forfeited
 12 by some violation of law.

13 “Third. To make contracts.

14 “Fourth. To sue and be sued, complain and defend,
 15 in any court of law or equity.

16 “Fifth. To appoint by its board of directors such officers
 17 and employees as are not otherwise provided for in this
 18 section, to define their duties, require bonds of them and
 19 fix the penalty thereof, and to dismiss at pleasure such
 20 officers or employees.

21 “Sixth. To prescribe by its board of directors, by-laws
 22 not inconsistent with law, regulating the manner in which
 23 its general business may be conducted, and the privileges
 24 granted to it by law may be exercised and enjoyed.

1 "Seventh. To exercise by its board of directors, or duly
2 authorized officers or agents, all powers specifically granted
3 by the provisions of this section and such incidental powers
4 as shall be necessary to carry out the powers so granted.

5 "(j) The board of directors shall administer the af-
6 fairs of the corporation fairly and impartially and without
7 discrimination in favor of or against any member bank or
8 banks and shall, subject to the provisions of law and the
9 orders of the Federal Reserve Board, extend to each bank
10 which is ordered closed by the Comptroller of the Currency,
11 ^{or by vote of its directors,} and to each member bank which is ordered closed by the
12 appropriate State authorities, such accommodations as may
13 be safely and reasonably made with due regard for the claims
14 and demands of other member banks.

15 "(k) Whenever any national bank shall be declared
16 insolvent or placed in the hands of a receiver it shall be
17 the duty of the Comptroller of the Currency to appoint a
18 valuation committee of three members which shall include
19 the receiver of such bank, a member to be named by the
20 board of directors of such bank, and a person to be chosen
21 by the receiver and the member named by the board of
22 directors. The receiver shall be chairman of the commit-
23 tee, and the committee shall at once proceed to make a pre-
24 liminary valuation of the assets of the bank. Thereupon
25 the receiver shall notify the Comptroller of the Currency

1 of the valuation agreed upon, the Comptroller shall make
2 a formal tender of such assets to the corporation which
3 may purchase the same in whole or in part as its board of
4 directors may determine. It shall be the duty of the cor-
5 poration to proceed to realize as rapidly as possible, having
6 due regard to the condition of credit in the district in which
7 such bank is located, the assets so purchased, and if the
8 amount realized from such assets exceeds the sum paid
9 therefor, the corporation shall make an additional payment
10 to the receiver of the bank equal to the amount of such
11 excess, if any, after deducting a liquidation fee of 6 per
12 centum of the sum thus realized. Money belonging to the
13 corporation shall be kept invested in the assets of insolvent
14 or closed banks or in securities of the Government of the
15 United States.

16 "(l) The corporation may, in its discretion, purchase
17 the assets of banks in the hands of receivers on the date of
18 its organization but on the same conditions and terms as are
19 applicable in the case of assets of banks which may fail or
20 be closed after such date. Nothing herein contained shall
21 be construed to prevent the corporation from making loans
22 to banks ordered closed by the Comptroller of the Currency
23 ^{or by vote of their directors,} or to member banks ordered closed by the appropriate
24 State authorities, or from entering into negotiations to secure
25 the reopening of such banks.

over and above such funds as may be
required for current operating expenses

1 " (m) Member banks organized under the law of any
2 State which are now or may hereafter become insolvent or
3 suspended shall be entitled to offer their assets for sale to
4 the corporation upon receiving permission in accordance with
5 law from the banking superintendent or commissioner of
6 the State, under the same conditions as are applicable to the
7 sale of assets of insolvent or suspended banks under the law
8 of the State in which such member bank is located.

9 " (n) For a period of not to exceed two years after
10 this section takes effect the corporation is authorized to pur-
11 chase and for a period of five years thereafter to hold and
12 liquidate the assets of closed State banks, to make loans to
13 such banks and to enter into negotiations to secure the re-
14 opening of such banks under the same terms and conditions
15 as are applicable in the case of national banks and member
16 banks; except that (1) no such purchase or loan shall be
17 made and no such negotiations shall be entered into unless
18 it is permitted under the laws of the State in which such
19 State bank is located, and (2) the amount realized upon the
20 sale of the assets of any such State bank in excess of the
21 amount paid for such assets by the corporation shall, after
22 deducting the amount of the liquidation fee authorized to be
23 charged by the corporation under paragraph (k), be paid
24 into the Treasury of the United States as miscellaneous
25 receipts. For the purpose of carrying out the provisions of

1 this paragraph, there is hereby authorized to be appropriated
2 the sum of \$200,000,000, which shall be paid by the Secre-

3 "(o) The corporation is authorized and empowered to
4 issue and to have outstanding at any one time in an amount
5 aggregating not more than four times the amount of its cap-
6 ital, its notes, debentures, bonds, or other such obligations,
7 to be redeemable at the option of the corporation before
8 maturity in such manner as may be stipulated in such obliga-
9 tions, and to bear such rate or rates of interest, and to term
10 mature at such time or times as may be determined by the cor-
11 poration: Provided, that the corporation may sell on a dis-
12 count basis short-term obligations payable at maturity without
13 interest. The notes, debentures, bonds and other such obliga-
14 tions of the corporation may be secured by assets of the cor-
15 poration in such manner as shall be prescribed by its board
16 of directors. Such obligations may be offered for sale at
17 such price or prices as the corporation may determine. The
18 corporation is further authorized and empowered to dispose
19 of any promissory note of any receiver evidencing loans made
20 by the corporation, and to pledge such receiver's notes and
21 any of the corporation's assets as collateral security to the
22 corporation's promissory notes, under such terms and condi-
23 tions as may be agreed upon by the corporation, provided
24 that the obligations so incurred, together with all other
25 outstanding obligations of the corporation, shall not be in
26 excess of four times the amount of its capital.

14 "Any Federal reserve bank may make advances to
15 "(p) All notes, debentures, bonds, or other such obliga-
16 tions issued by the corporation shall be exempt, both as to
17 principal and interest, from all taxation (except estate or in-
18 heritance taxes) now or hereafter imposed by the United States,
19 by any Territory, dependency, or possession thereof, or by any
20 State, county, municipality, or local taxing authority. The
21 corporation, including its franchise, its capital, reserves,
22 and surplus, and its income, shall be exempt from all taxation
23 now or hereafter imposed by the United States, by any Territory,
24 dependency, or possession thereof, or by any State, county, ter-
25 ritorial, county, municipal, or local taxing authority, except that any real
26 property of the corporation shall be subject to State, county, ter-
27 ritorial, county, municipal, or local taxation to the
28 same extent according to its value as other real property is
29 taxed. Issuance of such notes, drafts, bills of

30 "(q) In order that the corporation may be eligible for redis-
31 such forms of notes, debentures, bonds, or other such obliga-
32 tions as it may need for issuance under this act, the Secretary
33 of the Treasury is authorized to prepare such forms as shall
34 be suitable and approved by the corporation, to be held in the
35 Treasury subject to delivery, upon order of the corporation.
36 The engraved plates, dies, bed pieces, and other material
37 executed in connection therewith shall remain in the custody
38 of the Secretary of the Treasury. The corporation shall reimburse
39 the Secretary of the Treasury for any expenses incurred in the
40 preparation, custody, and delivery of such notes, debentures,
41 bonds, or other obligations."

*New
Electrons
O.P. and
Q*

1 which any such advance has been made shall, during the
 2 life or continuance of such advance, increase its outstanding
 3 loans made to any borrower upon collateral security, or made
 4 to the members of any organized stock exchange, investment
 5 house, or dealer in securities, upon any obligation, note, or
 6 bill, secured or unsecured, for the purpose of purchasing
 7 and/or carrying investment securities (except obligations
 8 of the United States) such advance shall be immediately
 9 due and payable, and such member bank shall be ineligible
 10 as a borrower at the reserve bank of the district upon fifteen-
 11 day paper. The Federal Reserve Board shall have power
 12 from time to time in its discretion by unanimous vote of its
 13 members to suspend the provisions of this paragraph in whole
 14 or in part, whenever in its opinion the public interest shall
 15 call for such action. Each such suspension shall be for a
 16 period of ninety days and may be renewed for one addi-
 17 tional period of ninety days upon unanimous vote of the
 18 members of the board."

19 ~~SEC. 14. (a) The second paragraph of section 14 of~~
 20 ~~the Federal Reserve Act, as amended, is amended by~~
 21 ~~striking out the words "Every Federal reserve bank shall~~
 22 ~~have power" and inserting in lieu thereof the words "Sub-~~
 23 ~~ject to such regulations, limitations, and restrictions as the~~
 24 ~~Federal Reserve Board may prescribe, every Federal re-~~
 25 ~~serve bank shall be empowered and authorized".~~

Sec. 12

1 ~~(b)~~ Section 14 of the Federal Reserve Act, as
 2 amended, is further amended by adding at the end thereof
 3 the following new paragraph:

4 "(g) Subject to the powers conveyed to and be-
 5 stowed upon the Federal Open Market Committee by sec-
 6 tion 12A of this Act, the Federal Reserve Board shall
 7 exercise special supervision and control over all relation-
 8 ships and transactions of any kind entered into by any Fed-
 9 eral reserve bank with any foreign bank or banker, or with
 10 any group of foreign banks or bankers, and all such rela-
 11 tionships and transactions shall be subject to such regula-
 12 tions, conditions, and limitations as the board may prescribe.

13 ~~No Federal reserve agent, nor any officer, director, em-~~
 14 ~~ployee or other representative of any Federal reserve bank,~~
 15 ~~shall participate in any conference or other negotiations of~~
 16 ~~any kind with the officers, directors, employees, or other~~
 17 ~~representatives of any foreign bank or banker without first~~
 18 ~~obtaining the permission of the Federal Reserve Board.~~

19 The Federal Reserve Board shall have the right, in its dis-
 20 cretion, to be represented in any such conference or nego-
 21 tiations by such representative or representatives as the
 22 board may designate. A full report of all such conferences
 23 or negotiations, setting forth the subjects discussed, the views
 24 expressed both on behalf of the Federal reserve bank and
 25 on behalf of the foreign bank or banker, and all understandings

and despite an official warning of the
 reserve bank of the district of the Federal
 Reserve Board to the contrary

1 or agreements arrived at or transactions agreed upon, and
 2 all other material facts appertaining to such conferences or
 3 negotiations, shall be filed with the Federal Reserve Board
 4 in writing and signed by all representatives of the Federal
 5 reserve bank attending such conferences or negotiations re-
 6 gardless of whether or not the Federal Reserve Board shall
 7 be represented at such conference or negotiations."

8 ¹³ SEC. 15. The second, ~~third, and fourth~~ paragraphs
 9 of section 16 of the Federal Reserve Act, as amended, ¹⁴ are
 10 amended to read as follows:

11 "Any Federal reserve bank may make application
 12 to the local Federal reserve agent for such amount of the
 13 Federal reserve notes hereinbefore provided for as it may
 14 require. Such application shall be accompanied with a
 15 tender to the local Federal reserve agent of collateral in
 16 an amount equal to the sum of the Federal reserve notes
 17 thus applied for and issued pursuant to such application.
 18 The collateral security thus offered shall be notes, drafts,
 19 bills of exchange, or acceptances acquired under the pro-
 20 visions of section 13 of this Act, (except promissory
 21 notes of member banks acquired under the provisions of the
 22 seventh paragraph of such section 13 secured by the
 23 deposit or pledge of bonds or notes of the United States),
 24 or bills of exchange indorsed by a member bank of any
 25 Federal reserve district and purchased under the provisions

1 of section 14 of this Act, or bankers' acceptances made
 2 against shipment of goods actually sold in ~~the~~ foreign
 3 trade ~~of the United States~~ and purchased under the pro-
 4 visions of section 14 (but not including ^{foreign trade} acceptances made
 5 under any revolving or renewal credit), or gold or gold
 6 certificates; but in no event shall such collateral security
 7 be less than the amount of Federal reserve notes applied for.

8 The Federal reserve agent shall each day notify the Federal
 9 Reserve Board of all issues and withdrawals of Federal
 10 reserve notes to and by the Federal reserve bank to which he
 11 is accredited. The said Federal Reserve Board may at
 12 any time call upon a Federal reserve bank for additional
 13 security to protect the Federal reserve notes issued to it.

14 ~~"Every Federal reserve bank shall maintain reserves~~
 15 ~~in gold or lawful money of not less than 35 per centum~~
 16 ~~against its deposits and reserves in gold of not less than 40~~
 17 ~~per centum against its Federal reserve notes in actual cir-~~
 18 ~~ulation and not offset by gold or lawful money deposited~~
 19 ~~with the Federal reserve agent. Notes so paid out shall~~
 20 ~~bear upon their faces a distinctive letter and serial number~~
 21 ~~which shall be assigned by the Federal Reserve Board to~~
 22 ~~each Federal reserve bank. Whenever Federal reserve~~
 23 ~~notes issued through one Federal reserve bank shall be re-~~
 24 ~~ceived by another Federal reserve bank, they shall be~~
 25 ~~promptly returned for credit or redemption to the Federal~~

1 reserve bank through which they were originally issued or,
2 upon direction of such Federal reserve bank, they shall be
3 forwarded direct to the Treasurer of the United States to
4 be retired. No Federal reserve bank shall pay out notes
5 issued through another under penalty of a tax of 10 per
6 centum upon the face value of notes so paid out. Notes
7 presented for redemption at the Treasury of the United
8 States shall be paid out of the redemption fund and returned
9 to the Federal reserve banks through which they were
10 originally issued, and thereupon such Federal reserve bank
11 shall, upon demand of the Secretary of the Treasury, reim-
12 burse such redemption fund in lawful money or, if such Fed-
13 eral reserve notes have been redeemed by the Treasurer in
14 gold or gold certificates, then such funds shall be reimbursed
15 to the extent deemed necessary by the Secretary of the Treas-
16 ury in gold or gold certificates, and such Federal reserve
17 bank shall, so long as any of its Federal reserve notes re-
18 main outstanding, maintain with the Treasurer in gold an
19 amount sufficient in the judgment of the Secretary to provide
20 for all redemptions to be made by the Treasurer. Federal
21 reserve notes received by the Treasurer otherwise than
22 for redemption may be exchanged for gold out of the redemp-
23 tion fund hereinafter provided and returned to the reserve
24 bank through which they were originally issued, or they
25 may be returned to such bank for the credit of the United

1 ~~States. Federal reserve notes unfit for circulation shall be~~
2 ~~returned by the Federal reserve agents to the Comptroller~~
3 ~~of the Currency for cancellation and destruction.~~

4 “ The Federal Reserve Board shall require each Fed-
5 eral reserve bank to maintain on deposit in the Treasury of
6 the United States a sum in gold sufficient in the judgment
7 of the Secretary of the Treasury for the redemption of the
8 Federal reserve notes issued to such bank, but in no event
9 less than 5 per centum; but such deposit of gold shall be
10 counted and included as part of the 40 per centum reserve
11 hereinbefore required. The board shall have the right,
12 acting through the Federal reserve agent, to grant in whole
13 or in part, or to reject entirely the application of any Federal
14 reserve bank for Federal reserve notes; but to the extent
15 that such application may be granted the Federal Reserve
16 Board shall, through its local Federal reserve agent, supply
17 Federal reserve notes to the banks so applying, and such
18 bank shall be charged with the amount of such notes issued
19 to it and shall pay such rate of interest on said amount as
20 may be established by the Federal Reserve Board and the
21 amount of such Federal reserve notes so issued to any such
22 bank shall, upon delivery, together with such notes of such
23 Federal reserve bank as may be issued under section 18 of
24 this Act upon security of United States 2 per centum Gov-

1 ernment bonds, become a first and paramount lien on all the
2 assets of such bank."

3 SEC. 16. Section 19 of the Federal Reserve Act, as
4 amended, is amended to read as follows:

5 "SEC. 19. (a) 'Demand deposits' within the mean-
6 ing of this Act shall comprise all deposits payable within
7 thirty days; ^{and} 'time deposits' shall comprise all deposits
8 payable after thirty days, all savings accounts and certifi-
9 cates of deposit which are subject to not less than thirty days'
10 notice before payment (except thrift deposits), and all
11 postal-savings deposits; and ~~thrift deposits shall comprise all~~
12 ~~deposits subject to not less than sixty days' notice before~~
13 ~~payment which are not subject to transfer by check and~~
14 ~~the total monthly balance of which in any individual case~~
15 ~~does not exceed \$5,000.~~

16 " (b) ^{Until January 1, 1938} Every bank, banking association, or trust com-
17 pany which is or which becomes a member of any Federal
18 reserve bank shall establish and maintain realized reserve
19 balances with its Federal reserve bank as follows:

20 " (1) If not in a reserve or central reserve city as
21 now or hereafter defined, it shall hold and maintain with
22 the Federal reserve bank of its district an actual net bal-
23 ance equal to not less than 7 per centum of the aggregate
24 amount of its demand and time deposits and 5 per centum
25 of the aggregate amount of its thrift deposits: *Provided,*

1 That the said net balance maintained against time and thrift
2 deposits shall be 3 per centum during the calendar year
3 1932, 4 per centum during the calendar year 1933, 5 per
4 centum during the calendar year 1934, and shall be increased at the rate of four-fifths of
5 1 per centum on the 1st day of January in each calendar year thereafter until it shall equal
6 5 per centum during the calendar year 1935, and
7 thereafter 7 per centum as hereinbefore prescribed.

8 " (2) If in a reserve city as now or hereafter defined
9 it shall hold and maintain with the Federal reserve bank
10 of its district an actual net balance equal to not less than 10
11 per centum of the aggregate amount of its demand and time
12 deposits and 5 per centum of the aggregate amount of its
13 thrift deposits: *Provided,* That the said net balance herein-
14 before required to be maintained against time and thrift
15 deposits shall be 3 per centum during the calendar year
16 1932, 4 per centum during the calendar year 1933, and 5
17 per centum during the calendar year 1934, and shall be increased at the rate of 1 and 2/5 per
18 centum on the 1st day of January in each calendar year thereafter until it shall equal
19 6 per centum during the calendar year 1935, 7 per
20 centum during the calendar year 1936, 8 per centum during
21 the calendar year 1937, 9 per centum during the calendar
22 year 1938, and thereafter 10 per centum as hereinbefore
23 prescribed: *Provided further,* That if located in the out-
24 lying districts of a reserve city or in territory added to such
a city by the extension of its corporate charter it may,
upon the affirmative vote of five members of the Federal

1 Reserve Board, hold and maintain the reserve balances
2 specified in paragraph (1) hereof.

3 " (3) If in a central reserve city as now or hereafter
4 defined it shall hold and maintain with the Federal reserve
5 bank of its district an actual net balance equal to not less
6 than 13 per centum of the aggregate amount of its demand
7 and time deposits and 5 per centum of the aggregate amount
8 of its thrift deposits: *Provided*, That the said net balance
9 hereinbefore required to be maintained against time and
10 thrift deposits shall be 3 per centum during the calendar
11 year 1932, 4 per centum during the calendar year 1933,

12 and 5 per centum during the calendar year 1934; and against
13 the 1st day of January in each calendar year thereafter,
until it shall equal

14 7 per centum during the calendar year 1936, 8 per centum
15 during the calendar year 1937, 9 per centum during the
16 calendar year 1938, 10 per centum during the calendar year
17 1939, 11 per centum during the calendar year 1940, 12 per
18 centum during the calendar year 1941, and thereafter 13
19 per centum as hereinbefore prescribed: *Provided further*,
20 That if located in the outlying districts of a central reserve
21 city or in territory added to such city by the extension of
22 its corporate charter it may, upon the affirmative vote of five
23 members of the Federal Reserve Board, hold and maintain
24 the reserve balances specified in paragraphs (2) and (3)
25 hereof.

↑ New sections (c) through (f)

37 -2-
"(c) From and after the first day of January, 1938 --

"(1) Each member bank shall establish and maintain reserves equal to 5 per centum of the amount of its net deposits, plus 50 per centum of the amount of its average daily debits to deposit accounts; but, in no event, shall the aggregate reserves required to be maintained by any member bank exceed 15 per centum of its gross deposits or be less than the corresponding reserve requirement to which such bank was subject at the date of the final all-member bank report in 1937; and

"(2) Each member bank located in the vicinity of the Federal reserve bank of its district or a branch thereof shall maintain not less than four-fifths of its total required reserves in the form of a reserve balance on deposit with such Federal reserve bank, and every other member bank shall maintain not less than two-fifths of its total required reserves in the form of a reserve balance on deposit with the Federal reserve bank of its district. The remainder of the total required reserves of each member bank, over and above the amount required to be maintained in the form of a reserve balance on deposit with its Federal reserve bank, may, at the option of such member bank, consist of a reserve balance on deposit with its Federal reserve bank, or of cash owned by such member bank in its actual possession or in transit between such member bank and its Federal reserve bank: *Provided, however*, That when, in the opinion of the Federal Reserve Board, the public interest shall require, the Federal Reserve Board on the affirmative vote of five of its members may limit the amount of cash which member banks or groups of member banks may count as reserve to less than one-fifth of the total reserve required by this subsection in the case of member banks located in the vicinity of Federal reserve banks or branches thereof, and to less than three-fifths of such total reserve in the case of other member banks; *Provided, further*, That in making such limitations, the Federal Reserve Board shall be guided by the general principle that member banks should be permitted to count as reserve, within the general limits of this subsection, as much cash as they reasonably need in view of the character of their business and their accessibility to the currency facilities of the Federal reserve banks.

"(d) As used in subsection (c) of this section --

"(1) The term 'gross deposits' shall include all deposit liabilities of any member bank whether or not immediately available for withdrawal by the depositor, all liabilities for certified checks, cashiers', treasurers' and other officers' checks, cash letters of credit, travelers' checks, and all other similar liabilities, as further defined and specified by the Federal Reserve Board: *Provided*, That in computing the amount of gross deposits, amounts shown on the books of any member bank as liabilities of such bank payable to a branch of such bank located in a foreign country or in a dependency or possession of the United States, or payable at such branch, shall be treated as though said liabilities were due to or payable at a nonmember bank.

1 Reserve Board, *hob*

2 specified in paragraph *hob*

3 " (3) If in *hob*

4 defined it shall *hob*

5 bank of its district *hob*

6 than 13 per cent *hob*

7 and time deposits *hob*

8 of its thrift deposits *hob*

9 hereinbefore *hob*

10 thrift deposits *hob*

11 year 1932, *hob*

12 and shall *hob*

13 the 1st day of *hob*

14 7 per centum *hob*

15 during the *hob*

16 calendar year *hob*

17 1939, 11 per *hob*

18 centum during *hob*

19 per centum *hob*

20 That if located *hob*

21 city or in *hob*

22 its corporate *hob*

23 members of the *hob*

24 the reserve *hob*

25 hereof. *hob*

1 " (c) No member bank shall keep on deposit with any

2 State bank or trust company which is not a member bank a

3 sum in excess of 10 per centum of its own paid-up capital

4 and surplus. No member bank shall act as the medium or

5 agent of a nonmember bank in applying for or receiving dis-

6 counts from a Federal reserve bank under the provisions of

7 this Act except by permission of the Federal Reserve Board.

8 *P* " (k) No member bank shall act as the medium or agent of any

9 nonbanking corporation or individual in making loans

10 *protected* *secured* by collateral *security*; and no member bank shall make

11 loans or discount paper for any corporation or individual

12 *who shall at the time of making or renewing any such loan*

13 *if the proceeds of such transaction are to be used* in favor

14 *directly or indirectly for the purpose of making loans*

15 *protected by collateral security* for any investment banker, broker, member of any stock

16 exchange, or any dealer in securities. Every violation of

17 this provision by any member bank shall be punishable by

18 a fine of not less than \$100 per day during the continuance

19 of such violation, but it shall be a good defense that the

20 borrower at the time of obtaining such loan or discount from

21 a member bank made a sworn statement of condition in *that the proceeds of the*

22 *transaction would not be used for such* which he failed to show the existence of such a loan secured

23 *purpose.* by collateral.

24 " (d) The required balance carried by a member bank

25 with a Federal reserve bank may under the regulations, and

subject to such penalties as may be prescribed by the Fed-

See section 10 (d)

1 Federal Reserve Board, be checked against and withdrawn by
 2 such member bank for the purpose of meeting existing
 3 liabilities: *Provided, however,* That no bank shall at any
 4 time make any new loans or shall pay any dividends unless
 5 and until the total balance required by law is fully restored.

6 ^(j)“(e) No member bank shall sell or transfer to another
 7 member bank, or to a nonmember bank, private banking
 8 house, or banker, any balance standing to its credit upon
 9 the books of the Federal reserve bank of its district in excess
 10 of the balances required by this section unless the Federal
 11 Reserve Board shall have first authorized by general order
 12 the making of such sales or transfers within such district
 13 or between such district and another Federal reserve dis-
 14 trict, but no such sale or transfer shall be made by any such
 15 bank without first charging and reserving a fee to be fixed
 16 by the Federal Reserve Board on the basis of the rate of
 17 discount then charged upon ninety-day paper by the Federal
 18 reserve bank of the district in which the bank making such
 19 sale or transfer is located.

20 ^(k)“(f) The Federal Reserve Board shall have power to
 21 suspend all dealings in reserve balances for such period
 22 as it may deem best. In estimating the reserve balances
 23 required by this Act, the net difference of amounts due to
 24 and from other banks shall be taken as the basis for ascer-
 25 taining the deposits against which required balances with

1 Federal reserve banks shall be determined; and the liability
 2 created by every repurchase or other similar agreement
 3 entered into by a member bank shall be added to such net
 4 difference as ascertained under the provisions of this
 5 paragraph.

6 ^(l)“(g) National banks, or banks organized under local
 7 laws, located in Alaska or in a dependency or insular
 8 possession or any part of the United States outside the
 9 continental United States may remain nonmember banks
 10 and shall in that event maintain reserves and comply with
 11 all the conditions now provided by law regulating them; or
 12 said banks may, with the consent of the board, become
 13 member banks of any one of the reserve districts and shall
 14 in that event take stock, maintain reserves, and be subject
 15 to all the other provisions of this Act.”

