

WHO IS ENTITLED TO THE
CREDIT FOR THE FEDERAL
RESERVE ACT?

AN ANSWER TO
SENATOR CARTER GLASS

1927

By
SAMUEL UNTERMYER

FOREWORD

During the past Winter, whilst the undersigned was absent from this country on a world tour, the New York Evening Post published a series of articles by Senator Carter Glass of Virginia, who was Chairman of a Sub-Committee of the House of Representatives at the time of the framing of the Federal Reserve Act. These articles have now been embodied by him in a book entitled "Adventures in Constructive Finance". The manifest purpose was to picture Senator Glass in the role of the sole author of that historic piece of legislation and all others as at best assistants or supernumeraries.

In order to accomplish that purpose and to emphasize his importance in the results achieved, Senator Glass saw fit not only to bitterly assail the integrity of Colonel House and to belittle and grossly misrepresent the work of the undersigned, but to minimize the important part played by Mr. McAdoo, to ignore the influence of Colonel Bryan and above all to take from Senator Robert L. Owen of Oklahoma the credit to which he more than any other man is entitled of being in effect the true author and draftsman of the present Bill, and by far the chief and overshadowing figure of all of us who had the good fortune to be identified with that historic accomplishment.

The accompanying letters between the undersigned and Senator Owen (who was Chairman of the U. S. Senate Committee on Currency and Finance when the Federal Reserve Act was under consideration and passed), and the attached exhibits, are largely self-explanatory.

It is believed that they fully establish:

(1) That the Federal Reserve Act is the direct outcome of the disclosures of the dangerous concentration of the control of money and credits by the Pujo Investigating Committee of the House of Representatives of the 1912-13 Congress, for which the undersigned had the honor of acting as Counsel and investigator, and that proved the existence of a vast Money Trust which it was the design of the Federal Reserve Act to destroy.

(2) That Senator Glass is not the chief author of the Federal Reserve Act, nor is he justly entitled to the main credit for its enactment, but that on the contrary that credit belongs to Senator Owen who had deeply studied the subject and equipped himself for the difficult task over a long period of years.

(3) That the references of Senator Glass to the part of the undersigned in the preparation of the so-called Treasury Bureau Bill or in the efforts to have it substituted for the Federal Reserve Act are fiction pure and simple from beginning to end; that the

undersigned (a) at no time knew or heard of any such Bill until the appearance of Senator Glass' interesting work of imagination; (b) that the entire record of the undersigned and his writings and speeches on currency legislation are diametrically opposed to every principle of this Treasury Bureau Bill and were at all times in support of the plan and principles of the Federal Reserve Act, which was in line with all that he ardently and openly supported at every stage; (c) that he actively collaborated with Senator Owen in the Federal Reserve Act in substantially the form as passed and had consistently opposed everything for which the Treasury Bureau Bill stood, the authorship and championship of which are baselessly sought to be attributed to him by Senator Glass.

(4) That Senator Glass' fable of a scheme on the part of Colonel House and Mr. McAdoo or anyone else to have the undersigned slipped into the White House at night to argue with the President in favor of the Treasury Bureau Bill should not have imposed upon the credulity of a new-born babe and should certainly not have been swallowed by Senator Glass as the undersigned had access to the White House whenever he so chose.

(5) That it was upon the urgent insistence of the undersigned that Colonel William Jennings Bryan went to the President and demanded that the fundamental policies that were finally retained in the Federal Reserve Act, after a struggle to the death with the powerful banking interests for (1) Regional Banks as against a Central Bank; (2) Government money as against Bank money; and (3) Government control of the system as against banking control, be so retained.

(6) That Mr. McAdoo, so far from having advocated this so-called Treasury Bureau Bill does not appear ever to have seen or heard of it—that at least is what he has told Senator Owen; and that Mr. Tumulty has no record or recollection of any such incident as that referred to by Senator Glass.

(7) That in his credulity and carelessness in accepting rumor and hearsay, Senator Glass was manifestly imposed upon as was the President, in attributing to the undersigned either the paternity, championship or knowledge of this Treasury Bureau Bill which he had never seen or heard of, but that when confronted with the facts Senator Glass has lacked the courage to confess and correct his error. And so he has now, after due warning, deliberately chosen to put forth over his name a work of fiction in the guise of an historical survey of a great event in the history of our country.