16 ¹⁵SEC. 17. Section 24 of the Federal Reserve Act, as
 17 amended, is amended to read as follows:

18 “SEC. 24. Any national banking association may make
 19 loans secured by first lien upon improved real estate, includ-
 20 ing improved farm land, situated within its Federal reserve
 21 district or within a radius of one hundred miles of the place
 22 in which such bank is located, irrespective of district lines.
 23 A loan secured by real estate within the meaning of this
 24 section shall be in the form of an obligation or obligations
 25 secured by mortgage, trust deed, or other such instrument

1 upon real estate when the entire amount of such obligation
 2 or obligations is made or is sold to such association. The
 3 amount of any such loan shall not exceed 50 per centum
 4 of the actual value of the real estate offered for security,
 5 but no such loan upon such security shall be made for a
 6 longer term than five years. Such valuations shall be
 7 revised by the Comptroller of the Currency at the time
 8 of each examination of the bank making the loan and
 9 he shall have power to order changes therein and to require
 10 the adjustment of loans to such revised valuations. Any
 11 such bank may make such loans in an aggregate sum, in-
 12 cluding in such aggregate any such loans on which it
 13 is liable as indorser or guarantor or otherwise, equal to
 14 15 per centum of the amount of the capital stock of such
 15 association actually paid in and unimpaired and 15 per
 16 centum of its unimpaired surplus fund, or to one-half of
 17 its time ~~and thrift~~ deposits, at the election of the association,
 18 subject to the general limitation contained in section 5200
 19 of the Revised Statutes. Investments in bank premises
 20 and unsecured loans whose eventual safety depends upon
 21 the value of real estate shall be counted for the purposes
 22 of this section as real-estate loans. Every such bank may
 23 apply the moneys deposited therein as time ~~or thrift~~ deposits
 24 to the loans herein authorized and the balance of such
 25 time ~~and thrift~~ deposits shall be invested in property and

1 securities in which savings banks may invest under the
 2 law of the State where such national bank is situated, or
 3 where there is no such law relating to investments by
 4 savings banks, in such property and securities as may be
 5 specified by the Comptroller of the Currency: *Provided,*
 6 That every member bank shall be required to report its
 7 investments in, or holdings of, any such property and
 8 securities at an aggregate valuation which shall not
 9 exceed the aggregate market value thereof at the time
 10 such reports to the Comptroller or to the Federal Reserve
 11 Board are made: *Provided further,* That the reserve
 12 against time ~~and thrift~~ deposits required by section 19
 13 of this Act shall be counted as a corresponding part of
 14 such investments. All the property of any insolvent
 15 national bank acquired under this section shall be applied
 16 by the receiver thereof in the first place ratably and pro-
 17 portionately to the payment in full of its time ~~and thrift~~
 18 deposits. Such banks may continue hereafter as heretofore
 19 to receive time ~~and thrift~~ deposits and to pay interest
 20 on the same, but the rate of interest which such banks
 21 may pay upon such time deposits ~~or upon thrift~~ or other
 22 deposits shall not exceed the maximum rate authorized by
 23 law to be paid upon ^{such} similar deposits by State banks or
 24 trust companies organized under the laws of the State
 25 wherein such national banking association is located.

1 "Every national banking association and every mem-
 2 ber bank which is in existence at the date this section
 3 as amended takes effect shall be required, within a period
 4 of two years from such date, to comply fully with the pro-
 5 visions of this section, and every national banking associa-
 6 tion hereafter organized and every State bank or trust
 7 company hereafter becoming a member of the Federal
 8 reserve system shall comply with the provisions of this
 9 section from the date of its organization or admission to
 10 membership, as the case may be."

11 SEC. 18. Paragraph "Seventh" of section 5136 of
 12 the Revised Statutes, as amended, is amended to read as
 13 follows:

14 "Seventh. To exercise by its board of directors or
 15 duly authorized officers or agents, subject to law, all such
 16 incidental powers as shall be necessary to carry on the busi-
 17 ness of banking; by discounting and negotiating promissory
 18 notes, drafts, bills of exchange, and other evidences of debt;
 19 by receiving deposits; by buying and selling exchange, coin,
 20 and bullion; by loaning money on personal security; and
 21 by obtaining, issuing, and circulating notes according to
 22 the provisions of this title; and generally by engaging in
 23 all forms of banking business and undertaking all types of
 24 banking transactions that may, by the laws of the State
 25 in which such bank is situated, be permitted to banks of

1 deposit and discount organized and incorporated under the
 2 laws of such State, except in so far as they may be for-
 3 bidden by the provisions of the National Bank Act, as
 4 amended, the Federal Reserve Act, as amended, or any
 5 other laws of the United States. The business of pur-
 6 chasing and selling investment securities shall hereafter
 7 be limited to purchasing and selling such securities without
 8 recourse, solely upon the order, and for the account of,
 9 customers, and in no case for its own account, and no such
 10 association shall underwrite any issue of securities; except
 11 that any such association may purchase and hold for its
 12 own account investment securities to such an amount and
 13 of such kind as may be by regulation prescribed by the
 14 Comptroller of the Currency, but in no event shall the
 15 total amount of such investment securities of any one obligor
 16 or maker held by such association exceed 10 per centum of
 17 the total amount of such issue outstanding, nor shall the total
 18 amount of the securities so purchased and held for its own
 19 account at any time exceed 15 per centum of the amount
 20 of the capital stock of such association actually paid in and
 21 unimpaired and 25 per centum of its unimpaired surplus fund.
 22 Except as hereinafter provided, nothing herein contained
 23 shall authorize the purchase or holding of any shares of stock
 24 of any corporation by any such association. ~~No such associa-~~
 25 ~~tion shall purchase or hold any obligation of any corporation~~

1 unless such corporation and any predecessor thereof earned
 2 for each of the five years preceding such purchase at least
 3 4 per centum upon the outstanding capital stock of the cor-
 4 poration. The limitations herein contained as to the pur-
 5 chasing and selling of investment securities shall not apply
 6 to obligations of the United States, or general obligations
 7 of any State or of any political subdivision thereof, or obli-
 8 gations issued under authority of the Federal Farm Loan
 9 Act: *Provided*, That in carrying on the business commonly
 10 known as the safe deposit business no such association shall
 11 invest in the capital stock of a corporation organized under
 12 the law of any State to conduct a safe deposit business in
 13 an amount in excess of 15 per centum of the capital stock
 14 of such association actually paid in and unimpaired and 15
 15 per centum of its unimpaired surplus."

16 ~~SEC. 19. Section 5138 of the Revised Statutes, as~~
 17 ~~amended, is amended to read as follows:~~
 18 ~~SEC. 17. Section 5138 of the Revised Statutes, as~~
 19 ~~amended, is amended to read as follows:~~

18 ~~"Sec. 5138. After this section as amended takes effect,~~
 19 ~~no national banking association shall be organized with a~~
 20 ~~less capital than \$100,000, except that such associations~~
 21 ~~with a capital of not less than \$50,000 may be organized~~
 22 ~~in any place the population of which does not exceed six~~
 23 ~~thousand inhabitants, and except that such associations~~
 24 ~~formed for the purpose of succeeding to the business of~~
 25 ~~an existing bank may, in the discretion of the Comptroller~~
 26 ~~of the Currency, be organized with a less capital than~~
 27 ~~\$50,000, but in no event less than \$25,000. No such asso-~~
 28 ~~ciation shall be organized in a city the population of~~
 29 ~~which exceeds fifty thousand persons with a capital of~~
 30 ~~less than \$200,000, except that in the outlying districts~~
 31 ~~of such a city where the State laws permit the organiza-~~
 32 ~~tion of State banks with a capital of \$100,000 or less,~~
 33 ~~national banking associations may be organized or hereafter~~
 34 ~~organized may, with the approval of the Comptroller of~~
 35 ~~the Currency, have a capital of not less than \$100,000."~~

1 ~~to continue in individual cases under this Act for periods of~~
 2 ~~ninety days subject to successive renewals for like periods~~
 3 ~~but not to exceed one year in all. Failure on the part of~~
 4 ~~any such association to comply with the provisions of this~~
 5 ~~section shall be penalized by revocation of its charter in~~
 6 ~~accordance with the procedure contained in section 5239 of~~
 7 ~~the Revised Statutes."~~

8 ~~SEC. 20. Section 5139 of the Revised Statutes is~~
 9 ~~amended to read as follows:~~

10 "SEC. 5139. That after this section as amended takes
 11 effect, the capital stock of each association shall be divided
 12 into shares of \$100 each and be deemed personal property
 13 and transferable on the books of the association in such
 14 manner as may be prescribed in the by-laws or articles
 15 of association; and any such association which has certificates
 16 of stock outstanding on the date this section as amended
 17 takes effect which do not comply with the provisions of this
 18 section as amended shall, within two years after such date,
 19 issue new certificates in compliance with such provisions.
 20 No certificate representing the stock of any such association
 21 shall represent the stock of any other corporation, nor shall
 22 the ownership, sale, or transfer of any certificate represent-
 23 ing the stock of any such association be conditioned in
 24 any manner whatsoever upon the ownership, sale, or
 25 transfer of a certificate representing the stock of any other

1 corporation. Every person becoming a shareholder by
 2 transfer as permitted by this section shall in proportion to
 3 his shares succeed to all the rights and liabilities of the prior
 4 holder of such shares, and no change shall be made in the
 5 articles of association by which the rights, remedies, or
 6 security of the existing creditors of the association shall be
 7 impaired."

8 ^{19.} SEC. 21. From and after January 1, 1933, no officer
 9 of any national bank or member bank shall be (a) an officer
 10 of any unincorporated association or corporation engaged
 11 primarily in the business of purchasing, selling, or negoti-
 12 ating securities, or (b) an employee of any such unincorpo-
 13 rated association or corporation, or of any individual or
 14 copartnership engaged in such business; and no national
 15 bank or member bank shall perform the functions of a
 16 correspondent bank on behalf of any such individual, co-
 17 partnership, unincorporated association or corporation; and
 18 no such individual, copartnership, unincorporated association
 19 or corporation shall perform the functions of a correspondent
 20 for any national bank or member bank or hold on deposit
 21 any funds on behalf of any national bank or member bank.

22 ^{20.} SEC. 22. Section 5144 of the Revised Statutes, as
 23 amended, is amended to read as follows:

24 "SEC. 5144. In all elections of directors and in decid-
 25 ing all questions at meetings of shareholders, each share-

1 holder shall be entitled to one vote on each share of stock
 2 actually owned by him as the result of bona fide purchase,
 3 gift, or inheritance and no shareholder who shall become
 4 such through nominal transfer, or ownership on behalf of
 5 another, shall cast such vote. No corporation, association,
 6 or partnership which is the owner of more than 10 per
 7 centum of the stock of any such bank and no officer, director,
 8 or employee of such corporation, association, or partnership,
 9 shall cast a ballot in such elections or meetings either on
 10 shares of stock owned by the corporation or by such officer,
 11 director, or employee. Shareholders may vote by proxies
 12 duly authorized in writing; but no officer, clerk, teller, or
 13 bookkeeper of such association shall act as proxy; and no
 14 shareholder whose liability is past due and unpaid shall be
 15 allowed to vote."

16 ~~SEC. 23. Except as provided in section 24 of this Act,~~
 17 ~~every person who is a shareholder in a national banking~~
 18 ~~association on March 1, 1934, and every person who be-~~
 19 ~~comes such a shareholder after such date, shall file with~~
 20 ~~the association a sworn statement that he is not at the time~~
 21 ~~a stockholder in any affiliate of such association organized~~
 22 ~~under the law of any State for the purpose of underwriting,~~
 23 ~~dealing or trading in securities, and that he does not intend~~
 24 ~~to become a stockholder in any such affiliate.~~

note:- This apparently was intended to be Sec. 21

Section 5144 of

1 SEC. 24. Notwithstanding the provisions of sections 22
2 *the Revised Statutes, as amended by* and 23 of this Act, any affiliate, or any association, corpora-
3 tion, or partnership other than an affiliate, which owns or
4 controls shares of stock in any national banking association
5 may make application to the *Federal Reserve Board* Comptroller of the Currency
6 for a voting permit entitling it to cast one vote at all elec-
7 tions of directors of such national banking association on each
8 share of stock actually owned or controlled by it. The
9 *Federal Reserve Board* Comptroller of the Currency may, in *its* ~~his~~ discretion, grant or
10 withhold such permit as the public interest may require but
11 no such permit shall be granted except upon the following
12 conditions:

13 (a) Every such affiliate, association, corporation, or
14 partnership shall, at the time of making the application
15 for such permit, enter into an agreement with the Comp-
16 troller of the Currency (1) to receive at such periodical
17 intervals as shall be prescribed by the Comptroller, not
18 more frequent than those designated for the examination
19 of national banks, examiners representing and acting for
20 the Comptroller who shall make an examination of its
21 financial condition with the same degree of care as in the
22 case of an examination of a national bank, such examination
23 to be at the expense of the affiliate, corporation, association,
24 or partnership so examined; (2) that the report of the exam-
25 iner shall set forth all the facts ascertained by the examina-

1 tion and shall include the name, location, capital, surplus,
 2 and undivided profits of each bank in which the applicant
 3 owns stock and the number of shares so owned; and (3)
 4 that the Comptroller may examine each of the national
 5 banks owned or controlled by such affiliate, association,
 6 corporation, or partnership, both individually and in con-
 7 junction with others so owned or controlled, and may
 8 require publication periodically of individual or consoli-
 9 dated statements of condition of such bank;

10 (b) Every such affiliate, association, corporation, or
 11 partnership shall ^{hold free of any lien or claim thereon} ~~deposit with the Comptroller of the Cur-~~
 12 ~~rency at such times and under such conditions as he shall~~
 13 ~~designate, obligations of the United States in an amount~~
 14 ~~equal to 10 per centum of the total of capital stock owned~~
 15 ~~by it in any national bank and shall agree (1) that in the~~
 16 ~~event of failure of any national bank in which it shall hold~~
 17 ~~stock the stockholders' liability accruing on account of such~~
 18 ~~stock shall be a first lien upon the fund so deposited with the~~
 19 ~~Comptroller and shall, if not paid upon demand of the re-~~
 20 ~~ceiver of such bank, be paid by the Comptroller so long as~~
 21 ~~there shall be a balance in such fund, and (2) that any~~
 22 ~~deficiency in such fund shall be made up within ninety days~~
 23 ~~after notice from the Comptroller of the Currency;~~ ^{obligations so held}
^{such deficiency occurs;} ^{obligations due to their use in meeting claims under (1) above}

24 (c) Every such affiliate, association, corporation, or
 25 partnership (1) shall possess at the time of the issuance of

1 such voting permit, and shall continue to possess during the
 2 life of such permit, free and clear of any lien, pledge, or hy-
 3 pothecation of any nature, assets other than bank stock
 4 which, together with the fund hereinbefore required to be
 5 deposited with the Comptroller of the Currency, shall not
 6 be less than 25 per centum of the aggregate par value of
 7 bank stocks held or owned by such affiliate, association, cor-
 8 poration, or partnership, and (2) shall reinvest in assets
 9 *(but sums advanced during the years 1931 and 1932 for the*
 10 *replacement of capital in banks owned by such affiliate,*
 11 *association, corporation, or partnership may be counted*
 12 *as a part of such assets),*
 13 standing until such assets shall equal the outstanding par
 14 value of bank shares owned by it;

13 (d) Every officer and employee of such affiliate, asso-
 14 *Provided, That from and after January 1, 1938, the 25 per*
 15 *centum requirement hereinbefore provided for shall be in-*
 16 *creased by not less than 2 per centum per annum;*
 17 same penalties for false statement as are applicable at the
 18 time of making such statement to the officers and employees
 19 of national banks; and

18 (e) Every such affiliate, association, corporation, or
 19 partnership shall, at the time of application for such voting
 20 permit, (1) file a statement with the Comptroller of the
 21 Currency that it does not own, control, or have any interest
 22 in, or is not participating in the management or direction of,
 23 any affiliate formed for the purpose of, or engaged in, the
 24 issue, flotation, underwriting, public sale, or distribution
 25 at wholesale or retail or through syndicate participation of

1 stocks, bonds, debentures, notes, or other securities of any
 2 sort, and that during the period that the permit remains
 3 in force it will not acquire any ownership, control, or
 4 interest in any such affiliate or participate in the management
 5 or direction thereof, or (2) agree that if at the time of
 6 filing the application for such permit it owns, controls,
 7 or has an interest in, or is participating in the management
 8 or direction of, any such affiliate, it will, within two years
 9 after the filing of such application, divest itself of its owner-
 10 ship, control, and interest in such affiliate and will cease
 11 participating in the management or direction thereof, and
 12 will not thereafter, during the period that the permit remains
 13 in force, acquire any further ownership, control, or interest
 14 in any such affiliate or participate in the management or
 15 direction thereof.

16 *Federal Reserve Board* The Comptroller of the Currency may, in *its* discre-
 17 tion, revoke any such voting permit after giving sixty
 18 days' notice by registered mail of *its* intention to the affli-
 19 ate, association, corporation, or partnership. Whenever the
 20 *Federal Reserve Board* Comptroller of the Currency shall have revoked any such
 21 voting permit, no national bank whose stock is owned in
 22 whole or in part by the affiliate, association, corporation, or
 23 partnership whose permit is so revoked shall receive depos-
 24 its of United States moneys, nor shall any such national
 25 bank pay any further dividend to such affiliate, association,

1 corporation, or partnership upon any shares of such bank
2 owned or controlled by such affiliate, association, corpora-
3 tion, or partnership.

4 ~~The provisions of paragraph "Seventh" of section~~
5 ~~5136 of the Revised Statutes, as amended, shall be appli-~~
6 ~~cable not only to individual national banking associations~~
7 ~~but also to their affiliates and to all affiliates controlled~~
8 ~~through other affiliates or holding companies.~~

9 SEC. ²² 25. Paragraph (c) of section 5155 of the Re-
10 vised Statutes, as amended, is amended to read as follows:

11 ^{with the approval of the Federal Reserve Board,}
12 "(c) A national banking association may, after the
13 date this paragraph as amended takes effect, establish and
14 operate new branches within the limits of the city, town, or
15 village, or at any point within the State in which said asso-
16 ciation is situated, if such establishment and operation are at
17 the time permitted to State banks by the law of the State
18 in question; ~~except that no such association shall establish~~

18 ~~a branch outside of the city, town, or village in~~
19 ~~which the ordinary and usual business of such association is found to extend into~~
20 ~~an adjacent State, the Federal Reserve Board may permit~~
21 ~~the establishment of a branch or branches by such associa-~~
22 ~~tion in an adjacent State but not beyond a distance of~~
23 ~~fifty miles from the seat of the parent bank.~~

24 ~~village in which the association is situated shall set aside~~
25 ~~for the use of that branch a total amount of capital at least~~
26 ~~equal to the minimum capital required by law for the organ-~~
27 ~~ization of a national banking association in the place in which~~

1 ~~such branch is situated.~~ The aggregate capital of every
2 national banking association and its branches shall at no
3 time be less than the aggregate minimum capital required
4 by law for the establishment of an equal number of national
5 banking associations situated in the various places where
6 such association and its branches are situated."

7 SEC. ²³ 26. Sections 1 and 3 of the Act entitled "An Act
8 to provide for the consolidation of national banking associa-
9 tions," approved November 7, 1918, as amended, are
10 amended by striking out the words "county, city, town, or
11 village" wherever they occur in each such section, and
12 inserting in lieu thereof the words "State, county, city,
13 town, or village."

14 SEC. ²⁴ 27. The first two sentences of section 5197 of the
15 Revised Statutes are amended to read as follows:

16 "Any association may take, receive, reserve, and
17 charge on any loan or discount made, or upon any notes,
18 bills of exchange, or other evidences of debt, interest at the
19 rate allowed by the laws of the State, Territory, or District
20 where the bank is located, or at a rate of 1 per centum in
21 excess of the discount rate of the Federal reserve bank in the
22 Federal reserve district where the bank is located, whichever
23 may be the greater, and no more, except that where by the
24 laws of any State a different rate is limited for banks of issue
25 organized under State laws, the rate so limited shall be

1 allowed for associations organized or existing in any such
 2 State under this Title. When no rate is fixed by the laws
 3 of the State, or Territory, or District, the bank may take,
 4 receive, reserve, or charge a rate not exceeding 7 per centum,
 5 or 1 per centum in excess of the discount rate of the Federal
 6 reserve bank in the Federal reserve district where the bank
 7 is located, whichever may be the greater, and such interest
 8 may be taken in advance, reckoning the days for which the
 9 note, bill, or other evidence of debt has to run."

10 ²⁵ SEC. 28. No national banking association or member
 11 bank shall promise or pay to its depositors as a considera-
 12 tion for the maintenance of deposit balances or accounts a
 13 rate of interest in excess of one-half the rate of interest spec-
 14 ified in section 5197 of the Revised Statutes, as amended,
 15 and whenever such depositors are bankers who maintain
 16 balances with other banks, no such association or member
 17 bank shall promise or pay for the maintenance with it of
 18 such bankers' balances a rate of interest in excess of the
 19 current rate of discount of the Federal reserve bank of the
 20 district in which the depository bank is located, or in excess
 21 of $2\frac{1}{2}$ per centum, whichever rate shall be the smaller.

22 ~~No such association or member bank shall promise or~~
 23 ~~pay to any depositor any interest or other compensation for~~
 24 ~~the maintenance of balances subject to check.~~

1 ²⁶ SEC. 29. (a) The second sentence of the first para-
 2 graph of section 5200 of the Revised Statutes, as amended,
 3 is amended by inserting before the period at the end thereof
 4 the following: "and shall include in the case of obligations
 5 of a corporation all obligations of all subsidiaries or affiliates
 6 thereof."

7 (b) Paragraph (8) of section 5200 of the Revised
 8 Statutes, as amended, is amended by inserting before the
 9 period at the end thereof a colon and the following: "*Pro-*
 10 *vided*, That no obligation of a broker or member of any
 11 stock exchange or similar organization, or of any finance
 12 company, securities company, investment trust, or other
 13 similar institution, or of any affiliate, shall be entitled to the
 14 benefits of the foregoing exceptions, but such obligations
 15 shall in every case be subject to the limitations of 10 per
 16 centum hereinbefore set forth in this section; except that the
 17 total obligations of an affiliate shall in no case exceed the
 18 said 10 per centum limitations, or the amount of the capital
 19 stock of said affiliate actually paid in and unimpaired, which-
 20 ever may be the smaller."

21 (c) Section 5200 of the Revised Statutes, as amended,
 22 is further amended by adding at the end thereof the follow-
 23 ing new paragraphs:

24 "The aggregate amount of the obligations (including
 25 repurchase agreements) of all the affiliates of a national

1 banking association shall not at any time exceed 10 per
 2 centum of the capital stock of such association actually paid
 3 in and unimpaired and 10 per centum of its unimpaired
 4 surplus fund: *Provided*, That loans collateraled by Govern-
 5 ment bonds, or by bonds issued by the State in which such
 6 bank is situated, or issued by any political subdivision of
 7 such State, shall not be included within the foregoing limi-
 8 tations if actually owned by the borrower from such bank.

9 "Within ^{three} ~~two~~ years after this section as amended takes
 10 effect, every affiliate shall be capitalized through the sale
 11 of its own stock which shall be paid for in full in cash upon
 12 the same terms and conditions as provided in section 5140
 13 of the Revised Statutes, as amended, in the case of national
 14 bank stock; and no national bank shall establish or capitalize
 15 an affiliate through cash or stock dividend declarations made
 16 from its surplus or from undivided profits. No affiliate shall
 17 at any time during such two-year period hold, or lend upon,
 18 more than 10 per centum of the shares of the capital stock
 19 of the parent institution."

20 SEC. ²⁷ ~~30~~. Nothing in section 5200 of the Revised Stat-
 21 utes, as amended, shall be construed to permit a member
 22 bank to lend to any individual or corporation upon collateral
 23 security an amount in excess of 10 per centum of its capital
 24 stock actually paid in and unimpaired and 10 per centum
 25 of its unimpaired surplus fund, or an amount in excess of

1 the percentage of such capital and surplus fund as shall
 2 from time to time be designated by the Federal Reserve
 3 Board in accordance with subsection (m) of section 13 of the
 4 Federal Reserve Act, as amended, whichever is the smaller.

5 SEC. ²⁸ ~~31~~. Section 5211 of the Revised Statutes, as
 6 amended, is amended by adding at the end thereof the
 7 following new paragraph:

8 "Each affiliate of a national banking association shall
 9 make and furnish to the president of the association, for
 10 transmission by him to the Comptroller of the Currency,
 11 not less than three reports during each year, in such form
 12 as the Comptroller may prescribe, verified by the oath or
 13 affirmation of the president or such other officer as may be
 14 designated by the board of directors of such affiliate to
 15 verify such reports, covering the condition of such affiliate
 16 on dates identical with those for which the Comptroller
 17 shall during such year require the reports of the condition
 18 of the association. Each such report of an affiliate shall
 19 be transmitted to the Comptroller at the same time as the
 20 corresponding report of the association; except that the
 21 Comptroller may, in his discretion, extend such time for
 22 good cause shown. Each such report shall exhibit
 23 in detail and under appropriate heads, the holdings of the
 24 affiliate in question, their cost and present value, the ex-
 25 penses of operation for the preceding year, and the balance

1 sheet of the enterprise. It shall be the duty of the presi-
 2 dent of such association to satisfy himself as to the correctness
 3 of the report before transmitting the same to the Comptroller.
 4 The reports of its affiliates shall be published by the
 5 association under the same conditions as govern its own
 6 condition reports. The Comptroller shall also have power
 7 to call for special reports with respect to any such affiliate
 8 whenever in his judgment the same are necessary in order
 9 to obtain a full and complete knowledge of the conditions
 10 of the association with which it is affiliated. Any affiliate
 11 which fails to make and furnish any report required of
 12 it under this section, and any association whose president
 13 fails to transmit as required by this section, any such report
 14 furnished to him, shall be subject to a penalty of \$100 for
 15 each day during which such failure continues: *Provided,*
 16 That every affiliate which shall be indebted to any bank
 17 or banks to an amount exceeding 5 per centum of the
 18 capital and surplus of its parent bank shall publish its entire
 19 portfolio at a date and in a manner to be prescribed by
 20 the Comptroller of the Currency but not oftener than once
 21 annually, and every affiliate which shall be so indebted to
 22 an amount in excess of 10 per centum of the capital and
 23 surplus of its parent bank, shall be required to publish its
 24 portfolio in at least one daily newspaper issued in the place
 25 where such bank is located within ten days after receiving

1 notice therefor from the Comptroller, but such publication
 2 shall not be considered as a substitute for the annual pub-
 3 lication hereinbefore required."
 4 SEC. 32. The first paragraph of section 5240 of the
 5 Revised Statutes, as amended, is amended by adding at the
 6 end of the first paragraph thereof the following proviso:
 7 "*Provided,* That during the period of ^{three} two years after this
 8 section as amended takes effect, in making the examination
 9 of any national bank or of any other member bank, the
 10 examiner shall include an examination of the affairs of all
 11 affiliates of such bank, and in the event of the refusal to give
 12 any information required in the course of the examination
 13 of any such affiliate, or in the event of the refusal to permit
 14 such examination, all the rights, privileges, and franchises
 15 of the bank shall be thereby forfeited, if a national bank,
 16 and if a bank or trust company organized under the law of
 17 any State, membership in the Federal reserve bank of its
 18 district shall be forfeited and no notice of the termination of
 19 such membership shall be required. The Comptroller of the
 20 Currency shall have power, and he is hereby authorized, to
 21 publish the report of his examination of any national bank-
 22 ing association or affiliate which shall not within one
 23 hundred and twenty days after notification of the recom-
 24 mendations or suggestions of the Comptroller, based on said
 25 examination, have complied with the same to his satisfac-

1 tion. Ninety days' notice prior to such publicity shall be
2 given to the bank or affiliate."

3 SEC. 33. The Act entitled "An Act to supplement
4 existing laws against unlawful restraints and monopolies, and
5 for other purposes," approved October 15, 1914, as
6 amended, is hereby amended by adding after section 8
7 thereof the following new section:

8 "SEC. 8A. That from and after the 1st day of Janu-
9 ary, 1932, no person shall be at the same time a director,
10 officer, or employee of any bank, banking association, or
11 trust company, organized or operating under the laws of
12 the United States and of a corporation organized for any
13 purpose whatsoever which shall make loans secured by
14 collateral to any individual, association, partnership, or
15 corporation other than its own subsidiaries.

16 ~~"No corporation, foreign or domestic other than
17 banks incorporated under the laws of a State or of the
18 United States operating within the United States and en-
19 gaged in commerce as defined in this Act, shall make to
20 any individual, other corporation (except its own subsidi-
21 aries), private banker, or incorporated banker, loans secured
22 by collateral; and every violation of the provisions of this
23 paragraph shall be punishable by a fine of \$5,000 per day
24 during the continuance of such violation.~~

1 ~~"No corporation engaged in commerce as defined in
2 this Act shall place its funds on deposit with any individual,
3 private banker, or banking association, or trust company,
4 except banking associations incorporated under the laws of
5 the United States or of some one of the States or Territories
6 thereof; and every violation of the provisions of this para-
7 graph shall be punishable by a fine of not less than \$1,000
8 per day for each day during which such violation continues;
9 and no corporation which shall fail to deposit its funds in
10 banking associations incorporated under the United States
11 or of some one of the States or Territories thereof shall
12 engage in such commerce."~~

13 SEC. 34. The right to alter, amend, or repeal this
14 Act is hereby expressly reserved. If any clause, sentence,
15 paragraph, or part of this Act shall for any reason be
16 adjudged by any court of competent jurisdiction to be invalid,
17 such judgment shall not affect, impair, or invalidate the
18 remainder of this Act, but shall be confined in its operation
19 to the clause, sentence, paragraph, or part thereof directly
20 involved in the controversy in which such judgment shall
21 have been rendered.

A BILL

To provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

By Mr. GLASS

JANUARY 21, 1932

Read twice and referred to the Committee on Banking and Currency

+

[CONFIDENTIAL COMMITTEE PRINT]

MARCH 17, 1932

[Existing law is shown in roman type; existing law omitted is shown in stricken-through type; new matter is shown in *italics*]

72^D CONGRESS
1ST SESSION

S.

IN THE SENATE OF THE UNITED STATES

MARCH —, 1932

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

A BILL

To provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, 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 short title of this Act shall be the "Banking Act*
4 *of 1932."*

5 *SEC. 2. As used in this Act—*

6 *(a) The terms "bank," "national bank," "national*
7 *banking association," "member bank," "board," "district,"*

J. 107143—1

1 and "reserve bank" shall have the meanings assigned to
2 them in section 1 of the Federal Reserve Act, as amended.

3 (b) The term "affiliate" includes a trust company, a
4 finance company, securities company, discount or acceptance
5 company, investment trust, or other similar institution, or a
6 corporation—

7 (1) Of which a national bank or member bank,
8 directly or indirectly, owns or controls either a majority of
9 the voting shares or more than 50 per centum of the number
10 of shares voted for the election of its directors, trustees, or
11 other managing officers at the preceding annual meeting, or
12 controls in any manner the election of a majority of its
13 directors, trustees, or other managing officers; or

14 (2) Of which control is held, directly or indirectly,
15 through stock ownership or in any other manner, by the
16 shareholders of a national bank or member bank who own or
17 control either a majority of the shares of such bank or more
18 than 50 per centum of the number of shares voted for the
19 election of directors of such bank at the preceding annual
20 meeting, or by trustees for the benefit of the shareholders
21 of any such bank; or

22 (3) Of which either a majority of the members of its
23 executive committee or a majority of its directors, trustees,
24 or other managing officers are directors of a national bank
25 or member bank; or

1 (4) Which owns or controls, directly or indirectly,
2 either a majority of the shares of capital stock of a national
3 bank or member bank or more than 50 per centum of the
4 number of shares voted for the election of directors of such
5 bank at the preceding annual meeting, or controls in any
6 manner the election of a majority of the directors of such
7 bank; or

8 (5) For the benefit of whose shareholders or members
9 all or substantially all the capital stock of a national bank
10 or member bank is held by trustees.

11 SEC. 3. The fourth paragraph after paragraph
12 "Eighth" of section 4 of the Federal Reserve Act, as
13 amended, is amended by inserting before the period at the
14 end thereof a comma and the following: "but only if
15 such discounts, advancements, and accommodations are in-
16 tended for the accommodation of commerce, industry, and
17 agriculture. The Federal Reserve Board may prescribe
18 regulations further defining and regulating the use of the
19 credit facilities of the Federal reserve system within the
20 limitations of this Act. Such facilities shall not be extended
21 to member banks for the purpose of making or carrying
22 loans covering investments, or facilitating the carrying of,
23 or trading in, stocks, bonds, or other investment securities
24 other than obligations of the Government of the United
25 States. Each Federal reserve bank shall keep itself in-

1 formed of the loan and investment practices of its member
 2 banks and the uses made by them of the credit facilities of
 3 the Federal reserve system. The chairman of each Fed-
 4 eral reserve bank shall report to the Federal Reserve Board
 5 any undue, unauthorized, or improper use of such credit
 6 facilities, together with his recommendation for remedial
 7 action in the matter. The Federal Reserve Board may,
 8 in its discretion, suspend for not more than one year from
 9 the use of the credit facilities of the Federal reserve system
 10 any member bank making undue, unauthorized, or improper
 11 use of such facilities."

12 *SEC. 4.* The twenty-fifth paragraph of section 4 of the
 13 Federal Reserve Act, as amended, is amended by inserting
 14 before the period at the end thereof a colon and the follow-
 15 ing: "Provided, That no such vote shall be cast by or on
 16 behalf of any member bank, if a majority of its stock shall
 17 be held or owned by any affiliate, or other corporation, which
 18 is in fact one of a chain, or of a jointly controlled group
 19 of banks, controlled by an individual, or if its stock is in the
 20 hands of a voting trust, or if in any other way such bank
 21 is prevented from acting subject to the uncontrolled decision
 22 of the general body of stockholders of such bank locally
 23 resident in the town or city in which such bank is established."

24 *SEC. 5.* The first paragraph of section 7 of the Federal
 25 Reserve Act, as amended, is amended to read as follows:

1 "After all necessary expenses of a Federal reserve bank
 2 shall have been paid or provided for, and provision shall
 3 have been made, when necessary, for restoring the surplus
 4 of the bank to its position as of December 31, 1931, the
 5 stockholders shall be entitled to receive an annual
 6 dividend of 6 per centum on the paid-in capital stock,
 7 which dividend shall be cumulative. After the aforesaid
 8 dividend claims have been fully met, the net earnings
 9 shall be paid to the United States as a franchise tax
 10 except that the whole of such net earnings, including
 11 those for the year ending December 31, 1918, shall be paid
 12 into a surplus fund until it shall amount to 100 per centum
 13 of the subscribed capital stock of such bank, and that there-
 14 after 10 per centum of such net earnings shall be paid into
 15 the surplus, beginning with the net earnings for the year
 16 ending December 31, 1932, shall be paid to the Federal
 17 Liquidating Corporation provided for in section 12B of this
 18 Act and shall be used by the said corporation for carrying
 19 out the purposes of such section."

20 *SEC. 6.* Section 9 of the Federal Reserve Act, as
 21 amended, is further amended by inserting between the fifth
 22 and sixth paragraphs thereof the following new paragraph:

23 "Each affiliate of a bank admitted to membership
 24 under authority of this section shall make and furnish
 25 to the president of the bank, for transmission by him

1 to the Federal Reserve Board, not less than three reports
 2 during each year. Such reports shall be in such form as
 3 the Federal Reserve Board may prescribe, shall be verified
 4 by the oath or affirmation of the president or such other
 5 officer as may be designated by the board of directors of
 6 such affiliate to verify such reports, and shall cover the
 7 condition of such affiliate on dates identical with those fixed
 8 by the Federal Reserve Board for reports of the condition
 9 of the member bank. Each such report of an affiliate shall
 10 be transmitted to the Federal Reserve Board at the same
 11 time as the corresponding report of the member bank,
 12 except that the Federal Reserve Board may, in its discre-
 13 tion, extend such time for good cause shown. Each such
 14 report shall exhibit in detail and under appropriate heads,
 15 the holdings of the affiliate in question, their cost and present
 16 value, the expenses of operation for the preceding year, and
 17 the balance sheet of the enterprise. It shall be the duty
 18 of the president of such member bank to satisfy himself
 19 as to the correctness of the report before transmitting the
 20 same to the Federal Reserve Board. Any affiliate which
 21 fails to make and furnish any report required of it under
 22 this section, and any member bank whose president fails
 23 to transmit, as required by this section, any such report
 24 furnished to him, shall be subject to a penalty of \$100 for
 25 each day during which such failure continues."

1 SEC. 7. (a) The first paragraph of section 10 of the
 2 Federal Reserve Act, as amended, is amended to read as
 3 follows:

4 "A Federal Reserve Board is hereby created which
 5 shall consist of ~~eight~~ seven members, including the Secretary
 6 of the Treasury and the Comptroller of the Currency, who
 7 shall be ~~members~~ a member ex officio, and six members
 8 appointed by the President of the United States, by
 9 and with the advice and consent of the Senate. In select-
 10 ing the six appointive members of the Federal Reserve
 11 Board, not more than one of whom shall be selected from
 12 any one Federal reserve district, the President shall have
 13 due regard to a fair representation of the financial, agricul-
 14 tural, industrial, and commercial interests, and geographical
 15 divisions of the country, and at least two of such members
 16 shall be persons of tested banking experience. The six
 17 members of the Federal Reserve Board appointed by the
 18 President and confirmed as aforesaid shall devote their entire
 19 time to the business of the Federal Reserve Board and shall
 20 each receive an annual salary of \$12,000, payable monthly,
 21 together with actual necessary traveling expenses, and the
 22 Comptroller of the Currency, as ex officio member of the
 23 Federal Reserve Board, shall, in addition to the salary now
 24 paid him as Comptroller of the Currency, receive the sum

1 of \$7,000 annually for his services as a member of said
2 board."

3 (b) *The second paragraph of section 10 of the Fed-*
4 *eral Reserve Act, as amended, is amended to read as follows:*

5 "The Secretary of the Treasury and the Comptroller
6 of the Currency shall be ineligible during the time they are
7 he is in office and for two years thereafter to hold any office,
8 position, or employment in any member bank. The ap-
9 pointive members of the Federal Reserve Board shall be
10 ineligible during the time they are in office and for two years
11 thereafter to hold any office, position, or employment in any
12 member bank, except that this restriction shall not apply
13 to a member who has served the full term for which he was
14 appointed. Of the six members thus appointed by the Presi-
15 dent one shall be designated by the President to serve for
16 two, one for four, one for six, one for eight, and the balance
17 of the members for ten years, and thereafter each member
18 so appointed shall serve for a term of ten years, unless sooner
19 removed for cause by the President. Upon the expiration
20 of the term of any member of the Federal Reserve Board in
21 office when this paragraph as amended takes effect, the Presi-
22 dent shall fix the term of the successor to such member at
23 not to exceed twelve years, as designated by the President
24 at the time of nomination, but in such manner as to provide
25 for the expiration of the term of not more than one member in

1 any two-year period, and thereafter each member shall hold
2 office for a term of twelve years. Of the six persons thus
3 appointed, one shall be designated by the President as
4 governor and one as vice governor of the Federal Reserve
5 Board. The governor of the Federal Reserve Board, sub-
6 ject to its supervision, shall be the its active executive officer.
7 The Secretary of the Treasury may assign offices in the
8 Department of the Treasury for the use of the Federal
9 Reserve Board. Each member of the Federal Reserve
10 Board shall within fifteen days after notice of appointment
11 make and subscribe to the oath of office."

12 (c) *The fourth paragraph of section 10 of the Federal*
13 *Reserve Act, as amended, is amended to read as follows:*

14 "The first meeting of the Federal Reserve Board shall
15 be held in Washington, District of Columbia, as soon as
16 may be after the passage of this Act, at a date to be fixed
17 by the Reserve Bank Organization Committee. The Sec-
18 retary of the Treasury shall be ex officio chairman of the
19 Federal Reserve Board. No member of the Federal Re-
20 serve Board shall be an officer or director of any bank,
21 banking institution, trust company, or Federal reserve bank
22 nor or hold stock in any bank, banking institution, or trust
23 company; and before entering upon his duties as a member
24 of the Federal Reserve Board he shall certify under oath
25 to the Secretary of the Treasury that he has complied with

1 this requirement *and such certification shall be filed with the*
 2 *secretary of the board.* Whenever a vacancy shall occur,
 3 other than by expiration of term, among the six members of
 4 the Federal Reserve Board appointed by the President, as
 5 above provided, a successor shall be appointed by the Presi-
 6 dent, with the advice and consent of the Senate, to fill such
 7 vacancy, and when appointed he shall hold office for the
 8 unexpired term of the member whose place he is selected
 9 to fill."

10 *SEC. 8. Subsection (m) of section 11 of the Federal*
 11 *Reserve Act, as amended, is amended to read as follows:*

12 ~~(m)~~ Upon the affirmative vote of not less than five
 13 of its members, the Federal Reserve Board shall have power
 14 to permit Federal reserve banks to discount for any member
 15 bank notes, drafts, or bills of exchange bearing the signature
 16 or endorsement of any one borrower in excess of the amount
 17 permitted by section 9 and section 13 of this Act, but in no
 18 case to exceed 20 per centum of the member bank's capital
 19 and surplus: *Provided, however,* That all such notes, drafts,
 20 or bills of exchange discounted for any member bank in
 21 excess of the amount permitted under such sections shall be
 22 secured by not less than a like face amount of bonds or notes
 23 of the United States issued since April 24, 1917, for which
 24 the borrower shall in good faith prior to January 1, 1921,
 25 have paid or agreed to pay not less than the full face amount

1 thereof, or certificates of indebtedness of the United States:
 2 *Provided further,* That the provisions of this subsection ~~(m)~~
 3 shall not be operative after October 31, 1921.

4 " (m) Upon the affirmative vote of not less than six of
 5 its members the Federal Reserve Board shall have power
 6 to fix from time to time for any member bank the percentage
 7 of the capital and surplus of such bank which may be repre-
 8 sented by loans protected by collateral security. Any per-
 9 centage so fixed by the Federal Reserve Board shall be sub-
 10 ject to change from time to time upon ten days' notice, and it
 11 shall be the duty of the board to establish such percent-
 12 ages with a view to preventing the undue use of bank
 13 loans for the speculative carrying of securities. The Federal
 14 Reserve Board shall have power to direct any member bank
 15 to refrain from further increase of its security loans for
 16 any period up to one year. Any violation of this subsection
 17 may be penalized by suspension of all rediscount privileges
 18 at Federal reserve banks."

19 *SEC. 9. No national banking association and no mem-*
 20 *ber bank shall (1) make any loan or any extension of credit*
 21 *to any affiliate organized and existing for the purpose of buy-*
 22 *ing and selling stocks, bonds, real estate, or real-estate mort-*
 23 *gages, or for the purpose of holding title to any such prop-*
 24 *erty, or (2) invest any of its funds in the capital stock, bonds,*
 25 *or other obligations of any such affiliate, or (3) accept the*

1 capital stock, bonds, or other obligations of any such affiliate
 2 as collateral security to protect loans made to any person,
 3 partnership, or corporation, if the aggregate amount of
 4 such loans, extensions of credit, investments, and acceptances
 5 of collateral security in the case of any such affiliate, will
 6 exceed 10 per centum of the outstanding capital stock and
 7 surplus of such national banking association or member bank.

8 Each loan made to an affiliate within the foregoing
 9 limitations shall be secured by stocks or bonds listed on a
 10 stock exchange which have an ascertained market value at
 11 the time of making the loan of at least 20 per centum more
 12 than the amount of such loan, or shall be secured by notes,
 13 drafts, bills of exchange or acceptances, eligible for redis-
 14 count at Federal reserve banks, or by bonds or other obliga-
 15 tions eligible for investment by savings banks in the State
 16 in which the association or member bank making the loan is
 17 located. A loan to a director, officer, clerk, or other em-
 18 ployee of any such affiliate shall be deemed a loan to the
 19 affiliate to the extent that the proceeds of such loan are
 20 transferred to the affiliate.

21 SEC. 10. The Federal Reserve Act, as amended, is
 22 amended by inserting between sections 12 and 13 thereof
 23 the following new sections:

24 "SEC. 12A. (a) There is hereby created a Federal
 25 Open Market Committee (hereinafter referred to as the

1 "committee"), which shall consist of the governor of the
 2 Federal Reserve Board and as many additional members
 3 as there are Federal reserve districts. Each Federal reserve
 4 bank by its board of directors shall annually select from
 5 among the officers of the said bank one member of said
 6 committee. The meetings of said committee shall be held
 7 at Washington, District of Columbia, at least four times
 8 each year. Additional meetings may be held elsewhere
 9 upon the call of the Federal Reserve Board, either upon the
 10 motion of the board or at the request of any three members
 11 of the committee. In the absence or inability of the gov-
 12 ernor of the Federal Reserve Board to act at such meetings
 13 the board shall designate the vice governor or some other
 14 member of the board to act in place of the governor.

15 "(b) No Federal reserve bank shall engage in open
 16 market operations described in section 14 of this Act except
 17 after approval and authorization by the committee. The
 18 committee shall discuss, adopt, and transmit to the several
 19 Federal reserve banks resolutions relating to all matters
 20 affecting the open market transactions of such banks and to
 21 all matters affecting the relations of the Federal reserve
 22 system with foreign central or other banks. Every such
 23 resolution shall be reported within three days to the Federal
 24 Reserve Board and shall be subject to its approval. The
 25 board shall annually include in its report to the Speaker

1 of the House of Representatives a review of the decisions
2 of the committee for the preceding year and an explanation
3 of the reasons for such decisions and the results thereof, so
4 far as they may be ascertained.

5 “(c) The time, character, and volume of purchases
6 and sales in the open market shall be governed with a
7 view to accommodating commerce and business and with
8 regard to their bearing upon the general credit situation of
9 the country. Such purchases and sales shall include all
10 paper described in section 14 of this Act as eligible for
11 open market operations.

12 “(d) The conclusions and recommendations of the
13 committee when approved by the Federal Reserve Board
14 shall be submitted to each Federal reserve bank for de-
15 termination whether it will participate in any purchases or
16 sales recommended. If any Federal reserve bank shall
17 decide not to participate in the open market operations
18 so recommended, it shall file with the chairman of the com-
19 mittee within thirty days a notice of its decision.

20 “SEC. 12B. (a) There is hereby created a Federal
21 Liquidating Corporation (hereinafter referred to as the
22 ‘corporation’), whose duty it shall be to purchase, hold,
23 and liquidate as hereinafter provided, the assets of banks
24 which have been ordered closed by the Comptroller of the
25 Currency or by vote of their directors, and the assets of

1 member banks which have been ordered closed by the
2 appropriate State authorities.

3 “(b) The Comptroller of the Currency and the mem-
4 bers of the Federal Open Market Committee created by
5 section 12A of this Act shall constitute the directors of
6 the corporation. The Comptroller of the Currency shall
7 be the chairman of the board of directors of the corporation.

8 “(c) The capital stock of the corporation shall be
9 divided into shares of \$100 each. Certificates of stock of
10 the corporation shall be of two classes, class A and class
11 B. Class A stock shall be held by member banks only and
12 shall be entitled to prior payment of dividends out of net
13 earnings, to the extent of 30 per centum of such net
14 earnings in any one year, after payment of all expenses
15 of the corporation, but such stock shall have no vote at
16 meetings of stockholders. Class B stock shall be held by
17 Federal reserve banks only and shall not be entitled to
18 the payment of dividends. Every Federal reserve bank
19 shall subscribe to shares of class B stock in the corpora-
20 tion to an amount equal to one-fourth of the surplus of
21 such bank on December 31, 1931, and its subscriptions shall
22 be accompanied by a certified check payable to the Comp-
23 troller of the Currency in an amount equal to one-half of
24 1 per centum of such subscription. The remainder of such
25 subscription shall be subject to call from time to time by

1 the board of directors upon ninety days' notice and annual
2 subscriptions to such stock shall be made by each such bank
3 in an amount equal to one-fourth of the annual increase
4 of such surplus.

5 “(d) Every member bank shall subscribe to the class
6 A capital stock of the corporation in an amount equal to
7 one-half of 1 per centum of its total net outstanding time
8 and demand deposits on the last call date in the year 1931.
9 One-half of such subscription shall be paid in full within
10 ninety days after receipt of notice from the chairman of
11 the board of directors of the corporation; and the remainder
12 of such subscription shall be subject to call from time to
13 time by the board of directors of the corporation.

14 “(e) The amount of the outstanding class A stock of
15 the corporation held by member banks shall be annually
16 adjusted as hereinafter provided as member banks increase
17 their time and demand deposits or as additional banks be-
18 come members, and such stock may be decreased in amount
19 as member banks reduce their time and demand deposits or
20 cease to be members. Shares of the capital stock of the
21 corporation owned by member banks shall not be transferred
22 or hypothecated. When a member bank increases its time
23 and demand deposits, it shall at the beginning of each calen-
24 dar year subscribe for an additional amount of capital stock
25 of the corporation equal to one-half of 1 per centum of such

1 increase in deposits. One-half of the amount of such addi-
2 tional stock shall be paid for at the time of the subscription
3 therefor and the balance shall be subject to call by the board
4 of directors of the corporation. A bank applying for stock
5 in the corporation at any time after the organization thereof
6 shall be required to subscribe for an amount of class A capital
7 stock equal to one-half of 1 per centum of the time and
8 demand deposits of the applicant bank, paying therefor its
9 par value plus one-half of 1 per centum a month from the
10 period of the last dividend on the class A stock of the cor-
11 poration. When the capital stock of the corporation shall
12 have been increased, either on account of the increase of the
13 time and demand deposits of member banks or on account
14 of the increase in the number of member banks, the board
15 of directors of the corporation shall cause to be executed a
16 certificate to the Comptroller of the Currency showing the
17 increase in capital stock of the corporation, the amount paid
18 in, and by whom paid. When a member bank reduces its
19 time and demand deposits it shall surrender, not later than
20 the 1st day of January thereafter, a proportionate amount
21 of its holdings in the capital stock of the corporation, and
22 when a member bank voluntarily liquidates it shall surrender
23 all its holdings of the capital stock of the corporation and be
24 released from its stock subscription not previously called.

1 The shares so surrendered shall be canceled and the mem-
 2 ber bank shall receive in payment therefor, under regula-
 3 tions to be prescribed by the Federal Reserve Board, a sum
 4 equal to its cash-paid subscriptions on the shares surrendered
 5 and its proportionate share of earnings not to exceed one-half
 6 of 1 per centum a month, from the period of the last divi-
 7 dend on such stock, but not above the book value of such
 8 earnings, less any liability of such member bank to the
 9 corporation.

10 "(f) If any member bank shall be declared insolvent,
 11 the stock held by it in the corporation shall be canceled,
 12 without impairment of the liability of such bank, and all
 13 cash-paid subscriptions on such stock, with its proportionate
 14 share of earnings not to exceed one-half of 1 per centum
 15 per month from the period of last dividend on such stock
 16 but not above the book value of such earnings, shall be first
 17 applied to all debts of the insolvent bank to the corpora-
 18 tion, and the balance, if any, shall be paid to the receiver
 19 of the insolvent bank. Whenever the capital stock of the
 20 corporation is reduced, either on account of a reduction in
 21 time and demand deposits of any member bank or on account
 22 of the liquidation or insolvency of such bank, the board
 23 of directors shall cause to be executed a certificate to the
 24 Comptroller of the Currency showing such reduction of
 25 capital stock and the amount repaid to such bank.

1 "(g) When the minimum amount of class A and class
 2 B capital stock required by this Act shall have been sub-
 3 scribed and paid for by such banks, the Comptroller shall
 4 designate five reserve banks to execute a certificate of organi-
 5 zation, and thereupon the banks so designated shall, under
 6 their seals, make an organization certificate which shall
 7 specifically state the name of the corporation and the city
 8 and State in which the corporation is to be located, the
 9 amount of capital stock and the number of shares into
 10 which the same is divided, the name and place of doing
 11 business of each bank executing such certificate and of all
 12 banks which have subscribed to the capital stock of such
 13 corporation, the number of shares subscribed by each such
 14 bank, and the fact that the certificate is made to enable the
 15 banks executing the same and all banks which have sub-
 16 scribed or may thereafter subscribe to such capital stock to
 17 avail themselves of the advantages of this section.

18 "(h) Such organization certificate shall be acknowl-
 19 edged before a judge of a court of record or a notary public
 20 and shall, together with the acknowledgment thereof au-
 21 thenticated by the seal of such court or notary public, be
 22 transmitted to the Comptroller of the Currency, who shall
 23 file, record, and carefully preserve the same in his office.

24 "(i) Upon the filing of such certificate with the
 25 Comptroller of the Currency as aforesaid, the said corpora-

1 tion shall become a body corporate and as such shall have
2 power—

3 “First. To adopt and use a corporate seal.

4 “Second. To have succession for a period of twenty
5 years from its organization unless it is sooner dissolved by
6 an Act of Congress, or unless its franchise becomes forfeited
7 by some violation of law.

8 “Third. To make contracts.

9 “Fourth. To sue and be sued, complain and defend,
10 in any court of law or equity.

11 “Fifth. To appoint by its board of directors such offi-
12 cers and employees as are not otherwise provided for in this
13 section, to define their duties, require bonds of them and
14 fix the penalty thereof, and to dismiss at pleasure such
15 officers or employees.

16 “Sixth. To prescribe by its board of directors, by-laws
17 not inconsistent with law, regulating the manner in which
18 its general business may be conducted, and the privileges
19 granted to it by law may be exercised and enjoyed.

20 “Seventh. To exercise by its board of directors, or duly
21 authorized officers or agents, all powers specifically granted
22 by the provisions of this section and such incidental powers
23 as shall be necessary to carry out the powers so granted.

24 “(j) The board of directors shall administer the af-
25 fairs of the corporation fairly and impartially and without

1 discrimination in favor of or against any member bank or
2 banks and shall, subject to the provisions of law and the
3 orders of the Federal Reserve Board, extend to each bank
4 which is ordered closed by the Comptroller of the Currency,
5 or by vote of its directors, and to each member bank which is
6 ordered closed by the appropriate State authorities, such
7 accommodations as may be safely and reasonably made with
8 due regard for the claims and demands of other member
9 banks.

10 “(k) Whenever any national bank shall be declared
11 insolvent or placed in the hands of a receiver it shall be
12 the duty of the Comptroller of the Currency to appoint a
13 valuation committee of three members which shall include
14 the receiver of such bank, a member to be named by the
15 board of directors of such bank, and a person to be chosen
16 by the receiver and the member named by the board of
17 directors. The receiver shall be chairman of the commit-
18 tee, and the committee shall at once proceed to make a pre-
19 liminary valuation of the assets of the bank. Thereupon
20 the receiver shall notify the Comptroller of the Currency
21 of the valuation agreed upon, the Comptroller shall make
22 a formal tender of such assets to the corporation which
23 may purchase the same in whole or in part as its board of
24 directors may determine. It shall be the duty of the cor-
25 poration to proceed to realize as rapidly as possible, having

1 due regard to the condition of credit in the district in which
 2 such bank is located, the assets so purchased, and if the
 3 amount realized from such assets exceeds the sum paid
 4 therefor, the corporation shall make an additional payment
 5 to the receiver of the bank equal to the amount of such
 6 excess, if any, after deducting a liquidation fee of 6 per
 7 centum of the sum thus realized. Money belonging to the
 8 corporation over and above such funds as may be required
 9 for current operating expenses shall be kept invested in the
 10 assets of insolvent or closed banks or in securities of the
 11 Government of the United States.