That attitude seems quite consistent with the other parts of his book in which he by indirection and implication undertakes to filch from Senator Owen and others and to take unto himself credit for accomplishments to which he is not entitled and which history will not accord him. He had an honorable and creditable part in the legislation within the limitations of his powers, but by reason of want of familiarity with the many details connected with the complicated subject of currency reform and his consequent necessity for reliance upon others, he had a decidedly subsidiary part and if left to his own devices would

unintentionally have wrecked this Great Adventure in constructive legislation.

Whether or not it was the revelations by the Pujo Committee of the stranglehold of the great banks and financiers (which had stirred the nation to its very depths, as had no other disclosures in a generation) that made possible the Federal Reserve Act against the wild protests and warnings of financial disaster by the leading bankers of the country, must be left to others to say. There can however be no doubt that next to President Wilson, Senator Owen primarily and then Mr. McAdoo are mainly responsible for the structure of the Federal Reserve Act.

President Wilson deserves the everlasting gratitude of the Country for the resolute manner in which he put all the power of his Administration behind the Currency Reform and for his wise decisions, first in supporting Senator Owen in giving the Government control of the System through a Reserve Board consisting exclusively of Government officials; second, in having the money furnished the Reserve Banks consist of United States Treasury Notes, secured by Commercial bills with gold redemption.

SAMUEL UNTERMYER.

GREYSTONE, YONKERS, N. Y.

JUNE 18TH, 1927.

May 10, 1927.

Hon. Robert L. Owen,
Washington Investment Building,
Washington, D. C.

My dear Senator:

On my return within the past few weeks from a tour of the world my attention is called to a book by Senator Carter Glass entitled "Adventures in Constructive Finance", published by Doubleday, Page & Co., which I have read with amazement. Not only with respect to the offensive and untruthful statements concerning me but as well to those concerning you and your connection with the Federal Reserve Act.

When the first or second of these articles was published during my absence (I was in Japan at the time), my son was so incensed at their tone that he sent me a cable reading as follows:

"In serial article in today's Evening Post Carter Glass asserts you sponsored currency plan which he derisively refers to as Central-Bank-greenback scheme in opposition to Federal Reserve Act intimates that Wilson was urged permit you be slipped into White House by House and McAdoo to advocate scheme."

Having always held Senator Glass in high esteem and knowing that these statements concerning me were all pure fiction from beginning to end I was at a loss to understand upon what justification he wrote and published these articles. I cabled my son, in reply, as follows:

"Glass is either dreaming or senile—probably the latter. The story published by him in January 18th and 19th issues of the New York Evening Post is utterly ridiculous as Senator Owen, McAdoo and others, as well as my own public utterances at the time, will prove. In this connection I particularly call attention to the article written by me that appeared in the October, 1913, issue of the North American Review, entitled "WHY THE PENDING BILL SHOULD PASS." A mere reading of that article, in which I ardently advocated the enactment of the Federal Reserve Act as against the Central Bank idea contemplated by the Aldrich Bill and insisted upon by the bankers, will prove conclusively to anyone who will take the trouble to read it the absurdity of the claims that are now being advanced by Senator Glass. The Federal Reserve Act was the direct outcome of the Pujo investigation which exposed the then existing dangerous money concentration. Its purpose was decentralization through regional banks utilizing Government money and under Government control as against the demands of the bankers for a central bank with banking money and under banking control. The bankers, with their usual vision, predicted disaster if our Bill passed. Within two years they were hailing it as the country's deliverance. On learning of Glass's

first proposed measure providing for banking money and banking control I immediately visited Wilson with Bryan who announced to Wilson his determination to defeat Glass's first scheme. As a result it never saw the light of day. Senator Owen knows the facts and I believe has a copy of Glass's first draft. Glass's story about House and me is pure fiction. I never saw House in any way in connection with the subject. At that time Glass knew nothing about Banking. Willis Parker drew his bill. Senator Owen and McAdoo deserve the chief credit for the legislation,"

which I now confirm.

It appears that when this cable was published, Senator Glass gave out for publication an interview reading as follows:

"Those who have followed my narrative of Federal Reserve legislation being printed in the New York Evening Post will know that I have in my possession indubitable documentary proof of my statement concerning the proposal of Colonel House to slip Mr. Untermyer in the White House for a secret interview with President Wilson in behalf of a substitute currency plan. It is in the nature of a letter from Colonel House to Mr. Wilson, dated May 20, 1913, embodying textually that exact proposition.