12 "(l) The corporation may, in its discretion, purchase
 13 the assets of banks in the hands of receivers on the date of
 14 its organization, but on the same conditions and terms as are
 15 applicable in the case of assets of banks which may fail or
 16 be closed after such date. Nothing herein contained shall
 17 be construed to prevent the corporation from making loans
 18 to banks ordered closed by the Comptroller of the Currency
 19 or by vote of their directors, or to member banks ordered closed
 20 by the appropriate State authorities, or from entering into
 21 negotiations to secure the reopening of such banks.

22 "(m) Member banks organized under the law of any
 23 State which are now or may hereafter become insolvent or
 24 suspended shall be entitled to offer their assets for sale to
 25 the corporation upon receiving permission in accordance with

1 law from the banking superintendent or commissioner of
 2 the State, under the same conditions as are applicable to the
 3 sale of assets of insolvent or suspended banks under the law
 4 of the State in which such member bank is located.

5 "(n) For a period of not to exceed two years after
 6 this section takes effect the corporation is authorized to pur-
 7 chase and for a period of five years thereafter to hold and
 8 liquidate the assets of closed State banks, to make loans to
 9 such banks and to enter into negotiations to secure the re-
 10 opening of such banks under the same terms and conditions
 11 as are applicable in the case of national banks and member
 12 banks; except that (1) no such purchase or loan shall be
 13 made and no such negotiations shall be entered into unless
 14 it is permitted under the laws of the State in which such
 15 State bank is located, and (2) the amount realized upon the
 16 sale of the assets of any such State bank in excess of the
 17 amount paid for such assets by the corporation shall, after
 18 deducting the amount of the liquidation fee authorized to be
 19 charged by the corporation under paragraph (k), be paid
 20 into the Treasury of the United States as miscellaneous
 21 receipts. For the purpose of carrying out the provisions of
 22 this paragraph, there is hereby authorized to be appropriated
 23 the sum of \$200,000,000, which shall be paid by the Secre-
 24 tary of the Treasury to the corporation in such amounts and
 25 at such times as the board of directors thereof may require.

1 The sums so paid to the corporation shall be used exclusively
 2 for such purposes. As used in this paragraph the term
 3 'State bank' shall include any savings bank, trust com-
 4 pany, or other banking institution, authorized to accept de-
 5 posits, organized under the laws of any State, and which
 6 is not a member of the Federal reserve system.

7 "(o) The corporation is authorized and empowered
 8 to issue and to have outstanding at any one time in an
 9 amount aggregating not more than four times the amount
 10 of its capital, its notes, debentures, bonds, or other such obli-
 11 gations, to be redeemable at the option of the corporation
 12 before maturity in such manner as may be stipulated in
 13 such obligations, and to bear such rate or rates of interest,
 14 and to mature at such time or times as may be determined
 15 by the corporation: Provided, That the corporation may sell
 16 on a discount basis short-term obligations payable at maturity
 17 without interest. The notes, debentures, bonds and other
 18 such obligations of the corporation may be secured by assets
 19 of the corporation in such manner as shall be prescribed
 20 by its board of directors. Such obligations may be offered
 21 for sale at such price or prices as the corporation may
 22 determine. The corporation is further authorized and
 23 empowered to dispose of any promissory note of any receiver
 24 evidencing loans made by the corporation, and to pledge
 25 such receivers' notes and any of the corporation's assets as

1 collateral security to the corporation's promissory notes,
 2 under such terms and conditions as may be agreed upon
 3 by the corporation, provided that the obligations so incurred,
 4 together with all other outstanding obligations of the corpo-
 5 ration, shall not be in excess of four times the amount of its
 6 capital.

7 "(p) All notes, debentures, bonds, or other such obliga-
 8 tions issued by the corporation shall be exempt, both as to
 9 principal and interest, from all taxation (except estate and
 10 inheritance taxes) now or hereafter imposed by the United
 11 States, by any Territory, dependency, or possession thereof,
 12 or by any State, county, municipality, or local taxing author-
 13 ity. The corporation, including its franchise, its capital,
 14 reserves, and surplus, and its income, shall be exempt from
 15 all taxation now or hereafter imposed by the United States,
 16 by any Territory, dependency, or possession thereof, or by
 17 any State, county, municipality, or local taxing authority,
 18 except that any real property of the corporation shall be
 19 subject to State, Territorial, county, municipal, or local tax-
 20 ation to the same extent according to its value as other real
 21 property is taxed.

22 "(q) In order that the corporation may be supplied with
 23 such forms of notes, debentures, bonds, or other such obliga-
 24 tions as it may need for issuance under this Act, the Secre-
 25 tary of the Treasury is authorized to prepare such forms as

1 shall be suitable and approved by the corporation, to be held
 2 in the Treasury subject to delivery, upon order of the corpo-
 3 ration. The engraved plates, dies, bed pieces, and other
 4 material executed in connection therewith shall remain in the
 5 custody of the Secretary of the Treasury. The corporation
 6 shall reimburse the Secretary of the Treasury for any
 7 expenses incurred in the preparation, custody, and delivery
 8 of such notes, debentures, bonds, or other obligations."

9 SEC. 11. The seventh paragraph of section 13 of the
 10 Federal Reserve Act, as amended, is amended to read as
 11 follows:

12 "Any Federal reserve bank may make advances to its
 13 member banks on their promissory notes for a period of not
 14 exceeding fifteen days at rates to be established by such Fed-
 15 eral reserve banks bank, which rates shall in all cases be at
 16 least 1 per centum higher than the rediscount rate then in
 17 force at such reserve bank, subject to the review and deter-
 18 mination of the Federal Reserve Board, provided such prom-
 19 issory notes are secured by such notes, drafts, bills of
 20 exchange, or bankers' acceptances as are eligible for redis-
 21 count or for purchase by Federal reserve banks under the
 22 provisions of this Act, or by the deposit or pledge of bonds
 23 or notes of the United States. If any member bank to
 24 which any such advance has been made shall, during the
 25 life or continuance of such advance, and despite an official

1 warning of the reserve bank of the district or of the Federal
 2 Reserve Board to the contrary, increase its outstanding
 3 loans made upon collateral security, or made to the mem-
 4 bers of any organized stock exchange, investment house,
 5 or dealer in securities, upon any obligation, note, or bill,
 6 secured or unsecured, for the purpose of purchasing
 7 and/or carrying investment securities (except obligations
 8 of the United States) such advance shall be immediately
 9 due and payable, and such member bank shall be ineligible
 10 as a borrower at the reserve bank of the district upon fifteen-
 11 day paper for such period as the Federal Reserve Board shall
 12 determine. The Federal Reserve Board shall have power
 13 from time to time in its discretion by unanimous vote of its
 14 members to suspend the provisions of this paragraph in whole
 15 or in part, whenever in its opinion the public interest shall
 16 call for such action. Each such suspension shall be for a
 17 period of ninety days and may be renewed for one addi-
 18 tional period of ninety days upon unanimous vote of the
 19 members of the board."

20 SEC. 12. Section 14 of the Federal Reserve Act,
 21 as amended, is amended by adding at the end thereof
 22 the following new paragraph:

23 "(g) Subject to the powers conveyed to and be-
 24 stowed upon the Federal Open Market Committee by sec-
 25 tion 12A of this Act, the Federal Reserve Board shall

1 exercise special supervision and control over all relation-
 2 ships and transactions of any kind entered into by any Fed-
 3 eral reserve bank with any foreign bank or banker, or with
 4 any group of foreign banks or bankers, and all such rela-
 5 tionships and transactions shall be subject to such regula-
 6 tions, conditions, and limitations as the board may prescribe.
 7 No officer or other representative of any Federal reserve
 8 bank shall conduct negotiations of any kind with the officers
 9 or representatives of any foreign bank or banker without
 10 first obtaining the permission of the Federal Reserve Board.
 11 The Federal Reserve Board shall have the right, in its dis-
 12 cretion, to be represented in any conference or negotiations
 13 by such representative or representatives as the board may
 14 designate. A full report of all conferences or negotiations,
 15 and all understandings or agreements arrived at or trans-
 16 actions agreed upon, and all other material facts appertain-
 17 ing to such conferences or negotiations, shall be filed with the
 18 Federal Reserve Board in writing and signed by all repre-
 19 sentatives of the Federal reserve bank attending such confer-
 20 ences or negotiations regardless of whether or not the Federal
 21 Reserve Board shall be represented at such conferences or
 22 negotiations."

23 SEC. 13. Section 19 of the Federal Reserve Act, as
 24 amended, is amended to read as follows:

1 "SEC. 19. (a) 'Demand deposits' within the mean-
 2 ing of this Act shall comprise all deposits payable within
 3 thirty days, and 'time deposits' shall comprise all deposits
 4 payable after thirty days, all savings accounts and certifi-
 5 cates of deposit which are subject to not less than thirty days'
 6 notice before payment, and all postal-savings deposits."

7 "(b) Every bank, banking association, or trust com-
 8 pany which is or which becomes a member of any Federal
 9 reserve bank shall establish and maintain reserve balances
 10 with its Federal reserve bank as follows:

11 "~~(a)~~ (1) If not in a reserve or central reserve city as
 12 now or hereafter defined, it shall hold and maintain with
 13 the Federal reserve bank of its district an actual net
 14 balance equal to not less than 7 per centum of the aggre-
 15 gate amount of its demand and time deposits and 3
 16 per centum of its time deposits: Provided, That the said
 17 net balance maintained against time deposits shall be 3 per
 18 centum during the calendar year 1932, and shall be increased
 19 at the rate of four-fifths of 1 per centum on the 1st day of
 20 January in each calendar year thereafter until it shall
 21 equal 7 per centum as hereinbefore prescribed.

22 "~~(b)~~ (2) If in a reserve city as now or hereafter de-
 23 fined it shall hold and maintain with the Federal reserve bank
 24 of its district an actual net balance equal to not less than 10

1 per centum of the aggregate amount of its demand and time
 2 deposits and $\frac{3}{4}$ per centum of its time deposits: *Provided,*
 3 *That the said net balance hereinbefore required to be main-*
 4 *tained against time deposits shall be 3 per centum during the*
 5 *calendar year 1932, and shall be increased at the rate of $1\frac{1}{2}$*
 6 *per centum on the 1st day of January in each calendar year*
 7 *thereafter until it shall equal 10 per centum as hereinbefore*
 8 *prescribed: Provided further, That if located in the outlying*
 9 *districts of a reserve city or in territory added to such a*
 10 *city by the extension of its corporate charter it may, upon*
 11 *the affirmative vote of five members of the Federal Reserve*
 12 *Board, hold and maintain the reserve balances specified in*
 13 *paragraph (a) (1) hereof.*

14 *“(e) (3) If in a central reserve city as now or here-*
 15 *after defined it shall hold and maintain with the Federal*
 16 *reserve bank of its district an actual net balance equal*
 17 *to not less than 13 per centum of the aggregate amount*
 18 *of its demand and time deposits and $\frac{3}{4}$ per centum of*
 19 *its time deposits: Provided, That the said net balance*
 20 *hereinbefore required to be maintained against time deposits*
 21 *shall be 3 per centum during the calendar year 1932, and shall*
 22 *be increased at the rate of 2 per centum on the 1st day of Jan-*
 23 *uary in each calendar year thereafter until it shall equal 13*
 24 *per centum as hereinbefore prescribed: Provided, however*
 25 *further, That if located in the outlying districts of a central*

1 reserve city or in territory added to such city by the exten-
 2 sion of its corporate charter it may, upon the affirmative
 3 vote of five members of the Federal Reserve Board, hold
 4 and maintain the reserve balances specified in paragraphs
 5 ~~(a)~~ (1) and ~~(b)~~ (2) hereof.

6 *“(c) No member bank shall keep on deposit with any*
 7 *State bank or trust company which is not a member bank a*
 8 *sum in excess of 10 per centum of its own paid-up capital*
 9 *and surplus. No member bank shall act as the medium or*
 10 *agent of a nonmember bank in applying for or receiving dis-*
 11 *counts from a Federal reserve bank under the provisions of*
 12 *this Act except by permission of the Federal Reserve Board.*

13 *“(d) No member bank shall act as the medium or*
 14 *agent of any nonbanking corporation or individual in*
 15 *making loans protected by collateral security; and no mem-*
 16 *ber bank shall make loans or discount paper for any*
 17 *corporation or individual if the proceeds of such trans-*
 18 *action are to be used directly or indirectly for the purpose*
 19 *of making loans protected by collateral security in favor*
 20 *of any investment banker, broker, member of any stock*
 21 *exchange, or any dealer in securities. Every violation of*
 22 *this provision by any member bank shall be punishable by*
 23 *a fine of not less than \$100 per day during the continuance*
 24 *of such violation, but it shall be a good defense that the*

1 borrower at the time of obtaining such loan or discount from
2 a member bank made a sworn statement that the proceeds
3 of the transaction would not be used for such purpose.

4 “(e) The required balance carried by a member bank
5 with a Federal reserve bank may under the regulations, and
6 subject to such penalties as may be prescribed by the Fed-
7 eral Reserve Board, be checked against and withdrawn by
8 such member bank for the purpose of meeting existing
9 liabilities: *Provided, however,* That no bank shall at any
10 time make any new loans or shall pay any dividends unless
11 and until the total balance required by law is fully restored.

12 “(f) No member bank shall sell or transfer to another
13 member bank, or to a nonmember bank, private banking
14 house, or banker, any balance standing to its credit upon
15 the books of the Federal reserve bank of its district in excess
16 of the balances required by this section unless the Federal
17 Reserve Board shall have first authorized by general order
18 the making of such sales or transfers within such district
19 or between such district and another Federal reserve dis-
20 trict, but no such sale or transfer shall be made by any such
21 bank without first charging and reserving a fee to be fixed
22 by the Federal Reserve Board on the basis of the rate of
23 discount then charged upon ninety-day paper by the Federal
24 reserve bank of the district in which the bank making such
25 sale or transfer is located.

1 “(g) The Federal Reserve Board shall have power to
 2 suspend all dealings in reserve balances for such period
 3 as it may deem best. In estimating the reserve balances
 4 required by this Act, the net difference of amounts due to
 5 and from other banks shall be taken as the basis for ascer-
 6 taining the deposits against which required balances with
 7 Federal reserve banks shall be determined; and the liability
 8 created by every repurchase or other similar agreement
 9 entered into by a member bank shall be added to such net
 10 difference as ascertained under the provisions of this
 11 paragraph.

12 “(h) National banks, or banks organized under local
 13 laws, located in Alaska or in a dependency or insular
 14 possession or any part of the United States outside the
 15 continental United States may remain nonmember banks
 16 and shall in that event maintain reserves and comply with
 17 all the conditions now provided by law regulating them; or
 18 said banks may, with the consent of the Reserve Board
 19 board, become member banks of any one of the reserve dis-
 20 tricts and shall in that event take stock, maintain reserves,
 21 and be subject to all the other provisions of this Act.”

22 *SEC. 14. Section 24 of the Federal Reserve Act, as*
 23 *amended, is amended to read as follows:*

24 “SEC. 24. Any national banking association may make
 25 loans secured by first lien upon improved real estate, includ-

1 ing improved farm land, situated within its Federal reserve
 2 district or within a radius of one hundred miles of the place
 3 in which such bank is located, irrespective of district lines.
 4 A loan secured by real estate within the meaning of this
 5 section shall be in the form of an obligation or obligations
 6 secured by mortgage, trust deed, or other such instrument
 7 upon real estate when the entire amount of such obligation
 8 or obligations is made or is sold to such association. The
 9 amount of any such loan shall not exceed 50 per centum
 10 of the actual value of the real estate offered for security,
 11 but no such loan upon such security shall be made for a
 12 longer term than five years. *Such valuations shall be*
 13 *revised by the Comptroller of the Currency at the time*
 14 *of each examination of the bank making the loan and he*
 15 *shall have power to order changes therein and to require*
 16 *the adjustment of loans to such revised valuations.* Any
 17 such bank may make such loans in an aggregate sum, in-
 18 cluding in such aggregate any such loans on which it
 19 is liable as indorser or guarantor or otherwise, equal to
 20 ~~25~~ 15 per centum of the amount of the capital stock of such
 21 association actually paid in and unimpaired and ~~25~~ 15 per
 22 centum of its unimpaired surplus fund, or to one-half of
 23 its ~~savings~~ time deposits, at the election of the association, sub-
 24 ject to the general limitation contained in section 5200 of the
 25 Revised Statutes of the United States. *Investments in bank*

1 *premises and unsecured loans whose eventual safety depends*
 2 *upon the value of real estate shall be counted for the purposes*
 3 *of this section as real-estate loans. Every such bank may apply*
 4 *the moneys deposited therein as time deposits to the loans herein*
 5 *authorized and the balance of such time deposits shall be*
 6 *invested in property and securities in which savings banks may*
 7 *invest under the law of the State where such national bank is*
 8 *situated, or where there is no such law relating to investments*
 9 *by savings banks, in such property and securities as may be*
 10 *specified by the Comptroller of the Currency: Provided, That*
 11 *every member bank shall be required to report its investments*
 12 *in, or holdings of, any such property and securities at an*
 13 *aggregate valuation which shall not exceed the aggregate*
 14 *market value thereof at the time such reports to the Comp-*
 15 *troller or to the Federal Reserve Board are made: Provided*
 16 *further, That the reserve against time deposits required by*
 17 *section 19 of this Act shall be counted as a corresponding*
 18 *part of such investments. All the property of any insolvent*
 19 *national bank acquired under this section shall be applied by*
 20 *the receiver thereof in the first place ratably and proportion-*
 21 *ately to the payment in full of its time deposits. Such banks*
 22 *may continue hereafter as heretofore to receive time and*
 23 *savings deposits and to pay interest on the same, but the*
 24 *rate of interest which such banks may pay upon such time*
 25 *deposits or upon savings or other deposits shall not exceed*

1 the maximum rate authorized by law to be paid upon such
2 deposits by State banks or trust companies organized under
3 the laws of the State wherein such national banking
4 association is located.

5 "Every national banking association and every mem-
6 ber bank which is in existence at the date this section as
7 amended takes effect shall be required, within a period of
8 two years from such date, to comply fully with the provisions
9 of this section; and every national banking association here-
10 after organized and every State bank or trust company
11 hereafter becoming a member of the Federal reserve system
12 shall comply with the provisions of this section from the date
13 of its organization or admission to membership, as the case
14 may be."

15 SEC. 15. Paragraph "Seventh" of section 5136 of
16 the Revised Statutes, as amended, is amended to read as
17 follows:

18 "Seventh. To exercise by its board of directors or
19 duly authorized officers or agents, subject to law, all such
20 incidental powers as shall be necessary to carry on the busi-
21 ness of banking; by discounting and negotiating promissory
22 notes, drafts, bills of exchange, and other evidences of debt;
23 by receiving deposits; by buying and selling exchange, coin,
24 and bullion; by loaning money on personal security; and
25 by obtaining, issuing, and circulating notes according to

1 the provisions of this title: *Provided*, That the business of
2 buying and selling investment securities shall hereafter be
3 limited to buying and selling without recourse marketable
4 obligations evidencing indebtedness of any person, copart-
5 nership, association, or corporation, in the form of bonds,
6 notes, and/or debentures, commonly known as investment
7 securities, under such further definition of the term "invest-
8 ment securities" as may by regulation be prescribed by the
9 Comptroller of the Currency, and the total amount of such
10 investment securities of any one obligor or maker held by
11 such association shall at no time exceed 25 per centum of
12 the amount of the capital stock of such association
13 actually paid in and unimpaired and 25 per centum of
14 its unimpaired surplus fund, but this limitation as to
15 total amount; and generally by engaging in all forms
16 of banking business and undertaking all types of bank-
17 ing transactions that may, by the laws of the State
18 in which such bank is situated, be permitted to banks of
19 deposit and discount organized and incorporated under the
20 laws of such State, except in so far as they may be for-
21 bidden by the provisions of the National Bank Act, as
22 amended, the Federal Reserve Act, as amended, or any
23 other laws of the United States. The business of pur-
24 chasing and selling investment securities shall hereafter
25 be limited to purchasing and selling such securities without

1 recourse, solely upon the order, and for the account of,
 2 customers, and in no case for its own account, and no such
 3 association shall underwrite any issue of securities; except
 4 that any such association may purchase and hold for its
 5 own account investment securities to such an amount and
 6 of such kind as may be by regulation prescribed by the
 7 Comptroller of the Currency, but in no event shall the
 8 total amount of such investment securities of any one obligor
 9 or maker held by such association exceed 10 per centum of
 10 the total amount of such issue outstanding, nor shall the total
 11 amount of the securities so purchased and held for its own
 12 account at any time exceed 15 per centum of the amount
 13 of the capital stock of such association actually paid in
 14 and unimpaired and 25 per centum of its unimpaired sur-
 15 plus fund. Except as hereinafter provided or otherwise per-
 16 mitted by law, nothing herein contained shall authorize the
 17 purchase or holding of any shares of stock of any corporation
 18 by any such association. The limitations herein contained as
 19 to the purchasing and selling of investment securities shall not
 20 apply to obligations of the United States, or general obliga-
 21 tions of any State or of any political subdivision thereof, or
 22 obligations issued under authority of the Federal Farm Loan
 23 Act: *Provided*, That in carrying on the business commonly
 24 known as the safe deposit business no such association shall
 25 invest in the capital stock of a corporation organized under

1 the law of any State to conduct a safe deposit business in
 2 an amount in excess of 15 per centum of the capital stock
 3 of such association actually paid in and unimpaired and 15
 4 per centum of its unimpaired surplus."

5 *SEC. 16. Section 5138 of the Revised Statutes, as*
 6 *amended, is amended to read as follows:*

7 "SEC. 5138. After this section as amended takes effect,
 8 no ~~No~~ national banking association shall be organized
 9 with a less capital than \$100,000, except that such asso-
 10 ciations with a capital of not less than \$50,000 may, ~~with~~
 11 the approval of the Secretary of the Treasury, be organized
 12 in any place the population of which does not exceed six
 13 thousand inhabitants, and except that such associations with
 14 a capital of not less than \$25,000 may, with the sanction
 15 of the Secretary of the Treasury, be organized in any place
 16 the population of which does not exceed three thousand
 17 inhabitants formed for the purpose of succeeding to the busi-
 18 ness of an existing bank may, in the discretion of the Comp-
 19 troller of the Currency, be organized with a less capital than
 20 \$50,000, but in no event less than \$25,000. No such asso-
 21 ciation shall be organized in a city the population of which
 22 exceeds fifty thousand persons with a capital of less than
 23 \$200,000, except that in the outlying districts of such a
 24 city where the State laws permit the organization of State
 25 banks with a capital of \$100,000 or less, national banking

1 associations now organized or hereafter organized may, with
2 the approval of the Comptroller of the Currency, have a
3 capital of not less than \$100,000."

4 *SEC. 17. Section 5139 of the Revised Statutes is*
5 *amended to read as follows:*

6 "SEC. 5139. *The After this section as amended takes*
7 *effect, the capital stock of each association shall be*
8 *divided into shares of \$100 each, or into shares of such less*
9 *amount as may be provided in the articles of association, and*
10 *be deemed personal property and transferable on the books*
11 *of the association in such manner as may be prescribed in*
12 *the by-laws or articles of association; and any such associa-*
13 *tion which has certificates of stock outstanding on the date*
14 *this section as amended takes effect which do not comply with*
15 *the provisions of this section as amended shall, within two*
16 *years after such date, issue new certificates in compliance*
17 *with such provisions. No certificate representing the stock*
18 *of any such association shall represent the stock of any other*
19 *corporation, nor shall the ownership, sale, or transfer of any*
20 *certificate representing the stock of any such association be*
21 *conditioned in any manner whatsoever upon the ownership,*
22 *sale, or transfer of a certificate representing the stock of any*
23 *other corporation. Every person becoming a shareholder*
24 *by such transfer as permitted by this section shall in propor-*

1 tion to his shares succeed to all the rights and liabilities of the
2 prior holder of such shares, and no change shall be made
3 in the articles of association by which the rights, remedies,
4 or security of the existing creditors of the association shall
5 be impaired."

6 *SEC. 18. From and after January 1, 1933, no director,*
7 *officer, or employee of any national bank or member bank*
8 *shall be (a) an officer of any unincorporated association or*
9 *corporation engaged primarily in the business of purchasing,*
10 *selling, or negotiating securities, or (b) an employee of any*
11 *such unincorporated association or corporation, or of any*
12 *individual or partnership engaged in such business, or (c) a*
13 *director, officer, or employee of a corporation organized for*
14 *any purpose whatsoever which shall make loans secured by*
15 *collateral to any corporation other than its own subsidiaries,*
16 *or to any individual, association, or partnership; and no*
17 *national bank or member bank shall perform the functions of*
18 *a correspondent bank on behalf of any such individual,*
19 *partnership, unincorporated association or corporation; and*
20 *no such individual, partnership, unincorporated association*
21 *or corporation shall perform the functions of a correspondent*
22 *for any national bank or member bank or hold on deposit*
23 *any funds on behalf of any national bank or member bank.*
24 *SEC. 19. Section 5144 of the Revised Statutes, as*
25 *amended, is amended to read as follows:*

1 “SEC. 5144. In all elections of directors and in decid-
 2 ing all questions at meetings of shareholders, each share-
 3 holder shall be entitled to one vote on each share of stock
 4 held actually owned by him as the result of bona fide
 5 purchase, gift, or inheritance and no shareholder who shall
 6 become such through nominal transfer, or ownership on behalf
 7 of another, shall cast such vote. No corporation, associa-
 8 tion, or partnership which is the owner of more than 10 per
 9 centum of the stock of any such national bank and no officer,
 10 director, or employee of such corporation, association, or part-
 11 nership, shall cast a ballot in such elections or meetings either
 12 on shares of stock owned by the corporation or by such officer,
 13 director, or employee. Shareholders may vote by proxies
 14 duly authorized in writing; but no officer, clerk, teller, or
 15 bookkeeper of such ~~association~~ bank shall act as proxy; and
 16 no shareholder whose liability is past due and unpaid shall
 17 be allowed to vote.”

18 SEC. 20. Notwithstanding the provisions of section
 19 5144 of the Revised Statutes, as amended by this Act, any
 20 affiliate, or any association, corporation, or partnership other
 21 than an affiliate, which owns or controls shares of stock in any
 22 national bank may make application to the Federal Reserve
 23 Board for a voting permit entitling it to cast one vote at all
 24 elections of directors of such national bank on each share of
 25 stock actually owned or controlled by it. The Federal

1 Reserve Board may, in its discretion, grant or withhold
 2 such permit as the public interest may require but no such
 3 permit shall be granted except upon the following conditions:
 4 (a) Every such affiliate, association, corporation, or
 5 partnership shall, at the time of making the application
 6 for such permit, enter into an agreement with the Comp-
 7 troller of the Currency (1) to receive at such periodical
 8 intervals as shall be prescribed by the Comptroller, on dates
 9 identical with those fixed for the examination of national
 10 banks, examiners representing and acting for the Comp-
 11 troller who shall make an examination of its financial condi-
 12 tion with the same degree of care as in the case of an
 13 examination of a national bank, such examination to be at
 14 the expense of the affiliate, corporation, association, or
 15 partnership so examined; (2) that the report of the exam-
 16 iner shall set forth all the facts ascertained by the examina-
 17 tion and shall include a statement of the name, location,
 18 capital, surplus, and undivided profits of each bank in which
 19 the applicant owns stock, the number of shares so owned, the
 20 par and book value of such shares, the number of shares of
 21 bank stock acquired and sold since the last examination, and
 22 other assets of such affiliate, corporation, association, or
 23 partnership (including under separate headings obligations
 24 of the United States, and the value and nature of other
 25 securities owned); and (3) that the Comptroller may

1 examine each national bank owned or controlled by such
2 affiliate, association, corporation, or partnership, both indi-
3 vidually and in conjunction with others so owned or
4 controlled, and may require publication periodically of
5 individual or consolidated statements of condition of such
6 bank;

7 (b) Every such affiliate, association, corporation, or
8 partnership shall hold free of any lien or claim thereon
9 obligations of the United States in an amount equal
10 to 10 per centum of the total of capital stock owned by
11 it in any national bank and shall agree (1) that in the
12 event of failure of any national bank in which it shall hold
13 stock the stockholders' liability accruing on account of such
14 stock shall be a first lien upon the obligations so held, and (2)
15 that any deficiency in such obligations due to their use in
16 meeting claims under (1) above shall be made up within
17 ninety days after such deficiency occurs;

18 (c) Every such affiliate, association, corporation, or
19 partnership (1) shall possess at the time of the issuance of
20 such voting permit, and shall continue to possess during the
21 life of such permit, free and clear of any lien, pledge, or hy-
22 pothecation of any nature, assets other than bank stock which,
23 together with the amount of the obligations of the United
24 States hereinbefore required to be held, shall not be less than
25 25 per centum of the aggregate par value of bank stocks held

1 or owned by such affiliate, association, corporation, or part-
2 nership (but sums advanced during the years 1931 and 1932
3 for the replacement of capital in banks owned by such affiliate,
4 association, corporation, or partnership, or for losses
5 incurred or charge-offs made by it during those years, may
6 be counted, up to 10 per centum of the aggregate par value
7 of bank stocks held or owned by it, as a part of such assets);
8 and (2) shall reinvest in assets other than bank stock all
9 net earnings over and above 6 per centum per annum on
10 the book value of its own shares outstanding until such
11 assets shall equal the outstanding par value of bank shares
12 owned by it: Provided, That from and after January 1,
13 1935, the 25 per centum requirement hereinbefore provided
14 for shall be increased by not less than 2 per centum per
15 annum, but at no time shall the assets held to meet any future
16 stockholders' liability be less than the total assets held by
17 such affiliate, association, corporation, or partnership on
18 January 1, 1932;

19 (d) Every officer and employee of such affiliate, asso-
20 ciation, corporation, or partnership shall be subject to the
21 same penalties for false statement as are applicable at the
22 time of making such statement to the officers and employees
23 of national banks; and

24 (e) Every such affiliate, association, corporation, or
25 partnership shall, at the time of application for such voting

1 permit, (1) file a statement with the Comptroller of the
 2 Currency that it does not own, control, or have any interest
 3 in, or is not participating in the management or direction of,
 4 any affiliate formed for the purpose of, or engaged in, the
 5 issue, flotation, underwriting, public sale, or distribution
 6 at wholesale or retail or through syndicate participation of
 7 stocks, bonds, debentures, notes, or other securities of any
 8 sort, and that during the period that the permit remains
 9 in force it will not acquire any ownership, control, or
 10 interest in any such affiliate or participate in the management
 11 or direction thereof, or (2) agree that if at the time of
 12 filing the application for such permit it owns, controls,
 13 or has an interest in, or is participating in the management
 14 or direction of, any such affiliate, it will, within two years
 15 after the filing of such application, divest itself of its owner-
 16 ship, control, and interest in such affiliate and will cease
 17 participating in the management or direction thereof, and
 18 will not thereafter, during the period that the permit remains
 19 in force, acquire any further ownership, control, or interest
 20 in any such affiliate or participate in the management or
 21 direction thereof, and (3) agree that thenceforth it will
 22 declare dividends only out of actual net earnings as indi-
 23 cated by the last preceding examination made by the
 24 Comptroller.

1 The Federal Reserve Board may, in its discretion,
 2 revoke any such voting permit after giving sixty days'
 3 notice by registered mail of its intention to the affiliate,
 4 association, corporation, or partnership. Whenever the
 5 Federal Reserve Board shall have revoked any such
 6 voting permit, no national bank whose stock is owned in
 7 whole or in part by the affiliate, association, corporation, or
 8 partnership whose permit is so revoked shall receive depos-
 9 its of United States moneys, nor shall any such national
 10 bank pay any further dividend to such affiliate, association,
 11 corporation, or partnership upon any shares of such bank
 12 owned or controlled by such affiliate, association, corpora-
 13 tion, or partnership.

14 SEC. 21. Paragraph (c) of section 5155 of the Revised
 15 Statutes, as amended, is amended to read as follows:

16 "(c) A national banking association may, with the
 17 approval of the Federal Reserve Board, after the date
 18 of the approval of this Act this paragraph as amended
 19 takes effect, establish and operate new branches within the
 20 limits of the city, town, or village, or at any point within the
 21 State in which said association is situated, if such establish-
 22 ment and operation are at the time permitted to State banks
 23 by the law of the State in question: Provided, That, if by
 24 reason of the proximity of such an association to a State

1 boundary line, the ordinary and usual business of such asso-
2 ciation is found to extend into an adjacent State, the Federal
3 Reserve Board may permit the establishment of a branch or
4 branches by such association in an adjacent State but not
5 beyond a distance of fifty miles from the seat of the parent
6 bank. No such association shall establish a branch out-
7 side of the city, town, or village in which it is situated unless
8 it has a paid-in and unimpaired capital stock of not less
9 than \$500,000. The aggregate capital of every national
10 banking association and its branches shall at no time be
11 less than the aggregate minimum capital required by law
12 for the establishment of an equal number of national bank-
13 ing associations situated in the various places where such
14 association and its branches are situated."

15 SEC. 22. Sections 1 and 3 of the Act entitled "An Act
16 to provide for the consolidation of national banking associa-
17 tions," approved November 7, 1918, as amended, are
18 amended by striking out the words "county, city, town, or
19 village" wherever they occur in each such section, and
20 inserting in lieu thereof the words "State, county, city,
21 town, or village."

22 SEC. 23. The first two sentences of section 5197 of the
23 Revised Statutes are amended to read as follows:

24 "Any association may take, receive, reserve, and
25 charge on any loan or discount made, or upon any notes,

1 ~~bill~~ bills of exchange, or other evidences of debt, interest at
 2 the rate allowed by the laws of the State, Territory, or Dis-
 3 trict where the bank is located, *or at a rate of 1 per centum*
 4 *in excess of the discount rate of the Federal reserve bank in*
 5 *the Federal reserve district where the bank is located, which-*
 6 *ever may be the greater, and no more, except that where by*
 7 the laws of any State a different rate is limited for banks of
 8 issue organized under State laws, the rate so limited shall be
 9 allowed for associations organized or existing in any such
 10 State under this title. When no rate is fixed by the laws
 11 of the State, or Territory, or District, the bank may take,
 12 receive, reserve, or charge a rate not exceeding 7 per centum,
 13 *or 1 per centum in excess of the discount rate of the Federal*
 14 *reserve bank in the Federal reserve district where the bank*
 15 *is located, whichever may be the greater, and such interest*
 16 may be taken in advance, reckoning the days for which the
 17 note, bill, or other evidence of debt has to run.”

18 *SEC. 24. No national banking association or member*
 19 *bank shall promise or pay to its depositors as a considera-*
 20 *tion for the maintenance of deposit balances or accounts a*
 21 *rate of interest in excess of one-half the rate of interest spec-*
 22 *ified in section 5197 of the Revised Statutes, as amended,*
 23 *and whenever such depositors are bankers who maintain*
 24 *balances with other banks, no such association or member*

1 bank shall promise or pay for the maintenance with it of
 2 such bankers' balances a rate of interest in excess of the
 3 current rate of discount of the Federal reserve bank of the
 4 district in which the depositary bank is located, or in excess
 5 of $2\frac{1}{2}$ per centum per annum, whichever rate shall be the
 6 smaller.

7 SEC. 25. (a) The second sentence of the first para-
 8 graph of section 5200 of the Revised Statutes, as amended,
 9 is amended by inserting before the period at the end thereof
 10 the following: "and shall include in the case of obligations
 11 of a corporation all obligations of all subsidiaries thereof."

12 (b) Paragraph (8) of section 5200 of the Revised
 13 Statutes, as amended, is amended by inserting before the
 14 period at the end thereof a colon and the following: "Pro-
 15 vided, That no obligation of a broker or member of any
 16 stock exchange or similar organization, or of any finance
 17 company, securities company, investment trust, or other
 18 similar institution, or of any affiliate, shall be entitled to the
 19 benefits of the foregoing exceptions, but such obligations
 20 shall in every case be subject to the limitations of 10 per
 21 centum hereinbefore set forth in this section; except that the
 22 total obligations of an affiliate shall in no case exceed the
 23 said 10 per centum limitations, or the amount of the capital
 24 stock of said affiliate actually paid in and unimpaired, which-
 25 ever may be the smaller."

1 (c) Section 5200 of the Revised Statutes, as amended,
 2 is further amended by adding at the end thereof the follow-
 3 ing new paragraphs:

4 "The aggregate amount of the obligations (including
 5 repurchase agreements) of all the affiliates of a national
 6 banking association shall not at any time exceed 10 per
 7 centum of the capital stock of such association actually paid
 8 in and unimpaired and 10 per centum of its unimpaired
 9 surplus fund: Provided, That loans collateralized by Govern-
 10 ment bonds, or by bonds issued by the State in which such
 11 bank is situated, or issued by any political subdivision of
 12 such State, shall not be included within the foregoing limi-
 13 tations if actually owned by the borrower from such bank.

14 "Within three years after this section as amended takes
 15 effect, every affiliate shall be capitalized through the sale of
 16 its own stock, which shall be paid for in full in cash upon
 17 the same terms and conditions as provided in section 5140
 18 of the Revised Statutes, as amended, in the case of national
 19 bank stock; and no national bank shall establish or capitalize
 20 an affiliate through cash or stock dividend declarations made
 21 from its surplus or from undivided profits. No affiliate shall
 22 at any time during such three-year period hold, or lend upon,
 23 more than 10 per centum of the shares of the capital stock
 24 of the parent institution."

1 *SEC. 26. Nothing in section 5200 of the Revised Stat-*
 2 *utes, as amended, shall be construed to permit a member*
 3 *bank to lend to any individual or corporation upon collateral*
 4 *security an amount in excess of 10 per centum of its capital*
 5 *stock actually paid in and unimpaired and 10 per centum*
 6 *of its unimpaired surplus fund, or an amount in excess of*
 7 *the percentage of such capital and surplus fund as shall*
 8 *from time to time be designated by the Federal Reserve*
 9 *Board in accordance with subsection (m) of section 13 of the*
 10 *Federal Reserve Act, as amended, whichever is the smaller.*

11 *SEC. 27. Section 5211 of the Revised Statutes, as*
 12 *amended, is amended by adding at the end thereof the*
 13 *following new paragraph:*

14 *“Each affiliate of a national banking association shall*
 15 *make and furnish to the president of the association, for*
 16 *transmission by him to the Comptroller of the Currency,*
 17 *not less than three reports during each year, in such form*
 18 *as the Comptroller may prescribe, verified by the oath or*
 19 *affirmation of the president or such other officer as may be*
 20 *designated by the board of directors of such affiliate to*
 21 *verify such reports, covering the condition of such affiliate*
 22 *on dates identical with those for which the Comptroller*
 23 *shall during such year require the reports of the condition*
 24 *of the association. Each such report of an affiliate shall*
 25 *be transmitted to the Comptroller at the same time as the*

1 *corresponding report of the association; except that the*
 2 *Comptroller may, in his discretion, extend such time for*
 3 *good cause shown. Each such report shall exhibit in*
 4 *detail and under appropriate heads, the holdings of the*
 5 *affiliate in question, their cost and present value, the ex-*
 6 *penses of operation for the preceding year, and the balance*
 7 *sheet of the enterprise. It shall be the duty of the presi-*
 8 *dent of such association to satisfy himself as to the correctness*
 9 *of the report before transmitting the same to the Comptroller.*
 10 *The reports of its affiliates shall be published by the*
 11 *association under the same conditions as govern its own*
 12 *condition reports. The Comptroller shall also have power*
 13 *to call for special reports with respect to any such affiliate*
 14 *whenever in his judgment the same are necessary in order*
 15 *to obtain a full and complete knowledge of the conditions*
 16 *of the association with which it is affiliated. Any affiliate*
 17 *which fails to make and furnish any report required of*
 18 *it under this section, and any association whose president*
 19 *fails to transmit as required by this section any such report*
 20 *furnished to him, shall be subject to a penalty of \$100 for*
 21 *each day during which such failure continues: Provided,*
 22 *That every affiliate which shall be indebted to any bank*
 23 *or banks to an amount exceeding 5 per centum of the*
 24 *capital and surplus of its parent bank shall publish its entire*
 25 *portfolio at a date and in a manner to be prescribed by*

1 the Comptroller of the Currency but not oftener than once
 2 annually, and every affiliate which shall be so indebted to
 3 an amount in excess of 10 per centum of the capital and
 4 surplus of its parent bank shall be required to publish its
 5 portfolio in at least one daily newspaper issued in the place
 6 where such bank is located within ten days after receiving
 7 notice therefor from the Comptroller, but such publication
 8 shall not be considered as a substitute for the annual pub-
 9 lication hereinbefore required."

10 SEC. 28. The first paragraph of section 5240 of the
 11 Revised Statutes, as amended, is amended by inserting before
 12 the period at the end thereof a colon and the following proviso:
 13 "Provided, That during the period of three years after this
 14 section as amended takes effect, in making the examination
 15 of any national bank or of any other member bank, the
 16 examiner shall include an examination of the affairs of all
 17 affiliates of such bank, and in the event of the refusal to give
 18 any information required in the course of the examination
 19 of any such affiliate, or in the event of the refusal to permit
 20 such examination, all the rights, privileges, and franchises
 21 of the bank shall be thereby forfeited, if a national bank,
 22 and if a bank or trust company organized under the law of
 23 any State, membership in the Federal reserve bank of its
 24 district shall be forfeited and no notice of the termination of
 25 such membership shall be required. The Comptroller of the

1 Currency shall have power, and he is hereby authorized, to
 2 publish the report of his examination of any national bank-
 3 ing association or affiliate which shall not within one
 4 hundred and twenty days after notification of the recom-
 5 mendations or suggestions of the Comptroller, based on said
 6 examination, have complied with the same to his satisfac-
 7 tion. Ninety days' notice prior to such publicity shall be
 8 given to the bank or affiliate."
 9 SEC. 29. (a) Whenever, in the opinion of the Comp-
 10 troller of the Currency, any director or officer of a national
 11 bank, or of a bank or trust company doing business in the
 12 District of Columbia, or whenever, in the opinion of a Fed-
 13 eral reserve agent, any director or officer of a member bank
 14 of his district (other than a national bank), shall have per-
 15 sistently violated any law relating to such bank or trust
 16 company or shall have continued unsafe or unsound prac-
 17 tices in conducting the business of such bank or trust company,
 18 the Comptroller or the Federal reserve agent, as the case may
 19 be, shall certify the facts to the Governor of the Federal
 20 Reserve Board. Thereupon the Governor of the Federal
 21 Reserve Board shall serve notice upon such director or officer
 22 to appear before a committee consisting of the Governor, the
 23 Comptroller of the Currency, and the Federal reserve agent
 24 of the district in which such bank or trust company is located
 25 to show cause why he should not be removed from office. If

1 upon such hearing the committee finds that such director or
 2 officer has persistently violated any such provision or has
 3 been responsible for the continuance of any such unsafe and
 4 unsound practices the committee may, in its discretion, by a
 5 majority vote order that he be removed from office. A copy
 6 of each such order shall be served upon such director or
 7 officer and upon the bank or trust company of which he is a
 8 director or officer. Any such director or officer upon whom
 9 any such order has been served as herein provided and who
 10 thereafter participates in any manner in the management of
 11 such bank or trust company shall be fined not more than
 12 \$5,000 or imprisoned not more than five years, or both.

13 SEC. 30. The right to alter, amend, or repeal this
 14 Act is hereby expressly reserved. If any clause, sentence,
 15 paragraph, or part of this Act shall for any reason be
 16 adjudged by any court of competent jurisdiction to be invalid,
 17 such judgment shall not affect, impair, or invalidate the
 18 remainder of this Act but shall be confined in its operation
 19 to the clause, sentence, paragraph, or part thereof directly
 20 involved in the controversy in which such judgment shall
 21 have been rendered.

THE HOUSE OF REPRESENTATIVES
 AND COMMISSIONERS
 1913
 [GOVERNMENT PRINTING OFFICE]
 A BILL
 To provide for the regulation and supervision of banks and trust companies and to amend the Act of August 10, 1906, and the Act of August 10, 1907, and the Act of August 10, 1908, and the Act of August 10, 1909, and the Act of August 10, 1910, and the Act of August 10, 1911, and the Act of August 10, 1912, and the Act of August 10, 1913, and the Act of August 10, 1914, and the Act of August 10, 1915, and the Act of August 10, 1916, and the Act of August 10, 1917, and the Act of August 10, 1918, and the Act of August 10, 1919, and the Act of August 10, 1920, and the Act of August 10, 1921, and the Act of August 10, 1922, and the Act of August 10, 1923, and the Act of August 10, 1924, and the Act of August 10, 1925, and the Act of August 10, 1926, and the Act of August 10, 1927, and the Act of August 10, 1928, and the Act of August 10, 1929, and the Act of August 10, 1930, and the Act of August 10, 1931, and the Act of August 10, 1932, and the Act of August 10, 1933, and the Act of August 10, 1934, and the Act of August 10, 1935, and the Act of August 10, 1936, and the Act of August 10, 1937, and the Act of August 10, 1938, and the Act of August 10, 1939, and the Act of August 10, 1940, and the Act of August 10, 1941, and the Act of August 10, 1942, and the Act of August 10, 1943, and the Act of August 10, 1944, and the Act of August 10, 1945, and the Act of August 10, 1946, and the Act of August 10, 1947, and the Act of August 10, 1948, and the Act of August 10, 1949, and the Act of August 10, 1950, and the Act of August 10, 1951, and the Act of August 10, 1952, and the Act of August 10, 1953, and the Act of August 10, 1954, and the Act of August 10, 1955, and the Act of August 10, 1956, and the Act of August 10, 1957, and the Act of August 10, 1958, and the Act of August 10, 1959, and the Act of August 10, 1960, and the Act of August 10, 1961, and the Act of August 10, 1962, and the Act of August 10, 1963, and the Act of August 10, 1964, and the Act of August 10, 1965, and the Act of August 10, 1966, and the Act of August 10, 1967, and the Act of August 10, 1968, and the Act of August 10, 1969, and the Act of August 10, 1970, and the Act of August 10, 1971, and the Act of August 10, 1972, and the Act of August 10, 1973, and the Act of August 10, 1974, and the Act of August 10, 1975, and the Act of August 10, 1976, and the Act of August 10, 1977, and the Act of August 10, 1978, and the Act of August 10, 1979, and the Act of August 10, 1980, and the Act of August 10, 1981, and the Act of August 10, 1982, and the Act of August 10, 1983, and the Act of August 10, 1984, and the Act of August 10, 1985, and the Act of August 10, 1986, and the Act of August 10, 1987, and the Act of August 10, 1988, and the Act of August 10, 1989, and the Act of August 10, 1990, and the Act of August 10, 1991, and the Act of August 10, 1992, and the Act of August 10, 1993, and the Act of August 10, 1994, and the Act of August 10, 1995, and the Act of August 10, 1996, and the Act of August 10, 1997, and the Act of August 10, 1998, and the Act of August 10, 1999, and the Act of August 10, 2000, and the Act of August 10, 2001, and the Act of August 10, 2002, and the Act of August 10, 2003, and the Act of August 10, 2004, and the Act of August 10, 2005, and the Act of August 10, 2006, and the Act of August 10, 2007, and the Act of August 10, 2008, and the Act of August 10, 2009, and the Act of August 10, 2010, and the Act of August 10, 2011, and the Act of August 10, 2012, and the Act of August 10, 2013, and the Act of August 10, 2014, and the Act of August 10, 2015, and the Act of August 10, 2016, and the Act of August 10, 2017, and the Act of August 10, 2018, and the Act of August 10, 2019, and the Act of August 10, 2020, and the Act of August 10, 2021, and the Act of August 10, 2022, and the Act of August 10, 2023, and the Act of August 10, 2024, and the Act of August 10, 2025.

[CONFIDENTIAL COMMITTEE PRINT]

MARCH 17, 1932

72D CONGRESS }
1ST SESSION } S.

A BILL

To provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

By Mr. GLASS

MARCH —, 1932

Read twice and referred to the Committee on
Banking and Currency

✓ Showing changes Made by Confidential
Committee Print of March 17, 1932)

Now S 4115

72D CONGRESS
1ST SESSION

S. 3215

IN THE SENATE OF THE UNITED STATES

~~JANUARY 21, 1932~~
MARCH

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

A BILL

To provide for the safer and more effective use of the assets of
Federal reserve banks and of national banking associations,
to regulate interbank control, to prevent the undue diver-
sion of funds into speculative operations, 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 short title of this Act shall be the "Banking Act
4 of 1932."

5 SEC. 2. As used in this Act—

6 (a) The terms "bank," "national bank," "national
7 banking association," "member bank," "board," "district,"

1 and "reserve bank" shall have the meanings assigned to
2 them in section 1 of the Federal Reserve Act, as amended.

3 (b) The term "affiliate" (except where otherwise
4 expressly defined) shall include the following:

5 (1) Any corporation in which a national bank or a
6 member bank, directly or indirectly owns or controls a
7 majority of the voting shares of its capital, or a lesser
8 number of such shares if such lesser number shall amount
9 to more than 50 per centum of the shares voted for the
10 election of directors at the preceding annual meeting of such
11 corporation; or any corporation in which a national bank
12 or a member bank in any other manner directly or indirectly
13 controls the election of a majority of its board of directors; or

14 (2) Any corporation which directly or indirectly owns
15 or controls a majority of the shares of capital stock of a
16 national bank or member bank, or a lesser number of shares
17 if such lesser number shall amount to more than 50 per
18 centum of the shares voted for the election of directors at
19 the preceding annual meeting of such national bank or
20 member bank; or any corporation which in any other man-
21 ner directly or indirectly controls the election of a majority
22 of the board of directors of such national bank or member
23 bank; or

24 (3) Any corporation of which a majority of the voting
25 shares of the capital stock, or a lesser number of shares of

(b) The term "affiliate" includes a trust company, a finance com-
pany, securities company, discount or acceptance company, investment trust,
or other similar institution, or a corporation, is directly or

(1) Of which a national bank or member bank, directly or indirectly,
owns or controls either a majority of the voting shares or more than 50 per
centum of the number of shares voted for the election of its directors,
trustees, or other managing officers at the preceding annual meeting, or
controls in any manner the election of a majority of its directors, trustees,
or other managing officers; or

(2) Of which control is held, directly or indirectly, through
stock ownership or in any other manner, by the shareholders of a national
bank or member bank who own or control either a majority of the shares of
such bank or more than 50 per centum of the number of shares voted for the

(4) Any corporation a majority of directors of which
election of directors of such bank at the preceding annual meeting, or by
trustees for the benefit of the shareholders of any such bank; or

(3) Of which either a majority of the members of its executive
committee or a majority of its directors, trustees, or other managing offi-
cers are directors of a national bank or member bank; or

(4) Which owns or controls, directly or indirectly, either a
majority of the shares of capital stock of a national bank or member bank
or more than 50 per centum of the number of shares voted for the election
of directors of such bank at the preceding annual meeting, or controls in
any manner the election of a majority of the directors of such bank; or

(5) For the benefit of whose shareholders or members all or sub-
stantially all the capital stock of a national bank or member bank is held
by trustees.

(c) "Holding company" means any affiliate specified
in subdivision (2) of subsection (b) of this section.

and "reserve bank" shall have the meanings assigned to them in section 1 of the Federal Reserve Act, as amended.

(b) The term "affiliate" of a corporation (except where otherwise expressly defined) shall include the following:

(1) Any corporation in which a member bank, directly or indirectly, controls a majority of the voting shares of its capital, or a lesser number of such shares if such lesser number shall amount to more than 50 per centum of the shares of the corporation.

(2) Any corporation which directly or indirectly controls a majority of the shares of its capital, or a lesser number of such shares if such lesser number shall amount to more than 50 per centum of the shares of the corporation, of a national bank or member bank, or a lesser number of such shares if such lesser number shall amount to more than 50 per centum of the shares of the corporation.

(3) Any corporation of which a majority of the shares of its capital, or a lesser number of such shares if such lesser number shall amount to more than 50 per centum of the shares of the corporation, are held by a national bank or member bank, or a lesser number of such shares if such lesser number shall amount to more than 50 per centum of the shares of the corporation.

(4) Any corporation the board of directors of which shall comprise a majority of the board of directors of any such national bank or member bank, or the executive committee of the board of directors of which shall comprise a majority of the executive committee of such national bank or member bank.

(5) Any corporation the board of directors of which shall comprise a majority of the board of directors of any such national bank or member bank, or the executive committee of the board of directors of which shall comprise a majority of the executive committee of such national bank or member bank.

(c) "Holding company" means any affiliate specified in subdivision (2) of subsection (b) of this section.

such lesser number shall amount to more than 50 per centum of the shares voted for the election of directors at the preceding annual meeting of such corporation, is directly or indirectly owned or controlled by the same or substantially the same stockholders as directly or indirectly own or control a majority of the shares of capital stock of such national bank or member bank, or a lesser number of shares if such lesser number shall amount to more than 50 per centum of the shares voted for the election of directors at the preceding annual meeting of such national bank or member bank; or

(4) Any corporation a majority of directors of which shall be directors of any such national bank or member bank, or of which a majority of the executive committee of its board of directors are directors of such national bank or member bank; or

(5) Any corporation the board of directors of which shall comprise a majority of the board of directors of any such national bank or member bank, or the executive committee of the board of directors of which shall comprise a majority of the executive committee of such national bank or member bank.

(c) "Holding company" means any affiliate specified in subdivision (2) of subsection (b) of this section.