As for Mr. Untermyer's rash assertion that 'Glass's story about House and me is pure fiction', and his statement that he 'never saw House in any way in connection with the subject', when he gets back from Japan he will find that I have been engaged in stripping and not inventing fiction; and if he shall still think he 'never saw House' or talked with him on the currency question, the two may jointly debate the issue of veracity thus projected, with Professor Charles Seymour acting as judge of the discussion. The decision will not in the remotest degree affect the absolute verity of my Federal Reserve narrative.

Finally, it may develop that when Mr. Untermyer returns to America he will curse his luck in having been provoked into spending a good round sum in cable tolls to revive the fact that he wrote an article in The North American Review for October, 1913, in favor of the Federal Reserve bill, whereas in my narrative in the Evening Post I had already credited him with having written me a vigorous letter to the same effect as early as August, 1913. Neither incident alters the fact that in May, 1913, Colonel House was trying to have Mr. Untermyer secretly slipped into the White House to advocate a different scheme. Before Mr. Untermyer does any more cabling he would better have a talk with Colonel House, or at least find out what it is all about.

Allow me to say, in conclusion, that I do not relish this turning aside to knock down chips while my Federal Reserve narrative is in process of being printed. When publication of it is ended, if anybody wants to assail its historical accuracy, I shall cheerfully meet any point of controversy."

It is my intention, at the earliest possible date, to "set the record straight", and to that end I ask in common fairness both to yourself

and me that you will be good enough to furnish me with a statement of your connection with the Federal Reserve Act and of mine—so far as you personally knew of it.

I am familiar with your great record of public service in the domain of Currency Reform, both before and after you entered the United States Senate. I happen also, as you know, to be very familiar with the herculean task you performed in the framing of the present Federal Reserve Act, as a result of your years of study and months of negotiation, and other work connected with the present law, for I was with you during many of those phases.

It is important that this matter, from the view-point of history, shall be set straight and that the men who strove incessantly and successfully to place that great piece of legislation on the statute books should get the credit that is their due.

Reading Senator Glass's book one would imagine that he was the architect of that epoch-making piece of legislation—which would be far from the fact. The tenacity with which he seeks to magnify his altogether creditable part in that great work by belittling the share of others like yourself and Mr. McAdoo is most surprising and disappointing. Still, if at the time of sending my cable from Japan I had been advised of the full text of his articles I would not have been so offensively outspoken in my comments although there is not a grain of truth in his references to me. At no time did I prepare, see or even hear of any such proposed Bill as that to which he refers. Not until I read his book was I aware of any such suggestion. It was diametrically opposed in principle to everything for which I consistently stood and fought.

I am now disposed to believe that both President Wilson and Senator Glass were cruelly imposed upon by someone who thought that by connecting my name with this proposed legislation he could, by reason of my known progressive views and my connection with the Pujo Investigation, then just concluded, effectually divert suspicion from the real authors and advocates of the Bill. That is the only possible explanation that occurs to me.

Please let me hear from you.

With kind regards,

Sincerely yours,

SAMUEL UNTERMYER.

SU-R

MAY 14, 1927.

SAMUEL UNTERMYER, ESQUIRE,
120 Broadway,
New York City.

MY DEAR MR. UNTERMYER:

Your letter of May 10th referring to the statements published in a book by Senator Carter Glass, entitled, "An Adventure in Constructive Finance", is received.

I note the cable sent you by your son, and your cabled reply. I am utterly at a loss to understand how Mr. Glass could have been so misled, unless perhaps, he overlooked the fact, that after demolishing Col. House as a witness against himself, with my help, he could not, in common fairness, use the annihilated Colonel as a witness to discredit me or you either.

You express your desire of setting the record straight, and in answer to your request that I furnish you with a statement of my connection with the Federal Reserve Act and of your association with the matter as far as I personally knew of it, I gladly comply.

I have just read the chapter in Mr. Glass' book, Chapter 6, entitled "A Threatening Flank Movement—An Intrigue to Wreck the Measure—President Wilson Puts an End to it", in which Colonel House appears to have sent and supported a bill to create a Bureau Bank in the United States Treasury with all the elements of a central bank involving a tremendous issue of Treasury notes to supersede outstanding greenbacks and gold certificates, and seeming to contemplate a seizure of the gold in trust behind the certificate.