1 (d) ~~“Subsidiary” means any affiliate specified in~~
 2 subdivision (1) of subsection (a) of this section.

3 (e) “Commerce” means commerce as defined by
 4 section 1 of the Act entitled “An Act To supplement existing
 5 laws against unlawful restraints and monopolies, and for
 6 other purposes,” approved October 15, 1914, as amended.

7 (f) “Demand deposits” means all deposits payable
 8 within thirty days.

9 (g) “Time deposits” includes all deposits payable after
 10 thirty days, all savings accounts and certificates of deposit
 11 which are subject to not less than thirty days’ notice before
 12 payment (except thrift deposits), and all postal-savings
 13 deposits.

14 (h) ~~“Thrift deposits” means all deposits subject to~~
 15 ~~not less than sixty days’ notice before payment which are~~
 16 ~~not subject to transfer by check and the total monthly bal-~~
 17 ~~ance of which in any individual case does not exceed \$5,000.~~

18 SEC. 3. The fourth paragraph after paragraph
 19 “Eighth” of section 4 of the Federal Reserve Act, as
 20 amended, is amended by inserting before the period at the
 21 end thereof a comma and the following: “but only if
 22 such discounts, advancements, and accommodations are in-
 23 tended for the accommodation of commerce, industry, and
 24 agriculture. The Federal Reserve Board may prescribe
 25 regulations further defining and regulating the use of the

1 credit facilities of the Federal reserve system within the
 2 limitations of this Act. Such facilities shall not be extended
 3 to member banks for the purpose of making or carrying
 4 loans covering investments, or facilitating the carrying of,
 5 or trading in, stocks, bonds, or other investment securities
 6 other than obligations of the Government of the United
 7 States. Each Federal reserve bank shall keep itself in-
 8 formed of the loan and investment practices of its member
 9 banks and the uses made by them of the credit facilities of
 10 the Federal reserve system. The chairman of each Fed-
 11 eral reserve bank shall report to the Federal Reserve Board
 12 any undue, unauthorized, or improper use of such credit
 13 facilities, together with his recommendation for remedial
 14 action in the matter. The Federal Reserve Board may,
 15 in its discretion, suspend for not more than one year from
 16 the use of the credit facilities of the Federal reserve system
 17 any member bank making undue, unauthorized, or improper
 18 use of such facilities.”

19 SEC. 4. The twenty-fifth paragraph of section 4 of the
 20 Federal Reserve Act, as amended, is amended by inserting
 21 before the period at the end thereof a colon and the follow-
 22 ing: “*Provided*, That no such vote shall be cast by or on
 23 behalf of any member bank, if a majority of its stock shall
 24 be held or owned by any holding company, affiliate, or other
 25 corporation, which is in fact one of a chain, or of a jointly

1 controlled group of banks, controlled by an individual, or if
2 its stock is in the hands of a voting trust, or if in any other
3 way such bank is prevented from acting subject to the un-
4 controlled decision of the general body of stockholders of
5 such bank locally resident in the town or city in which such
6 bank is established."

7 SEC. 5. The first paragraph of section 7 of the Federal
8 Reserve Act, as amended, is amended to read as follows:

9 "After all necessary expenses of a Federal reserve bank
10 shall have been paid or provided for, the stockholders shall
11 be entitled to receive an annual dividend of 6 per centum on
12 the paid-in capital stock, which dividend shall be cumulative.
13 After the aforesaid dividend claims have been fully met the
14 net earnings, beginning with the net earnings for the year
15 ending December 31, 1932, shall be paid to the Federal
16 Liquidating Corporation provided for in section 12B of this
17 Act and shall be used by the said corporation for carrying
18 out the purposes of such section."

19 SEC. 6. Section 9 of the Federal Reserve Act, as
20 amended, is amended by changing the fifth paragraph
21 thereof to read as follows:

22 "All banks admitted to membership under authority of
23 this section shall be required to comply with the reserve and
24 capital requirements of this Act and to conform to those
25 provisions of law imposed on national banks which prohibit

1 ~~such banks from lending on or purchasing their own stock,~~
2 ~~which relate to the withdrawal or impairment of their capital~~
3 ~~stock, and which relates to the payment of unearned divi-~~
4 ~~dends. They shall also comply with all the requirements of~~
5 ~~this Act applicable to national banks. Such banks and the~~
6 ~~officers, agents, and employees thereof shall also be subject~~
7 ~~to the provisions of and to the penalties prescribed by section~~
8 ~~5209 of the Revised Statutes, and shall be required to make~~
9 ~~reports of condition and of the payment of dividends to the~~
10 ~~Federal reserve bank of which they become a member. Not~~
11 ~~less than three of such reports shall be made annually on call~~
12 ~~of the Federal reserve bank on dates to be fixed by the~~
13 ~~Federal Reserve Board. Failure to make such reports~~
14 ~~within ten days after the date they are called for shall subject~~
15 ~~the offending bank to a penalty of \$100 a day for each day~~
16 ~~that it fails to transmit such report; such penalty to be col-~~
17 ~~lected by the Federal reserve bank by suit or otherwise."~~

18 ^{Sec. 6} Section 9 of the Federal Reserve Act, as amended, is
19 further amended by inserting between the fifth and sixth
20 paragraphs thereof the following new paragraph:

21 "Each affiliate of a bank admitted to membership
22 under authority of this section shall, during the period of two
23 years after this section as amended takes effect, make and
24 furnish to the president of the bank, for transmission by him
25 to the Federal Reserve Board, not less than three reports

1 during each year. Such reports shall be in such form as
 2 the Federal Reserve Board may prescribe, shall be verified
 3 by the oath or affirmation of the president or such other
 4 officer as may be designated by the board of directors of
 5 such affiliate to verify such reports, and shall cover the
 6 condition of such affiliate on dates identical with those fixed
 7 by the Federal Reserve Board for reports of the condition
 8 of the member bank. Each such report of an affiliate shall
 9 be transmitted to the Federal Reserve Board at the same
 10 time as the corresponding report of the member bank,
 11 except that the Federal Reserve Board may, in its discre-
 12 tion, extend such time for good cause shown. Each such
 13 report shall exhibit in detail and under appropriate heads,
 14 the holdings of the affiliate in question, their cost and present
 15 value, the expenses of operation for the preceding year, and
 16 the balance sheet of the enterprise. It shall be the duty
 17 of the president of such member bank to satisfy himself
 18 as to the correctness of the report before transmitting the
 19 same to the Federal Reserve Board. Any affiliate which
 20 fails to make and furnish any report required of it under
 21 this section, and any member bank whose president fails
 22 to transmit, as required by this section, any such report
 23 furnished to him, shall be subject to a penalty of \$100 for
 24 each day during which such failure continues. ~~As used in~~
 25 ~~this paragraph the term 'affiliate' includes a trust com-~~

1 ~~pany, a finance company, securities company, investment~~
 2 ~~trust or other similar institution, or any other corporation,~~
 3 ~~of which control is held, directly or indirectly, through stock~~
 4 ~~ownership or in any other manner, by any such bank or by~~
 5 ~~the shareholders thereof who own or control a majority of~~
 6 ~~the stock of such bank."~~

7 SEC. 7. (a) The first paragraph of section 10 of the
 8 Federal Reserve Act, as amended, is amended to read as
 9 follows:

10 "A Federal Reserve Board is hereby created which
 11 shall consist of seven members, including the Comptroller
 12 of the Currency, who shall be a member ex officio, and six
 13 members appointed by the President of the United States,
 14 by and with the advice and consent of the Senate. In select-
 15 ing the six appointive members of the Federal Reserve
 16 Board, not more than one of whom shall be selected from
 17 any one Federal reserve district, the President shall have
 18 due regard to a fair representation of the financial, agricul-
 19 tural, industrial, and commercial interests, and geographical
 20 divisions of the country, and at least two of such members
 21 shall be persons of tested banking experience. The six
 22 members of the Federal Reserve Board appointed by the
 23 President and confirmed as aforesaid shall devote their entire
 24 time to the business of the Federal Reserve Board and shall
 25 each receive an annual salary of \$12,000, payable monthly,

1 together with actual necessary traveling expenses, and the
2 Comptroller of the Currency, as ex officio member of the
3 Federal Reserve Board, shall, in addition to the salary now
4 paid him as Comptroller of the Currency, receive the sum
5 of \$7,000 annually for his services as a member of said
6 board."

7 (b) The second paragraph of section 10 of the Fed-
8 eral Reserve Act, as amended, is amended to read as follows:

9 "The Comptroller of the Currency shall be ineligible
10 during the time he is in office and for two years thereafter
11 to hold any office, position, or employment in any member
12 bank. The appointive members of the Federal Reserve
13 Board shall be ineligible during the time they are in office
14 and for two years thereafter to hold any office, position,
15 or employment in any member bank, except that this
16 restriction shall not apply to a member who has served
17 the full term for which he was appointed. Upon the ex-
18 piration of the term of any member of the Federal Reserve
19 Board in office when this paragraph as amended takes
20 effect, the President shall fix the term of the successor to
21 such member at not to exceed twelve years, as designated
22 by the President at the time of nomination, but in such
23 manner as to provide for the expiration of the term of not
24 more than one member in any two-year period, and there-
25 after each member shall hold office for a term of twelve

1 years. Of the six persons thus appointed, one shall be desig-
2 nated by the President as governor and one as vice governor
3 of the Federal Reserve Board. The governor of the Federal
4 Reserve Board, subject to its supervision, shall be its active
5 executive officer. Each member of the Federal Reserve
6 Board shall within fifteen days after notice of appointment
7 make and subscribe to the oath of office."

8 (c) The fourth paragraph of section 10 of the Federal
9 Reserve Act, as amended, is amended to read as follows:

10 "No member of the Federal Reserve Board shall be an
11 officer or director of any bank, banking institution, trust
12 company, or Federal reserve bank or hold stock in any bank,
13 banking institution, or trust company; and before entering
14 upon his duties as a member of the Federal Reserve Board
15 he shall certify under oath ~~to be filed with the secretary of~~
16 ~~the board~~ that he has complied with this requirement. *and such*
17 *certification shall be filed with the Secretary of the board.*
18 Whenever a vacancy shall occur, other than by expiration of
19 term, among the six members of the Federal Reserve Board
20 appointed by the President, as above provided, a successor
21 shall be appointed by the President, with the advice and
22 consent of the Senate, to fill such vacancy, and when ap-
23 pointed he shall hold office for the unexpired term of the
24 member whose place he is selected to fill."

25 ~~SEC. 8. Subsection (c) of section 11 of the Federal~~
~~Reserve Act, as amended, is amended to read as follows:~~

1 ~~“(e) To add to the number of cities classified as~~
 2 ~~reserve and central reserve cities under existing law in~~
 3 ~~which national banking associations are subject to the re-~~
 4 ~~serve requirements set forth in section 20 of this Act; or to~~
 5 ~~reclassify reserve or central reserve cities or to terminate~~
 6 ~~their designation as such: *Provided, however,* That the~~
 7 ~~Federal Reserve Board shall, within two years after this~~
 8 ~~subsection as amended takes effect, prepare and put into~~
 9 ~~effect a complete reclassification of reserve and central~~
 10 ~~reserve cities, but such reclassification shall be so effected~~
 11 ~~as to maintain a total reserve requirement for the national~~
 12 ~~banking system as a whole which shall not be less in the~~
 13 ~~aggregate than the total reserves of national banking asso-~~
 14 ~~ciations computed on the basis of the last all-member-bank~~
 15 ~~report furnished to the Federal Reserve Board preceding~~
 16 ~~such reclassification.”~~

17 SEC. ~~8~~ Subsection (m) of section 11 of the Federal
 18 Reserve Act, as amended, is amended to read as follows:

19 “(m) Upon the affirmative vote of not less than six
 20 of its members the Federal Reserve Board shall have power
 21 to fix from time to time ^{any member bank} for each Federal reserve district the
 22 percentage of ~~individual bank~~ ^{the} capital and surplus ^{of such bank} which may
 23 be represented by loans ~~secured~~ ^{protected} by collateral ~~by member~~ ^{security}
 24 ~~banks within such district but no loan shall be made by~~
 25 ~~any such bank to any person in an amount in excess of 10~~

1 ~~per centum of the unimpaired capital and surplus of such~~
 2 ~~bank. Any percentage so fixed by the Federal Reserve~~
 3 ~~Board shall be subject to change from time to time upon~~
 4 ~~ten days' notice, and it shall be the duty of the board to~~
 5 ~~establish such percentages with a view to preventing the~~
 6 ~~undue use of bank loans for the speculative carrying of~~
 7 ~~securities. The Federal Reserve Board shall have power~~
 8 ~~to direct any member bank to refrain from further increase~~
 9 ~~of its security loans for any period up to one year, under~~
 10 ~~penalty of suspension of all rediscount privileges at Federal~~
 11 ~~reserve banks.”~~ ^{Any violation}

12 ~~SEC. 10. The Federal Reserve Act, as amended, is~~
 13 ~~further amended by inserting between sections 11 and 12~~
 14 ~~thereof the following new section:~~

15 ~~“SEC. 11A. Upon receiving the unanimous consent of~~
 16 ~~the members of the Federal Reserve Board, any Federal~~
 17 ~~reserve bank may make advances to groups of ten or more~~
 18 ~~member banks within its district upon their joint and several~~
 19 ~~demand promissory notes in such amounts as the board of~~
 20 ~~directors of such Federal reserve bank may determine, but~~
 21 ~~such advances may be made to a lesser number of such~~
 22 ~~member banks if the aggregate amount of their demand and~~
 23 ~~time deposits constitutes at least 10 per centum of the entire~~
 24 ~~demand and time deposits of the member banks within such~~
 25 ~~district. Such banks shall be authorized to distribute the~~

1 ~~proceeds of such loans to such of their number and in such~~
 2 ~~amounts as they may agree upon, but before so doing they~~
 3 ~~shall request such recipient banks to deposit with a suitable~~
 4 ~~trustee, representing the entire group, their individual notes~~
 5 ~~made in favor of the group and protected by such collateral~~
 6 ~~security as may be agreed upon. The Federal reserve bank~~
 7 ~~making any such advance shall charge and reserve a rate~~
 8 ~~of interest of not less than one-half of 1 per centum a~~
 9 ~~month for the first period of ninety days of the life of such~~
 10 ~~advance, and thereafter the rate of interest shall be increased~~
 11 ~~by one-fourth of 1 per centum a month for each succeeding~~
 12 ~~period of ninety days or fraction thereof. The banks~~
 13 ~~included in any such group which receive the proceeds of~~
 14 ~~any such advance shall pay to the group collectively interest~~
 15 ~~equal to the entire interest paid by the group during the life~~
 16 ~~of the advance, plus an indorsement fee of 1 per centum~~
 17 ~~upon the total amount of the advance. The indorse-~~
 18 ~~ment fee so received by the group shall, after pay-~~
 19 ~~ment of all expenses, be distributed to the members of the~~
 20 ~~group in proportion to their capital funds. No such joint~~
 21 ~~notes upon which advances are made by a Federal reserve~~
 22 ~~bank under this section shall be eligible under section 16~~
 23 ~~of this Act as collateral security for Federal reserve notes."~~

24 ⁹ SEC. 11. No national banking association and no mem-
 25 ber bank shall (1) make any loan or any extension of credit

1 to any affiliate organized and existing for the purpose of buy-
 2 ing and selling stocks, bonds, real estate, or real-estate mort-
 3 gages, or for the purpose of holding title to any such prop-
 4 erty, or (2) invest any of its funds in the capital stock, bonds,
 5 or other obligations of any such affiliate, or (3) accept the
 6 capital stock, bonds, or other obligations of any such affiliate
 7 as collateral security to protect loans made to any person,
 8 copartnership, or corporation, if the aggregate amount of
 9 such loans, extensions of credit, investments, and acceptances
 10 of collateral security in the case of any such affiliate, will
 11 exceed 10 per centum of the outstanding capital stock and
 12 surplus of such national banking association or member bank.

13 Each loan made to an affiliate within the foregoing
 14 limitations shall be secured by stocks or bonds listed on a
 15 stock exchange which have an ascertained market value at
 16 the time of making the loan of at least 20 per centum more
 17 than the amount of such loan, or shall be secured by notes,
 18 drafts, bills of exchange or acceptances, eligible for redis-
 19 count at Federal reserve banks, or by bonds or other obliga-
 20 tions eligible for investment by savings banks in the State
 21 in which the association or member bank making the loan is
 22 located. A loan to a director, officer, clerk, or other em-
 23 ployee of any such affiliate shall be deemed a loan to the
 24 affiliate to the extent that the proceeds of such loan are
 25 transferred to the affiliate.

1 ¹⁰
2 SEC. 12. The Federal Reserve Act, as amended, is
3 amended by inserting between sections 12 and 13 thereof
4 the following new sections:

5 “SEC. 12A. (a) There is hereby created a Federal
6 Open Market Committee (hereinafter referred to as the
7 “committee”), which shall consist of the Governor of the
8 Federal Reserve Board and as many additional members
9 as there are Federal reserve districts. Each Federal reserve
10 bank by its board of directors shall annually select from
11 among the officers of the said bank one member of said
12 committee ~~subject to the confirmation of the Federal Re-~~
13 ~~serve Board.~~ The meetings of said committee shall be
14 held at Washington, District of Columbia, at least four times
15 each year. Additional meetings may be held elsewhere
16 upon the call of the Federal Reserve Board, either upon the
17 motion of the board or at the request of any three members
18 of the committee. In the absence or inability of the Gov-
19 ernor of the Federal Reserve Board to act at such meetings
20 the board shall designate the vice governor or some other
21 member of the board to act in place of the governor.

22 “(b) No Federal reserve bank shall engage in open
23 market operations described in section 14 of this Act except
24 after approval and authorization by the committee. The
25 committee shall discuss, adopt, and transmit to the several
26 Federal reserve banks resolutions relating to all matters

1 affecting the open market transactions of such banks and to
2 all matters affecting the relations of the Federal reserve
3 system with foreign central or other banks. Every such
4 resolution shall be reported within three days to the Federal
5 Reserve Board and shall be subject to its approval. The
6 board shall annually include in its report to the Speaker
7 of the House of Representatives a review of the decisions
8 of the committee for the preceding year and an explanation
9 of the reasons for such decisions and the results thereof, so
10 far as they may be ascertained.

11 “(c) The time, character, and volume of purchases
12 and sales in the open market shall be governed with a
13 view to accommodating commerce and business and with
14 regard to their bearing upon the general credit situation of
15 the country. Such purchases and sales shall include all
16 paper described in section 14 of this Act as eligible for
17 open market operations.

18 “(d) The conclusions and recommendations of the
19 committee when approved by the Federal Reserve Board
20 shall be submitted to each Federal reserve bank for de-
21 termination whether it will participate in any purchases or
22 sales recommended. If any Federal reserve bank shall
23 decide not to participate in the open market operations
24 so recommended, it shall file with the chairman of the com-
25 mittee within thirty days a notice of its decision.

1 "SEC. 12B. (a) There is hereby created a Federal
 2 Liquidating Corporation (hereinafter referred to as the
 3 "corporation"), whose duty it shall be to purchase, hold,
 4 and liquidate as hereinafter provided, the assets of banks
 5 which have been ordered closed by the Comptroller of the
 6 Currency, ^{or by vote of their directors, and the assets of} ~~and~~ member banks which have been ordered
 7 closed by the appropriate State authorities.

8 "(b) The Comptroller of the Currency and the mem-
 9 bers of the Federal Open Market Committee created by
 10 section 12A of this Act shall constitute the directors of
 11 the corporation. The Comptroller of the Currency shall
 12 be the chairman of the board of directors of the cor-
 13 poration.

14 "(c) The capital stock of the corporation shall be
 15 divided into shares of \$100 each. Certificates of stock of
 16 the corporation shall be of two classes, class A and class
 17 B. Class A stock shall be held by member banks only and
 18 shall be entitled to prior payment of dividends out of net
 19 earnings, to the extent of 30 per centum of such net
 20 earnings in any one year, after payment of all expenses
 21 of the corporation, but such stock shall have no vote at
 22 meetings of stockholders. Class B stock shall be held by
 23 Federal reserve banks only and shall not be entitled to
 24 the payment of dividends. Every Federal reserve bank
 25 shall subscribe to shares of class B stock in the corpora-

1 tion to an amount equal to one-fourth of the surplus of
 2 such bank on December 31, 1931, and its subscription shall
 3 be accompanied by a certified check payable to the Comp-
 4 troller of the Currency in an amount equal to one-half of
 5 1 per centum of such subscription. The remainder of such
 6 subscription shall be subject to call from time to time by
 7 the board of directors upon ninety days' notice and annual
 8 subscriptions to such stock shall be made by each such bank
 9 in an amount equal to one-fourth of the annual increase
 10 of such surplus.

11 "(d) Every member bank shall subscribe to the class
 12 A capital stock of the corporation in an amount equal to
 13 one-half of 1 per centum of its total net outstanding time
 14 and demand deposits on the last call date in the year 1931.
 15 One-half of such subscription shall be paid in full within
 16 ninety days after receipt of notice from the chairman of
 17 the board of directors of the corporation; and the remainder
 18 of such subscription shall be subject to call from time to
 19 time by the board of directors of the corporation.

20 "(e) The amount of the outstanding class A stock of
 21 the corporation held by member banks shall be annually
 22 adjusted as hereinafter provided as member banks increase
 23 their time and demand deposits or as additional banks be-
 24 come members, and such stock may be decreased in amount
 25 as member banks reduce their time and demand deposits or

1 cease to be members. Shares of the capital stock of the
 2 corporation owned by member banks shall not be transferred
 3 or hypothecated. When a member bank increases its time
 4 and demand deposits, it shall at the beginning of each calen-
 5 dar year subscribe for an additional amount of capital stock
 6 of the corporation equal to one-half of 1 per centum of such
 7 increase in deposits. One-half of the amount of such addi-
 8 tional stock shall be paid for at the time of the subscription
 9 therefor and the balance shall be subject to call by the board
 10 of directors of the corporation. A bank applying for stock
 11 in the corporation at any time after the organization thereof
 12 shall be required to subscribe for an amount of class A capital
 13 stock equal to one-half of 1 per centum of the time and
 14 demand deposits of the applicant bank, paying therefor its
 15 par value plus one-half of 1 per centum a month from the
 16 period of the last dividend on the class A stock of the cor-
 17 poration. When the capital stock of the corporation shall
 18 have been increased, either on account of the increase of the
 19 time and demand deposits of member banks or on account
 20 of the increase in the number of member banks, the board
 21 of directors of the corporation shall cause to be executed a
 22 certificate to the Comptroller of the Currency showing the
 23 increase in capital stock of the corporation, the amount paid
 24 in, and by whom paid. When a member bank reduces its
 25 time and demand deposits it shall surrender, not later than

1 the 1st day of January thereafter, a proportionate amount
 2 of its holdings in the capital stock of the corporation, and
 3 when a member bank voluntarily liquidates it shall surrender
 4 all its holdings of the capital stock of the corporation and be
 5 released from its stock subscription not previously called.
 6 The shares so surrendered shall be cancelled and the mem-
 7 ber bank shall receive in payment therefor, under regula-
 8 tions to be prescribed by the Federal Reserve Board, a sum
 9 equal to its cash-paid subscriptions on the shares surrendered
 10 and its proportionate share of earnings not to exceed one-half
 11 of 1 per centum a month, from the period of the last divi-
 12 dend on such stock, but not above the book value of such
 13 earnings, less any liability of such member bank to the
 14 corporation.

15 “(f) If any member bank shall be declared insolvent,
 16 the stock held by it in the corporation shall be cancelled,
 17 without impairment of the liability of such bank, and all
 18 cash-paid subscriptions on such stock, with its proportionate
 19 share of earnings not to exceed one-half of 1 per centum
 20 per month from the period of last dividend on such stock
 21 but not above the book value of such earnings, shall be first
 22 applied to all debts of the insolvent bank to the corpora-
 23 tion, and the balance, if any, shall be paid to the receiver
 24 of the insolvent bank. Whenever the capital stock of the
 25 corporation is reduced, either on account of a reduction in

time and demand deposits of any member bank or on account of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

“(g) When the minimum amount of class A and class B capital stock required by this Act shall have been subscribed and paid for by such banks, the Comptroller shall designate five reserve banks to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state the name of the corporation and the city and State in which the corporation is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank executing such certificate and of all banks which have subscribed to the capital stock of such corporation, the number of shares subscribed by each such bank, and the fact that the certificate is made to enable the banks executing the same and all banks which have subscribed or may thereafter subscribe to such capital stock to avail themselves of the advantages of this section.

“(h) Such organization certificate shall be acknowledged before a judge of a court of record or a notary public and shall, together with the acknowledgment thereof au-

1 authenticated by the seal of such court or notary public, be
2 transmitted to the Comptroller of the Currency, who shall
3 file, record, and carefully preserve the same in his office.

4 “(i) Upon the filing of such certificate with the
5 Comptroller of the Currency as aforesaid, the said corpora-
6 tion shall become a body corporate and as such shall have
7 power—

8 “First. To adopt and use a corporate seal.

9 “Second. To have succession for a period of twenty
10 years from its organization unless it is sooner dissolved by
11 an Act of Congress, or unless its franchise becomes forfeited
12 by some violation of law.

13 “Third. To make contracts.

14 “Fourth. To sue and be sued, complain and defend,
15 in any court of law or equity.

16 “Fifth. To appoint by its board of directors such officers
17 and employees as are not otherwise provided for in this
18 section, to define their duties, require bonds of them and
19 fix the penalty thereof, and to dismiss at pleasure such
20 officers or employees.

21 “Sixth. To prescribe by its board of directors, by-laws
22 not inconsistent with law, regulating the manner in which
23 its general business may be conducted, and the privileges
24 granted to it by law may be exercised and enjoyed.

1 "Seventh. To exercise by its board of directors, or duly
2 authorized officers or agents, all powers specifically granted
3 by the provisions of this section and such incidental powers
4 as shall be necessary to carry out the powers so granted.

5 "(j) The board of directors shall administer the af-
6 fairs of the corporation fairly and impartially and without
7 discrimination in favor of or against any member bank or
8 banks and shall, subject to the provisions of law and the
9 orders of the Federal Reserve Board, extend to each bank
10 which is ordered closed by the Comptroller of the Currency,
11 ^{and by vote of its directors,} and to each member bank which is ordered closed by the
12 appropriate State authorities, such accommodations as may
13 be safely and reasonably made with due regard for the claims
14 and demands of other member banks.

15 "(k) Whenever any national bank shall be declared
16 insolvent or placed in the hands of a receiver it shall be
17 the duty of the Comptroller of the Currency to appoint a
18 valuation committee of three members which shall include
19 the receiver of such bank, a member to be named by the
20 board of directors of such bank, and a person to be chosen
21 by the receiver and the member named by the board of
22 directors. The receiver shall be chairman of the commit-
23 tee, and the committee shall at once proceed to make a pre-
24 liminary valuation of the assets of the bank. Thereupon
25 the receiver shall notify the Comptroller of the Currency

1 of the valuation agreed upon, the Comptroller shall make
2 a formal tender of such assets to the corporation which
3 may purchase the same in whole or in part as its board of
4 directors may determine. It shall be the duty of the cor-
5 poration to proceed to realize as rapidly as possible, having
6 due regard to the condition of credit in the district in which
7 such bank is located, the assets so purchased, and if the
8 amount realized from such assets exceeds the sum paid
9 therefor, the corporation shall make an additional payment
10 to the receiver of the bank equal to the amount of such
11 excess, if any, after deducting a liquidation fee of 6 per
12 centum of the sum thus realized. Money belonging to the
13 corporation shall be kept invested in the assets of insolvent
14 or closed banks or in securities of the Government of the
15 United States.

16 "(l) The corporation may, in its discretion, purchase
17 the assets of banks in the hands of receivers on the date of
18 its organization but on the same conditions and terms as are
19 applicable in the case of assets of banks which may fail or
20 be closed after such date. Nothing herein contained shall
21 be construed to prevent the corporation from making loans
22 to banks ordered closed by the Comptroller of the Currency
23 ^{or by vote of their directors,} or to member banks ordered closed by the appropriate
24 State authorities or from entering into negotiations to secure
25 the reopening of such banks.

OVER NOT ABOVE SUCH FUNDS AS MAY BE REQUIRED FOR CURRENT OPERATING EXPENSES

1 " (m) Member banks organized under the law of any
 2 State which are now or may hereafter become insolvent or
 3 suspended shall be entitled to offer their assets for sale to
 4 the corporation upon receiving permission in accordance with
 5 law from the banking superintendent or commissioner of
 6 the State, under the same conditions as are applicable to the
 7 sale of assets of insolvent or suspended banks under the law
 8 of the State in which such member bank is located.

9 " (n) For a period of not to exceed two years after
 10 this section takes effect the corporation is authorized to pur-
 11 chase and for a period of five years thereafter to hold and
 12 liquidate the assets of closed State banks, to make loans to
 13 such banks and to enter into negotiations to secure the re-
 14 opening of such banks under the same terms and conditions
 15 as are applicable in the case of national banks and member
 16 banks; except that (1) no such purchase or loan shall be
 17 made and no such negotiations shall be entered into unless
 18 it is permitted under the laws of the State in which such
 19 State bank is located, and (2) the amount realized upon the
 20 sale of the assets of any such State bank in excess of the
 21 amount paid for such assets by the corporation shall, after
 22 deducting the amount of the liquidation fee authorized to be
 23 charged by the corporation under paragraph (k), be paid
 24 into the Treasury of the United States as miscellaneous
 25 receipts. For the purpose of carrying out the provisions of

"(o) The corporation is hereby authorized to be appropriated
 have outstanding at any one time in an amount aggregating not more than
 four times the amount of its capital, its notes, debentures, bonds, or
 other such obligations, to be redeemable at the option of the corpora-
 tion before maturity in such manner as may be stipulated in such
 obligations, and to bear such rate or rates of interest, and to mature
 at such time or times as may be determined by the corporation; provided,
 that the corporation may sell on a discount basis short-term obligations
 payable at maturity without interest. The notes, debentures, bonds and
 other such obligations of the corporation may be secured by assets of
 the corporation in such manner as shall be prescribed by its board of
 directors. Such obligations may be offered for sale at such price or
 prices as the corporation may determine. The corporation is further
 authorized and empowered to dispose of any promissory notes of any
 receiver evidencing loans made by the corporation, and to pledge such
 receivers' notes and any banking institution's assets as collateral
 security to the corporation's promissory notes, under such terms and con-
 ditions as may be agreed upon by the corporation, provided that the
 obligations so incurred, together with all other outstanding obligations
 of the corporation, shall not be in excess of four times the amount of its
 capital.

"(p) All notes, debentures, bonds, or other such obligations issued
 by the corporation shall be exempt, both as to principal and interest,
 from all taxation (except estate and inheritance taxes) now or hereafter
 imposed by the United States, by any Territory, dependency, or possession
 thereof, or by any State, county, municipality, or local taxing authority.
 The corporation, including its franchise, its capital, reserves, and
 surplus, and its income, shall be exempt from all taxation now or hereafter
 imposed by the United States, by any Territory, dependency, or possession
 thereof, or by any State, county, municipality, or local taxing authority,
 except that any real property of the corporation shall be subject to
 State, territorial, county, municipal, or local taxation to the same ex-
 tent according to its value as other real property is taxed.

"(q) In order that the corporation may be supplied with such forms
 of notes, debentures, bonds, or other such obligations as it may need
 for issuance under this act, the Secretary of the Treasury is authorized
 to prepare such forms as shall be suitable and approved by the corpora-
 tion. The engraved plates, dies, bed pieces, and other material
 executed in connection therewith shall remain in the custody of the
 Secretary of the Treasury. The corporation shall reimburse the
 Secretary of the Treasury for any expenses incurred in the preparation,
 custody, and delivery of such notes, debentures, bonds, or other obli-
 gations."

22 exchange, or bankers' acceptances as are eligible for redis-
 23 count or for purchase by Federal reserve banks under the
 24 provisions of this Act, or by the deposit or pledge of bonds
 25 or notes of the United States. If any member bank to

1 Member banks organized under the laws of any State which are now or hereafter become members of the corporation shall be entitled to vote in the election of directors of the corporation upon receiving permission in writing from the banking superintendent of the State, under the same conditions as are applicable to the sale of assets of insolvent suspended banks of the State in which such member banks are located.

2 (n) For a period of not to exceed four years after this section takes effect the corporation is authorized to purchase and for a period of five years thereafter to liquidate the assets of such banks to the extent of the assets of such banks and to operate such banks as a bank; except that (1) no such purchase or sale of the assets of any such bank shall be made and no such operations shall be conducted if it is permitted under the laws of the State in which such bank is located; and (2) the amount paid for such purchase or sale of the assets of any such bank shall be applied in the order of the priority of the claims of the creditors of such bank, and the amount of the liquidation fee authorized to be charged by the corporation under paragraph (k), be paid into the Treasury of the United States as miscellaneous receipts. For the purpose of carrying out the provisions of

1 this paragraph, there is hereby authorized to be appropriated
 2 the sum of \$200,000,000, which shall be paid by the Secretary of the Treasury to the corporation in such amounts and
 3 at such times as the board of directors thereof may require.
 4 The sums so paid to the corporation shall be used exclusively
 5 for such purposes. As used in this paragraph the term
 6 "State bank" shall include any savings bank, trust company, or other banking institution, authorized to accept deposits, organized under the laws of any State and which
 7 is not a member of the Federal reserve system."

insert

11 SEC. 13. The seventh paragraph of section 13 of the
 12 Federal Reserve Act, as amended, is amended to read as
 13 follows:

14 "Any Federal reserve bank may make advances to
 15 its member banks on their promissory notes for a period of
 16 not exceeding fifteen days at rates to be established by such
 17 Federal reserve bank, which rates shall in all cases be at
 18 least 1 per centum higher than the rediscount rate then in
 19 force at such reserve bank, subject to the review and determination of the Federal Reserve Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the United States. If any member bank to

1 which any such advance has been made shall, during the
 2 life or continuance of such advance, increase its outstanding
 3 loans made to any borrower upon collateral security, or made
 4 to the members of any organized stock exchange, investment
 5 house, or dealer in securities, upon any obligation, note, or
 6 bill, secured or unsecured, for the purpose of purchasing
 7 and/or carrying investment securities (except obligations
 8 of the United States) such advance shall be immediately
 9 due and payable, and such member bank shall be ineligible
 10 as a borrower at the reserve bank of the district upon fifteen-
 11 day paper. ^{for such period as the Federal Reserve Board} The Federal Reserve Board shall have power
 12 from time to time in its discretion by unanimous vote of its
 13 members to suspend the provisions of this paragraph in whole
 14 or in part, whenever in its opinion the public interest shall
 15 call for such action. Each such suspension shall be for a
 16 period of ninety days and may be renewed for one addi-
 17 tional period of ninety days upon unanimous vote of the
 18 members of the board."

19 SEC. 14. (a) ~~The second paragraph of section 14 of~~
 20 ~~the Federal Reserve Act, as amended, is amended by~~
 21 ~~striking out the words "Every Federal reserve bank shall~~
 22 ~~have power" and inserting in lieu thereof the words "Sub-~~
 23 ~~ject to such regulations, limitations, and restrictions as the~~
 24 ~~Federal Reserve Board may prescribe, every Federal re-~~
 25 ~~serve bank shall be empowered and authorized".~~

Sec. 12.

1 (b) Section 14 of the Federal Reserve Act, as
 2 amended, is further amended by adding at the end thereof
 3 the following new paragraph:

4 "(g) Subject to the powers conveyed to and be-
 5 stowed upon the Federal Open Market Committee by sec-
 6 tion 12A of this Act, the Federal Reserve Board shall
 7 exercise special supervision and control over all relation-
 8 ships and transactions of any kind entered into by any Fed-
 9 eral reserve bank with any foreign bank or banker, or with
 10 any group of foreign banks or bankers, and all such rela-
 11 tionships and transactions shall be subject to such regula-
 12 tions, conditions, and limitations as the board may prescribe.
 13 No Federal reserve agent, nor any officer, director, em-
 14 ployee or other representative of any Federal reserve bank
 15 shall participate in any conference or other negotiations of
 16 any kind with the officers, directors, employees, or other
 17 representatives of any foreign bank or banker without first
 18 obtaining the permission of the Federal Reserve Board.
 19 The Federal Reserve Board shall have the right, in its dis-
 20 cretion, to be represented in any such conference or nego-
 21 tiations by such representative or representatives as the
 22 board may designate. A full report of all such conferences
 23 or negotiations, setting forth the subjects discussed, the views
 24 expressed both on behalf of the Federal reserve bank and
 25 on behalf of the foreign bank or banker, ^{and} all understandings

and despite an official warning of the reserve bank
 of the district or of the Federal Reserve Board to
 the contrary

may determine.

1 or agreements arrived at or transactions agreed upon, and
 2 all other material facts appertaining to such conferences or
 3 negotiations, shall be filed with the Federal Reserve Board
 4 in writing and signed by all representatives of the Federal
 5 reserve bank attending such conferences or negotiations re-
 6 gardless of whether or not the Federal Reserve Board shall
 7 be represented at such conference or negotiations."

8 ~~SEC. 15. The second, third, and fourth paragraphs~~
 9 of section 16 of the Federal Reserve Act, as amended, are
 10 amended to read as follows:

11 "Any Federal reserve bank may make application
 12 to the local Federal reserve agent for such amount of the
 13 Federal reserve notes hereinbefore provided for as it may
 14 require. Such application shall be accompanied with a
 15 tender to the local Federal reserve agent of collateral in
 16 an amount equal to the sum of the Federal reserve notes
 17 thus applied for and issued pursuant to such application.
 18 The collateral security thus offered shall be notes, drafts,
 19 bills of exchange, or acceptances acquired under the pro-
 20 visions of section 13 of this Act (except promissory
 21 notes of member banks acquired under the provisions of the
 22 seventh paragraph of such section 13 secured by the
 23 deposit or pledge of bonds or notes of the United States),
 24 or bills of exchange indorsed by a member bank of any
 25 Federal reserve district and purchased under the provisions

1 of section 14 of this Act, or bankers' acceptances made
 2 against shipment of goods actually sold in the foreign
 3 trade of the United States and purchased under the pro-
 4 visions of section 14 (but not including acceptances made
 5 under any revolving or renewal credit), or gold or gold
 6 certificates; but in no event shall such collateral security
 7 be less than the amount of Federal reserve notes applied for.
 8 The Federal reserve agent shall each day notify the Federal
 9 Reserve Board of all issues and withdrawals of Federal
 10 reserve notes to and by the Federal reserve bank to which he
 11 is accredited. The said Federal Reserve Board may at
 12 any time call upon a Federal reserve bank for additional
 13 security to protect the Federal reserve notes issued to it.

14 ~~"Every Federal reserve bank shall maintain reserves~~
 15 in gold or lawful money of not less than 35 per centum
 16 against its deposits and reserves in gold of not less than 40
 17 per centum against its Federal reserve notes in actual cir-
 18 culation and not offset by gold or lawful money deposited
 19 with the Federal reserve agent. Notes so paid out shall
 20 bear upon their faces a distinctive letter and serial number
 21 which shall be assigned by the Federal Reserve Board to
 22 each Federal reserve bank. Whenever Federal reserve
 23 notes issued through one Federal reserve bank shall be re-
 24 ceived by another Federal reserve bank, they shall be
 25 promptly returned for credit or redemption to the Federal

1 ~~reserve bank through which they were originally issued or,~~
2 upon direction of such Federal reserve bank, they shall be
3 forwarded direct to the Treasurer of the United States to
4 be retired. No Federal reserve bank shall pay out notes
5 issued through another under penalty of a tax of 10 per
6 centum upon the face value of notes so paid out. Notes
7 presented for redemption at the Treasury of the United
8 States shall be paid out of the redemption fund and returned
9 to the Federal reserve banks through which they were
10 originally issued, and thereupon such Federal reserve bank
11 shall, upon demand of the Secretary of the Treasury, reim-
12 burse such redemption fund in lawful money or, if such Fed-
13 eral reserve notes have been redeemed by the Treasurer in
14 gold or gold certificates, then such funds shall be reimbursed
15 to the extent deemed necessary by the Secretary of the Treas-
16 ury in gold or gold certificates, and such Federal reserve
17 bank shall, so long as any of its Federal reserve notes re-
18 main outstanding, maintain with the Treasurer in gold an
19 amount sufficient in the judgment of the Secretary to provide
20 for all redemptions to be made by the Treasurer. Federal
21 reserve notes received by the Treasurer otherwise than
22 for redemption may be exchanged for gold out of the redemp-
23 tion fund hereinafter provided and returned to the reserve
24 bank through which they were originally issued, or they
25 may be returned to such bank for the credit of the United

1 States. Federal reserve notes unfit for circulation shall be
2 returned by the Federal reserve agents to the Comptroller
3 of the Currency for cancellation and destruction.

4 "The Federal Reserve Board shall require each Fed-
5 eral reserve bank to maintain on deposit in the Treasury of
6 the United States a sum in gold sufficient in the judgment
7 of the Secretary of the Treasury for the redemption of the
8 Federal reserve notes issued to such bank, but in no event
9 less than 5 per centum; but such deposit of gold shall be
10 counted and included as part of the 40 per centum reserve
11 hereinbefore required. The board shall have the right,
12 acting through the Federal reserve agent, to grant in whole
13 or in part, or to reject entirely the application of any Federal
14 reserve bank for Federal reserve notes; but to the extent
15 that such application may be granted the Federal Reserve
16 Board shall, through its local Federal reserve agent, supply
17 Federal reserve notes to the banks so applying, and such
18 bank shall be charged with the amount of such notes issued
19 to it and shall pay such rate of interest on said amount as
20 may be established by the Federal Reserve Board and the
21 amount of such Federal reserve notes so issued to any such
22 bank shall, upon delivery, together with such notes of such
23 Federal reserve bank as may be issued under section 18 of
24 this Act upon security of United States 2 per centum Gov-

1 ~~ernment bonds, become a first and paramount lien on all the~~
 2 ~~assets of such bank."~~

3 SEC. ¹³~~16~~. Section 19 of the Federal Reserve Act, as
 4 amended, is amended to read as follows:

5 ~~VISED~~ "SEC. 19. (a) 'Demand deposits' within the mean-
 6 ing of this Act shall comprise all deposits payable within
 7 thirty days ^{and} 'time deposits' shall comprise all deposits
 8 payable after thirty days, all savings accounts and certifi-
 9 cates of deposit which are subject to not less than thirty days'
 10 notice before payment, ~~(except thrift deposits)~~, and all
 11 postal-savings deposits; ~~and thrift deposits shall comprise all~~
 12 ~~deposits subject to not less than sixty days' notice before~~
 13 ~~payment which are not subject to transfer by check and~~
 14 ~~the total monthly balance of which in any individual case~~
 15 ~~does not exceed \$5,000.~~

16 " (b) Every bank, banking association, or trust com-
 17 pany which is or which becomes a member of any Federal
 18 reserve bank shall establish and maintain realized reserve
 19 balances with its Federal reserve bank as follows:

20 " (1) If not in a reserve or central reserve city as
 21 now or hereafter defined, it shall hold and maintain with
 22 the Federal reserve bank of its district an actual net bal-
 23 ance equal to not less than 7 per centum of the aggregate
 24 amount of its demand and time deposits, ~~and 5 per centum~~
 25 ~~of the aggregate amount of its thrift deposits: Provided,~~

1 That the said net balance maintained against time ~~and thrift~~
 2 deposits shall be 3 per centum during the calendar year
 3 1932, ~~4 per centum during the calendar year 1933, 5 per~~
 4 ~~centum during the calendar year 1934; and against time~~
 5 ~~deposits, 6 per centum during the calendar year 1935, and~~
 6 ~~thereafter 7 per centum as hereinbefore prescribed.~~

7 " (2) If in a reserve city as now or hereafter defined
 8 it shall hold and maintain with the Federal reserve bank
 9 of its district an actual net balance equal to not less than 10
 10 per centum of the aggregate amount of its demand and time
 11 deposits, ~~and 5 per centum of the aggregate amount of its~~
 12 ~~thrift deposits: Provided, That the said net balance herein-~~
 13 ~~before required to be maintained against time and thrift~~
 14 ~~deposits shall be 3 per centum during the calendar year~~
 15 ~~1932, 4 per centum during the calendar year 1933, and 5~~
 16 ~~per centum during the calendar year 1934; and against time~~
 17 ~~deposits 6 per centum during the calendar year 1935, 7 per~~
 18 ~~centum during the calendar year 1936, 8 per centum during~~
 19 ~~the calendar year 1937, 9 per centum during the calendar~~
 20 ~~year 1938, and thereafter 10 per centum as hereinbefore~~
 21 ~~prescribed: Provided further, That if located in the out-~~
 22 ~~lying districts of a reserve city or in territory added to such~~
 23 ~~a city by the extension of its corporate charter it may,~~
 24 ~~upon the affirmative vote of five members of the Federal~~

and shall be increased at the rate of
 four-fifths of 1 per centum on the 1st
 day of January in each calendar year
 thereafter until it shall equal

and shall be increased at the rate
 of 1/5 per centum on the 1st day
 of January in each calendar year
 thereafter until it shall equal

1 Reserve Board, hold and maintain the reserve balances
2 specified in paragraph (1) hereof.

3 " (3) If in a central reserve city as now or hereafter
4 defined it shall hold and maintain with the Federal reserve
5 bank of its district an actual net balance equal to not less
6 than 13 per centum of the aggregate amount of its demand
7 and time deposits; and ~~5 per centum of the aggregate amount~~
8 ~~of its thrift deposits.~~ *Provided*, That the said net balance
9 hereinbefore required to be maintained against time and
10 ~~thrift~~ deposits shall be 3 per centum during the calendar
11 year 1932, ~~4 per centum during the calendar year 1933;~~
12 and 5 per centum during the calendar year 1934; and against
13 time deposits, 6 per centum during the calendar year 1935,
14 7 per centum during the calendar year 1936, 8 per centum
15 during the calendar year 1937, 9 per centum during the
16 calendar year 1938, 10 per centum during the calendar year
17 1939, 11 per centum during the calendar year 1940, 12 per
18 centum during the calendar year 1941, and thereafter 13
19 per centum as hereinbefore prescribed: *Provided further*,
20 That if located in the outlying districts of a central reserve
21 city or in territory added to such city by the extension of
22 its corporate charter it may, upon the affirmative vote of five
23 members of the Federal Reserve Board, hold and maintain
24 the reserve balances specified in paragraphs ¹(2) and ²(3)
25 hereof.

and shall be increased at the rate of
2 per centum on the 1st day of January
in each calendar year thereafter until
it shall equal

1 " (c) No member bank shall keep on deposit with any
2 State bank or trust company which is not a member bank a
3 sum in excess of 10 per centum of its own paid-up capital
4 and surplus. No member bank shall act as the medium or
5 agent of a nonmember bank in applying for or receiving dis-
6 counts from a Federal reserve bank under the provisions of
7 this Act except by permission of the Federal Reserve Board.

8 ^{P(d)} No member bank shall act as the medium or agent of any
9 nonbanking corporation or individual in making loans
10 ~~secured~~ ^{protected} by collateral; ^{security} and no member bank shall make
11 loans or discount paper for any corporation or individual
12 ~~who shall at the time of making or renewing any such loan~~
13 ~~have outstanding such loans secured by collateral in favor~~
14 of any investment banker, broker, member of any stock
15 exchange, or any dealer in securities. Every violation of
16 this provision by any member bank shall be punishable by
17 a fine of not less than \$100 per day during the continuance
18 of such violation, but it shall be a good defense that the
19 borrower at the time of obtaining such loan or discount from
20 a member bank made a sworn statement ~~of condition in~~
21 ~~which he failed to show the existence of such a loan secured~~
22 ~~by collateral.~~

23 " (e) The required balance carried by a member bank
24 with a Federal reserve bank may under the regulations, and
25 subject to such penalties as may be prescribed by the Fed-

If the proceeds of such transaction
are to be used directly or indirectly
for the purpose of making loans protected
by collateral secured by

that the proceeds of the transaction
could not be used for such purpose.

1 Federal Reserve Board, be checked against and withdrawn by
 2 such member bank for the purpose of meeting existing
 3 liabilities: *Provided, however,* That no bank shall at any
 4 time make any new loans or shall pay any dividends unless
 5 and until the total balance required by law is fully restored.

6 “^f(e) No member bank shall sell or transfer to another
 7 member bank, or to a nonmember bank, private banking
 8 house, or banker, any balance standing to its credit upon
 9 the books of the Federal reserve bank of its district in excess
 10 of the balances required by this section unless the Federal
 11 Reserve Board shall have first authorized by general order
 12 the making of such sales or transfers within such district
 13 or between such district and another Federal reserve dis-
 14 trict, but no such sale or transfer shall be made by any such
 15 bank without first charging and reserving a fee to be fixed
 16 by the Federal Reserve Board on the basis of the rate of
 17 discount then charged upon ninety-day paper by the Federal
 18 reserve bank of the district in which the bank making such
 19 sale or transfer is located.

20 “^g(f) The Federal Reserve Board shall have power to
 21 suspend all dealings in reserve balances for such period
 22 as it may deem best. In estimating the reserve balances
 23 required by this Act, the net difference of amounts due to
 24 and from other banks shall be taken as the basis for ascer-
 25 taining the deposits against which required balances with

1 Federal reserve banks shall be determined; and the liability
 2 created by every repurchase or other similar agreement
 3 entered into by a member bank shall be added to such net
 4 difference as ascertained under the provisions of this
 5 paragraph.

6 “^h(g) National banks, or banks organized under local
 7 laws, located in Alaska or in a dependency or insular
 8 possession or any part of the United States outside the
 9 continental United States may remain nonmember banks
 10 and shall in that event maintain reserves and comply with
 11 all the conditions now provided by law regulating them; or
 12 said banks may, with the consent of the board, become
 13 member banks of any one of the reserve districts and shall
 14 in that event take stock, maintain reserves, and be subject
 15 to all the other provisions of this Act.”

16 SEC. ¹⁴17. Section 24 of the Federal Reserve Act, as
 17 amended, is amended to read as follows:

18 “SEC. 24. Any national banking association may make
 19 loans secured by first lien upon improved real estate, includ-
 20 ing improved farm land, situated within its Federal reserve
 21 district or within a radius of one hundred miles of the place
 22 in which such bank is located, irrespective of district lines.
 23 A loan secured by real estate within the meaning of this
 24 section shall be in the form of an obligation or obligations
 25 secured by mortgage, trust deed, or other such instrument

1 upon real estate when the entire amount of such obligation
 2 or obligations is made or is sold to such association. The
 3 amount of any such loan shall not exceed 50 per centum
 4 of the actual value of the real estate offered for security,
 5 but no such loan upon such security shall be made for a
 6 longer term than five years. Such valuations shall be
 7 revised by the Comptroller of the Currency at the time
 8 of each examination of the bank making the loan and
 9 he shall have power to order changes therein and to require
 10 the adjustment of loans to such revised valuations. Any
 11 such bank may make such loans in an aggregate sum, in-
 12 cluding in such aggregate any such loans on which it
 13 is liable as indorser or guarantor or otherwise, equal to
 14 15 per centum of the amount of the capital stock of such
 15 association actually paid in and unimpaired and 15 per
 16 centum of its unimpaired surplus fund, or to one-half of
 17 its time ~~and thrift~~ deposits, at the election of the association,
 18 subject to the general limitation contained in section 5200
 19 of the Revised Statutes. Investments in bank premises
 20 and unsecured loans whose eventual safety depends upon
 21 the value of real estate shall be counted for the purposes
 22 of this section as real-estate loans. Every such bank may
 23 apply the moneys deposited therein as time ~~or thrift~~ deposits
 24 to the loans herein authorized and the balance of such
 25 time ~~and thrift~~ deposits shall be invested in property and

1 securities in which savings banks may invest under the
 2 law of the State where such national bank is situated, or
 3 where there is no such law relating to investments by
 4 savings banks, in such property and securities as may be
 5 specified by the Comptroller of the Currency: *Provided,*
 6 That every member bank shall be required to report its
 7 investments in, or holdings of, any such property and
 8 securities at an aggregate valuation which shall not
 9 exceed the aggregate market value thereof at the time
 10 such reports to the Comptroller or to the Federal Reserve
 11 Board are made: *Provided further,* That the reserve
 12 against time ~~and thrift~~ deposits required by section 19
 13 of this Act shall be counted as a corresponding part of
 14 such investments. All the property of any insolvent
 15 national bank acquired under this section shall be applied
 16 by the receiver thereof in the first place ratably and pro-
 17 portionately to the payment in full of its time ~~and thrift~~
 18 deposits. Such banks may continue hereafter as heretofore
 19 to receive time ~~and thrift~~ deposits and to pay interest
 20 on the same, but the rate of interest which such banks
 21 may pay upon such time deposits ~~or upon thrift~~ or other
 22 deposits shall not exceed the maximum rate authorized by
 23 law to be paid upon ^{such} ~~similar~~ deposits by State banks or
 24 trust companies organized under the laws of the State
 25 wherein such national banking association is located.

1 "Every national banking association and every mem-
 2 ber bank which is in existence at the date this section
 3 as amended takes effect shall be required, within a period
 4 of two years from such date, to comply fully with the pro-
 5 visions of this section, and every national banking associa-
 6 tion hereafter organized and every State bank or trust
 7 company hereafter becoming a member of the Federal
 8 reserve system shall comply with the provisions of this
 9 section from the date of its organization or admission to
 10 membership, as the case may be."

11 SEC. ¹⁵18. Paragraph "Seventh" of section 5136 of
 12 the Revised Statutes, as amended, is amended to read as
 13 follows:

14 "Seventh. To exercise by its board of directors or
 15 duly authorized officers or agents, subject to law, all such
 16 incidental powers as shall be necessary to carry on the busi-
 17 ness of banking; by discounting and negotiating promissory
 18 notes, drafts, bills of exchange, and other evidences of debt;
 19 by receiving deposits; by buying and selling exchange, coin,
 20 and bullion; by loaning money on personal security; and
 21 by obtaining, issuing, and circulating notes according to
 22 the provisions of this title; and generally by engaging in
 23 all forms of banking business and undertaking all types of
 24 banking transactions that may, by the laws of the State
 25 in which such bank is situated, be permitted to banks of

1 deposit and discount organized and incorporated under the
 2 laws of such State, except in so far as they may be for-
 3 bidden by the provisions of the National Bank Act, as
 4 amended, the Federal Reserve Act, as amended, or any
 5 other laws of the United States. The business of pur-
 6 chasing and selling investment securities shall hereafter
 7 be limited to purchasing and selling such securities without
 8 recourse, solely upon the order, and for the account of,
 9 customers, and in no case for its own account, and no such
 10 association shall underwrite any issue of securities; except
 11 that any such association may purchase and hold for its
 12 own account investment securities to such an amount and
 13 of such kind as may be by regulation prescribed by the
 14 Comptroller of the Currency, but in no event shall the
 15 total amount of such investment securities of any one obligor
 16 or maker held by such association exceed 10 per centum of
 17 the total amount of such issue outstanding, nor shall the total
 18 amount of the securities so purchased and held for its own
 19 account at any time exceed 15 per centum of the amount
 20 of the capital stock of such association actually paid in and
 21 unimpaired and 25 per centum of its unimpaired surplus fund.
 22 Except as hereinafter provided, ^{or otherwise permitted by Law,} nothing herein contained
 23 shall authorize the purchase or holding of any shares of stock
 24 of any corporation by any such association. ~~No such associa-~~
 25 ~~tion shall purchase or hold any obligation of any corporation~~

1 unless such corporation and any predecessor thereof earned
 2 for each of the five years preceding such purchase at least
 3 4 per centum upon the outstanding capital stock of the cor-
 4 poration. The limitations herein contained as to the pur-
 5 chasing and selling of investment securities shall not apply
 6 to obligations of the United States, or general obligations
 7 of any State or of any political subdivision thereof, or obli-
 8 gations issued under authority of the Federal Farm Loan
 9 Act: *Provided*, That in carrying on the business commonly
 10 known as the safe deposit business no such association shall
 11 invest in the capital stock of a corporation organized under
 12 the law of any State to conduct a safe deposit business in
 13 an amount in excess of 15 per centum of the capital stock
 14 of such association actually paid in and unimpaired and 15
 15 per centum of its unimpaired surplus."

16 Sec. 19. Section 5138 of the Revised Statutes, as

Sec. 18. Section 5138 of the Revised Statutes, as amended, is amended by adding at the end thereof the following, to read as follows:

18 ing new paragraph:
 "Sec. 5138. After this section as amended takes effect, no national banking association shall be organized with a less capital than \$100,000, except that associations with a capital of not less than \$50,000 may be organized in any place the population of which does not exceed five thousand inhabitants, and except that such associations formed elsewhere may be organized for the purpose of acting as an existing bank may, in the discretion of the Comptroller of the Currency, but in no event less than \$25,000. No such association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than \$100,000, except that in the existing districts of such a city where the State laws permit the organization of State banks with a capital of \$100,000, or less, national banking associations may be organized or reorganized, with the approval of the Comptroller of the Currency, have a capital of not less than \$100,000."

1 to continue in individual cases under this Act for periods of
 2 ninety days subject to successive renewals for like periods
 3 but not to exceed one year in all. Failure on the part of
 4 any such association to comply with the provisions of this
 5 section shall be penalized by revocation of its charter in
 6 accordance with the procedure contained in section 5239 of
 7 the Revised Statutes."

8 SEC. 20. Section 5139 of the Revised Statutes is
 9 amended to read as follows:

10 "SEC. 5139. That after this section as amended takes
 11 effect, the capital stock of each association shall be divided
 12 into shares of \$100 each and be deemed personal property
 13 and transferable on the books of the association in such
 14 manner as may be prescribed in the by-laws or articles
 15 of association; and any such association which has certificates
 16 of stock outstanding on the date this section as amended
 17 takes effect which do not comply with the provisions of this
 18 section as amended shall, within two years after such date,
 19 issue new certificates in compliance with such provisions.
 20 No certificate representing the stock of any such association
 21 shall represent the stock of any other corporation, nor shall
 22 the ownership, sale, or transfer of any certificate represent-
 23 ing the stock of any such association be conditioned in
 24 any manner whatsoever upon the ownership, sale, or
 25 transfer of a certificate representing the stock of any other

1 corporation. Every person becoming a shareholder by
 2 transfer as permitted by this section shall in proportion to
 3 his shares succeed to all the rights and liabilities of the prior
 4 holder of such shares, and no change shall be made in the
 5 articles of association by which the rights, remedies, or
 6 security of the existing creditors of the association shall be
 7 impaired."

8 ¹⁸ SEC. 21. From and after January 1, 1933, no ^{director,} officer
 9 ^{or employee} of any national bank or member bank shall be (a) an officer
 10 of any unincorporated association or corporation engaged
 11 primarily in the business of purchasing, selling, or negoti-
 12 ating securities, or (b) an employee of any such unincorpo-

13 rated association or corporation, or of any individual

14 ^{or (c) a director, officer, or employee of a corporation national} partnership engaged in such business

15 organized for any purpose whatsoever which shall perform the functions of

16 loans secured by collateral to any corporation other

17 correspondent bank on behalf of any such individual, so-

18 than its own subsidiaries, or to any individual, asso-

19 ciation, or partnership;

20 or corporation shall perform the functions of a correspondent

21 for any national bank or member bank or hold on deposit

22 any funds on behalf of any national bank or member bank.

23 ¹⁹ SEC. 22. Section 5144 of the Revised Statutes, as

24 amended, is amended to read as follows:

25 "SEC. 5144. In all elections of directors and in decid-

ing all questions at meetings of shareholders, each share-

1 holder shall be entitled to one vote on each share of stock
 2 actually owned by him as the result of bona fide purchase,
 3 gift, or inheritance and no shareholder who shall become
 4 such through nominal transfer, or ownership on behalf of
 5 another, shall cast such vote. No corporation, association,
 6 or partnership which is the owner of more than 10 per
 7 centum of the stock of any such ^{national} bank and no officer, director,
 8 or employee of such corporation, association, or partnership,
 9 shall cast a ballot in such elections or meetings either on
 10 shares of stock owned by the corporation or by such officer,
 11 director, or employee. Shareholders may vote by proxies
 12 duly authorized in writing; but no officer, clerk, teller, or
 13 bookkeeper of such ^{bank,} association shall act as proxy; and no
 14 shareholder whose liability is past due and unpaid shall be
 15 allowed to vote."

16 ~~SEC. 23. Except as provided in section 24 of this Act,~~
 17 every person who is a shareholder in a national banking
 18 association on March 1, 1934, and every person who be-
 19 comes such a shareholder after such date, shall file with
 20 the association a sworn statement that he is not at the time
 21 a stockholder in any affiliate of such association organized
 22 under the law of any State for the purpose of underwriting,
 23 dealing or trading in securities, and that he does not intend
 24 to become a stockholder in any such affiliate.

1 SEC. ²⁰24. Notwithstanding the provisions of ^{Section 5144 of} sections 22
 2 ~~and 23~~ ^{the Revised Statutes, as amended by} of this Act, any affiliate, or any association, corpora-
 3 tion, or partnership other than an affiliate, which owns or
 4 controls shares of stock in any national banking association
 5 may make application to the ^{F. R. Board} ~~Comptroller of the Currency~~
 6 for a voting permit entitling it to cast one vote at all elec-
 7 tions of directors of such national banking association on each
 8 share of stock actually owned or controlled by it. The
 9 ^{F. R. Board} ~~Comptroller of the Currency~~ may, in ^{its} ~~his~~ discretion, grant or
 10 withhold such permit as the public interest may require but
 11 no such permit shall be granted except upon the following
 12 conditions:
 13 (a) Every such affiliate, association, corporation, or
 14 partnership shall, at the time of making the application
 15 for such permit, enter into an agreement with the Comp-
 16 troller of the Currency (1) to receive at such periodical
 17 intervals as shall be prescribed by the Comptroller, ^{or} ~~not~~
 18 ^{date identical with those fixed} ~~more frequent than those designated~~ for the examination
 19 of national banks, examiners representing and acting for
 20 the Comptroller who shall make an examination of its
 21 financial condition with the same degree of care as in the
 22 case of an examination of a national bank, such examination
 23 to be at the expense of the affiliate, corporation, association,
 24 or partnership so examined; (2) that the report of the exam-
 25 iner shall set forth all the facts ascertained by the examina-

tion and shall include ^{a statement of} the name, location, capital, surplus,
 and undivided profits of each bank in which the applicant
 owns stock, and the number of shares so owned, and (3)
 the par and book value of such shares, the number
 of shares of bank stock acquired and sold since the association,
 last examination, and other reports of such affiliates, in con-
 corporation, association or partnership (including and may
 under separate headings obligations of the United
 States, and the value and nature of other securities

owned);
 (b) Every such affiliate, association, corporation, or
 partnership shall ^{hold free of any lien or claim} deposit with the Comptroller of the Cur-
^{thereon} rency at such times and under such conditions as he shall
 designate, obligations of the United States in an amount
 equal to 10 per centum of the total of capital stock owned
 by it in any national bank and shall agree (1) that in the
 event of failure of any national bank in which it shall hold
 stock the stockholders' liability accruing on account of such
 stock shall be a first lien upon the ^{obligation so held} fund so deposited with the
 Comptroller and shall, if not paid upon demand of the re-
 ceiver of such bank, be paid by the Comptroller so long as
 there shall be a balance in such fund, and (2) that any
 deficiency in such ^{such deficiency occurs;} fund shall be made up within ninety days
 after notice from the Comptroller of the Currency;

(c) Every such affiliate, association, corporation, or
 partnership (1) shall possess at the time of the issuance of

obligations due to their use
 in meeting claims under (1) above

amount of the obligations of the
 United States hereinafore required
 to be held,

1 such voting permit, and shall continue to possess during the
 2 life of such permit, free and clear of any lien, pledge, or hy-
 3 pothecation of any nature, assets other than bank stock
 4 which, together with the ~~fund hereinbefore required to be~~
 5 ~~deposited with the Comptroller of the Currency, shall not~~
 6 be less than 25 per centum of the aggregate par value of
 7 bank stocks held or owned by such affiliate, association, cor-

8 (but ~~not~~ ~~less~~ ~~than~~ ~~the~~ ~~amount~~ ~~of~~ ~~the~~ ~~obligations~~ ~~of~~ ~~the~~ ~~United~~ ~~States~~ ~~hereinafore~~ ~~required~~ ~~to~~ ~~be~~ ~~held,~~ and (2) shall reinvest in assets
 for the replacement of capital in banks owned by
 such affiliate, association, corporation, or partnership, or for losses incurred or charge-offs
 9 made in it or in those banks, may be counted, in shares out-
 10 to 10 per centum of the aggregate par value of
 11 bank stocks held or owned by it, as a part of such par
 assets);

12 value of bank shares owned by it;

13 (d) Every officer and employee of such affiliate, asso-
 14 ~~ciation, corporation, partnership, or~~ provided. That from and after January 1, 1935,
 15 ~~the amount of the obligations of the United States hereinafore re-~~ quired to be increased by not less than 2
 16 ~~per centum per annum, but at no time shall the~~ assets held to meet any future stockholders' lia-
 17 ~~bility making such statement to the officers and employees~~ affiliate, association, corporation, or partner-
 ship on January 1, 1935.

18 (e) Every such affiliate, association, corporation, or
 19 partnership shall, at the time of application for such voting
 20 permit, (1) file a statement with the Comptroller of the
 21 Currency that it does not own, control, or have any interest
 22 in, or is not participating in the management or direction of,
 23 any affiliate formed for the purpose of, or engaged in, the
 24 issue, flotation, underwriting, public sale, or distribution
 25 at wholesale or retail or through syndicate participation of

1 stocks, bonds, debentures, notes, or other securities of any
 2 sort, and that during the period that the permit remains
 3 in force it will not acquire any ownership, control, or
 4 interest in any such affiliate or participate in the management
 5 or direction thereof, or (2) agree that if at the time of
 6 filing the application for such permit it owns, controls,
 7 or has an interest in, or is participating in the management
 8 or direction of, any such affiliate, it will, within two years
 9 after the filing of such application, divest itself of its owner-
 10 ship, control, and interest in such affiliate and will cease
 11 participating in the management or direction thereof, and
 12 will not thereafter, during the period that the permit remains
 13 in force, acquire any further ownership, control, or interest
 14 in any such affiliate or participate in the management or
 15 direction thereof.

16 ^{F. R. Board} The ~~Comptroller~~ of the Currency may, in ^{its} ~~his~~ discre-
 17 tion, revoke any such voting permit after giving sixty
 18 days' notice by registered mail of ^{its} ~~his~~ intention to the affli-
 19 ate, association, corporation, or partnership. Whenever the
 20 ^{F. R. Board} ~~Comptroller~~ of the Currency shall have revoked any such
 21 voting permit, no national bank whose stock is owned in
 22 whole or in part by the affiliate, association, corporation, or
 23 partnership whose permit is so revoked shall receive depos-
 24 its of United States moneys, nor shall any such national
 25 bank pay any further dividend to such affiliate, association,

and (3) agrees that hereafter it will declare dividends only out of actual net earnings as indicated by the last preceding examination made by the Comptroller.

1 corporation, or partnership upon any shares of such bank
2 owned or controlled by such affiliate, association, corpora-
3 tion, or partnership.

4 ~~The provisions of paragraph "Seventh" of section~~
5 ~~5136 of the Revised Statutes, as amended, shall be appli-~~
6 ~~cable not only to individual national banking associations~~
7 ~~but also to their affiliates and to all affiliates controlled~~
8 ~~through other affiliates or holding companies.~~

9 SEC. ²¹25. Paragraph (c) of section 5155 of the Re-
10 vised Statutes, as amended, is amended to read as follows:

11 " (c) A national banking association may, ^{with the approval of the FR Board} after the
12 date this paragraph as amended takes effect, establish and
13 operate new branches within the limits of the city, town, or
14 village, or at any point within the State in which said asso-
15 ciation is situated, if such establishment and operation are at
16 the time permitted to State banks by the law of the State
17 in question, ~~except that no such association shall establish~~

*Provided, that, if by reason of the proximity of such
an association to a State boundary line, the ordinary and
usual business of such association is found to extend into
an adjacent State, the Federal Reserve Board may permit
the establishment of a branch or branches by such association
in an adjacent State but not beyond a distance of fifty
miles from the seat of the parent bank.*

21 shall establish any such branch outside of the city, town, or
22 village in which the association is situated shall set aside
23 for the use of that branch a total amount of capital at least
24 equal to the minimum capital required by law for the organ-
25 ization of a national banking association in the place in which

1 ~~such branch is situated.~~ The aggregate capital of every
2 national banking association and its branches shall at no
3 time be less than the aggregate minimum capital required
4 by law for the establishment of an equal number of national
5 banking associations situated in the various places where
6 such association and its branches are situated."

7 SEC. ²²26. Sections 1 and 3 of the Act entitled "An Act
8 to provide for the consolidation of national banking associa-
9 tions," approved November 7, 1918, as amended, are
10 amended by striking out the words "county, city, town, or
11 village" wherever they occur in each such section, and
12 inserting in lieu thereof the words "State, county, city,
13 town, or village."

14 SEC. ²³27. The first two sentences of section 5197 of the
15 Revised Statutes are amended to read as follows:

16 "Any association may take, receive, reserve, and
17 charge on any loan or discount made, or upon any notes,
18 bills of exchange, or other evidences of debt, interest at the
19 rate allowed by the laws of the State, Territory, or District
20 where the bank is located, or at a rate of 1 per centum in
21 excess of the discount rate of the Federal reserve bank in the
22 Federal reserve district where the bank is located, whichever
23 may be the greater, and no more, except that where by the
24 laws of any State a different rate is limited for banks of issue
25 organized under State laws, the rate so limited shall be

1 allowed for associations organized or existing in any such
 2 State under this Title. When no rate is fixed by the laws
 3 of the State, or Territory, or District, the bank may take,
 4 receive, reserve, or charge a rate not exceeding 7 per centum,
 5 or 1 per centum in excess of the discount rate of the Federal
 6 reserve bank in the Federal reserve district where the bank
 7 is located, whichever may be the greater, and such interest
 8 may be taken in advance, reckoning the days for which the
 9 note, bill, or other evidence of debt has to run."

10 ²⁴ SEC. 28. No national banking association or member
 11 bank shall promise or pay to its depositors as a considera-
 12 tion for the maintenance of deposit balances or accounts a
 13 rate of interest in excess of one-half the rate of interest spec-
 14 ified in section 5197 of the Revised Statutes, as amended,
 15 and whenever such depositors are bankers who maintain
 16 balances with other banks, no such association or member
 17 bank shall promise or pay for the maintenance with it of
 18 such bankers' balances a rate of interest in excess of the
 19 current rate of discount of the Federal reserve bank of the
 20 district in which the depository ^{any} bank is located, or in excess
 21 of $2\frac{1}{2}$ per centum, ^{per annum} whichever rate shall be the smaller.

22 ~~No such association or member bank shall promise or~~
 23 ~~pay to any depositor any interest or other compensation for~~
 24 ~~the maintenance of balances subject to check.~~

1 ²⁵ SEC. 29. (a) The second sentence of the first para-
 2 graph of section 5200 of the Revised Statutes, as amended,
 3 is amended by inserting before the period at the end thereof
 4 the following: "and shall include in the case of obligations
 5 of a corporation all obligations of all subsidiaries ~~or affiliates~~
 6 thereof."

7 (b) Paragraph (8) of section 5200 of the Revised
 8 Statutes, as amended, is amended by inserting before the
 9 period at the end thereof a colon and the following: "*Pro-*
 10 *vided*, That no obligation of a broker or member of any
 11 stock exchange or similar organization, or of any finance
 12 company, securities company, investment trust, or other
 13 similar institution, or of any affiliate, shall be entitled to the
 14 benefits of the foregoing exceptions, but such obligations
 15 shall in every case be subject to the limitations of 10 per
 16 centum hereinbefore set forth in this section; except that the
 17 total obligations of an affiliate shall in no case exceed the
 18 said 10 per centum limitations, or the amount of the capital
 19 stock of said affiliate actually paid in and unimpaired, which
 20 ever may be the smaller."

21 (c) Section 5200 of the Revised Statutes, as amended,
 22 is further amended by adding at the end thereof the follow-
 23 ing new paragraphs:
 24 "The aggregate amount of the obligations (including
 25 repurchase agreements) of all the affiliates of a national

1 banking association shall not at any time exceed 10 per
 2 centum of the capital stock of such association actually paid
 3 in and unimpaired and 10 per centum of its unimpaired
 4 surplus fund: *Provided*, That loans collateralized by Govern-
 5 ment bonds, or by bonds issued by the State in which such
 6 bank is situated, or issued by any political subdivision of
 7 such State, shall not be included within the foregoing limi-
 8 tations if actually owned by the borrower from such bank.

9 "Within ^{three} ~~two~~ years after this section as amended takes
 10 effect, every affiliate shall be capitalized through the sale
 11 of its own stock which shall be paid for in full in cash upon
 12 the same terms and conditions as provided in section 5140
 13 of the Revised Statutes, as amended, in the case of national
 14 bank stock; and no national bank shall establish or capitalize
 15 an affiliate through cash or stock dividend declarations made
 16 from its surplus or from undivided profits. No affiliate shall
 17 at any time during such ^{three} ~~two~~-year period hold, or lend upon,
 18 more than 10 per centum of the shares of the capital stock
 19 of the parent institution."

20 SEC. ²⁶ ~~20~~. Nothing in section 5200 of the Revised Stat-
 21 utes, as amended, shall be construed to permit a member
 22 bank to lend to any individual or corporation upon collateral
 23 security an amount in excess of 10 per centum of its capital
 24 stock actually paid in and unimpaired and 10 per centum
 25 of its unimpaired surplus fund, or an amount in excess of

1 the percentage of such capital and surplus fund as shall
 2 from time to time be designated by the Federal Reserve
 3 Board in accordance with subsection (m) of section 13 of the
 4 Federal Reserve Act, as amended, whichever is the smaller.

5 SEC. ²⁷ ~~21~~. Section 5211 of the Revised Statutes, as
 6 amended, is amended by adding at the end thereof the
 7 following new paragraph:

8 "Each affiliate of a national banking association shall
 9 make and furnish to the president of the association, for
 10 transmission by him to the Comptroller of the Currency,
 11 not less than three reports during each year, in such form
 12 as the Comptroller may prescribe, verified by the oath or
 13 affirmation of the president or such other officer as may be
 14 designated by the board of directors of such affiliate to
 15 verify such reports, covering the condition of such affiliate
 16 on dates identical with those for which the Comptroller
 17 shall during such year require the reports of the condition
 18 of the association. Each such report of an affiliate shall
 19 be transmitted to the Comptroller at the same time as the
 20 corresponding report of the association; except that the
 21 Comptroller may, in his discretion, extend such time for
 22 good cause shown. Each such report shall exhibit
 23 in detail and under appropriate heads, the holdings of the
 24 affiliate in question, their cost and present value, the ex-
 25 penses of operation for the preceding year, and the balance

1 sheet of the enterprise. It shall be the duty of the presi-
 2 dent of such association to satisfy himself as to the correctness
 3 of the report before transmitting the same to the Comptroller.
 4 The reports of its affiliates shall be published by the
 5 association under the same conditions as govern its own
 6 condition reports. The Comptroller shall also have power
 7 to call for special reports with respect to any such affiliate
 8 whenever in his judgment the same are necessary in order
 9 to obtain a full and complete knowledge of the conditions
 10 of the association with which it is affiliated. Any affiliate
 11 which fails to make and furnish any report required of
 12 it under this section, and any association whose president
 13 fails to transmit as required by this section, any such report
 14 furnished to him, shall be subject to a penalty of \$100 for
 15 each day during which such failure continues: *Provided,*
 16 That every affiliate which shall be indebted to any bank
 17 or banks to an amount exceeding 5 per centum of the
 18 capital and surplus of its parent bank shall publish its entire
 19 portfolio at a date and in a manner to be prescribed by
 20 the Comptroller of the Currency but not oftener than once
 21 annually, and every affiliate which shall be so indebted to
 22 an amount in excess of 10 per centum of the capital and
 23 surplus of its parent bank, shall be required to publish its
 24 portfolio in at least one daily newspaper issued in the place
 25 where such bank is located within ten days after receiving

1 notice therefor from the Comptroller, but such publication
 2 shall not be considered as a substitute for the annual pub-
 3 lication hereinbefore required."

4 SEC. ²⁸32. The first paragraph of section 5240 of the
 5 Revised Statutes, as amended, is amended by ^{inserting before the period at the} adding at the
 6 end of the first paragraph thereof ^{a colon and} the following proviso:
 7 " ^{three} Provided, That during the period of ~~two~~ years after this
 8 section as amended takes effect, in making the examination
 9 of any national bank or of any other member bank, the
 10 examiner shall include an examination of the affairs of all
 11 affiliates of such bank, and in the event of the refusal to give
 12 any information required in the course of the examination
 13 of any such affiliate, or in the event of the refusal to permit
 14 such examination, all the rights, privileges, and franchises
 15 of the bank shall be thereby forfeited, if a national bank,
 16 and if a bank or trust company organized under the law of
 17 any State, membership in the Federal reserve bank of its
 18 district shall be forfeited and no notice of the termination of
 19 such membership shall be required. The Comptroller of the
 20 Currency shall have power, and he is hereby authorized, to
 21 publish the report of his examination of any national bank-
 22 ing association or affiliate which shall not within one
 23 hundred and twenty days after notification of the recom-
 24 mendations or suggestions of the Comptroller, based on said
 25 examination, have complied with the same to his satisfac-

1800. Ninety days' notice prior to such publicity shall be given to the bank or affiliate."

3 ~~SEC. 33. The Act entitled "An Act to supplement~~
~~Sec. 29. (a) Whenever, in the opinion of the Com-~~
~~troller of the Currency, any director or officer of a national~~
~~bank, or of a bank or trust company doing business in the~~
~~district of Columbia, or whenever, in the opinion of a Fed-~~
~~eral reserve agent, any director or officer of a member bank~~
~~of his district (other than a national bank), shall have per-~~
~~sistently violated any law relating to such bank or trust~~
~~company or shall have continued unsafe or unsound prac-~~
~~tices in conducting the business of such bank or trust~~
~~company, the Comptroller or the Federal reserve agent, as the case may~~
~~be, shall certify the facts to the Governor of the Federal~~
~~Reserve Board. Thereupon the Governor of the Federal~~
~~Reserve Board shall serve notice upon such director or officer~~
~~to appear before a committee consisting of the Governor, the~~
~~Comptroller of the Currency, and the Federal reserve agent,~~
~~of the district in which such bank or trust company is located~~
~~to show cause why he should not be removed from office. If~~
~~upon such hearing the committee finds that such director or~~
~~officer has persistently violated any such provision or has~~
~~been responsible for the continuance of any such unsafe and~~
~~unsound practices the committee may, in its discretion, by a~~
~~majority vote order that he be removed from office. A copy~~
~~of each such order shall be served upon such director or~~
~~officer and upon the bank or trust company of which he is~~
~~a director or officer. Any such director or officer upon whom~~
~~any such order has been served as herein provided and who~~
~~thereafter participates in any manner in the management of~~
~~such bank or trust company shall be fined not more than~~
~~\$5,000 or imprisoned not more than five years, or both.~~

17 banks incorporated under the laws of a State or of the
 18 United States operating within the United States and en-
 19 gaged in commerce as defined in this Act, shall make to
 20 any individual, other corporation (except its own subsidi-
 21 aries), private banker, or incorporated banker, loans secured
 22 by collateral; and every violation of the provisions of this
 23 paragraph shall be punishable by a fine of \$5,000 per day
 24 during the continuance of such violation.

1 ~~"No corporation engaged in commerce as defined in~~
 2 this Act shall place its funds on deposit with any individual,
 3 private banker, or banking association, or trust company,
 4 except banking associations incorporated under the laws of
 5 the United States or of some one of the States or Territories
 6 thereof; and every violation of the provisions of this para-
 7 graph shall be punishable by a fine of not less than \$1,000
 8 per day for each day during which such violation continues;
 9 and no corporation which shall fail to deposit its funds in
 10 banking associations incorporated under the United States
 11 or of some one of the States or Territories thereof shall
 12 engage in such commerce."

13 ~~SEC. 34.~~ ³⁰ The right to alter, amend, or repeal this
 14 Act is hereby expressly reserved. If any clause, sentence,
 15 paragraph, or part of this Act shall for any reason be
 16 adjudged by any court of competent jurisdiction to be invalid,
 17 such judgment shall not affect, impair, or invalidate the
 18 remainder of this Act, but shall be confined in its operation
 19 to the clause, sentence, paragraph, or part thereof directly
 20 involved in the controversy in which such judgment shall
 21 have been rendered.

A BILL

To provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

By Mr. GLASS

JANUARY 21, 1932

Read twice and referred to the Committee on Banking and Currency