George M. Reynolds, of Chicago, is quoted as referring to this measure as a bill sponsored by the people in the Treasury Department, with a basis of "fiat" money.

Mr. Glass describes Colonel House as tiptoeing on the scene as an advocate of this "central-bank-greenback scheme", and pressing the President for a personal interview for you, in order that this scheme might be presented "in all its alluring aspects", "and the Federal Reserve Bill ditched", etc. He states that Mr. McAdoo insisted on this Treasury Bureau plan and said it had the endorsement of eminent bankers and urged its substitution for a bill Mr. Glass favored. Mr. Glass recites that Mr. McAdoo told him that I thoroughly approved this so-called Treasury Bill. Mr. Glass says he could readily believe this because of expressions akin to it which he had heard me use.

I never heard of the bill as far as I know. My files show no record of it. My then secretary, Mr. James W. Beller, advises me that he never heard of it. The proposal of a central bank and fiat money flatly contradict everything that I have believed in. I was always consistently opposed to a central bank and to fiat money.

In reading this chapter, I think the impression would be left on the mind of the ordinary reader that you, Mr. McAdoo, Colonel House and myself were then engaged in an intrigue to ditch the Bill Mr. Glass favored; that the President did not seem especially impressed, but conceivably had given tacit permission for the experimental attempt at the rival plan.

Mr. Glass narrates that on his protest against the House bill the President gave his decision against it, and Mr. McAdoo graciously acquiesced.

The imputation that I ever at any time favored a central bank, or that I ever at any time favored fiat money or greenbacks or unsecured bank notes for money has no foundation whatever, and from what I knew of your views, it is inconceivable to me that you could have done so.

My own connection with the banking acts of the United States began in 1890 when I sought and obtained an amendment to the National Bank Act extending its provisions to the Indian territory. I thereupon organized the first national bank in Indian territory, the largest bank in then Eastern Oklahoma. I was president of it ten years, have been a director of it for thirty-seven years, have directed its policies; conducting its policies successfully through several panics. It has never failed to pay its dividends with perfect regularity, and is a model now. I had had practical banking experience for over twenty years before entering the Senate.

I studied the principles of banking with the direct object of mastering them. I demanded a plank in the Democratic platform at Chicago in 1896 for emergency currency, and was assisted by Honorable Charles S. Thomas of Colorado, William J. Bryan and Allan Thurman.

In 1898 I went to Europe and visited the Governor of the Bank of England, the Governor and Directors of the Bank of France, and the officials of the Reichbank of Berlin, and studied their methods for stabilizing credit and preventing panics.

In 1899 I wrote a series of articles explaining how these principles worked out by these European banks could be applied to the National Bank system in the United States.

Some of these articles, published in 1899, can be seen in the Congressional Record of February 25th, 1908 (p. 2453) advocating an elastic currency adequately secured by collateral.

On February 6th, 1900, (Cong. Rec. 1534) Hon. Jas. K. Jones, then Democratic leader of the U. S. Senate, offered an amendment to the Aldrich bill proposing an emergency currency, adequately secured, with automatic contraction provisions to prevent inflation. These notes were U. S. Treasury notes. I drew the amendment.

On February 25, 1908, (Cong. Rec. 2429) within about two months after my admission to the United States Senate, I put into the Record a letter of Hon. Jas. K. Jones, acknowledging my authorship of this amendment, a copy of the amendment itself, and the article written in 1899 above referred to.

On this day in a three hour speech (Cong. Rec. 2427), I discussed the Aldrich bill for currency associations then pending and made many constructive suggestions. For example,

1st: That the volume of such emergency elastic currency should not be limited except by the actual requirements of our commerce. (p. 2435) This was accomplished by the Federal Reserve Act.

2nd: That this currency should not be National Bank notes but United States Treasury notes based upon collateral security and the credit of the banks, and supported by the taxing power of the people of the United States. This was accomplished by the Federal Reserve Act.

3rd: The retirement of the bond secured National Bank notes and the issuance in lieu thereof Treasury notes above referred to payable in gold (p. 2436). This plan was written into the Federal Reserve Act.

4th: The issuance of Treasury notes (p. 2436) as such elastic currency using gold as cover of the new currency together with the other securities. This has been accomplished in the Federal Reserve Act.

5th: The Readjustment of Cash Reserves (p. 2444) so that they would be real reserves and actually available. This was done in the Federal Reserve Act.

6th: I stated at that time the fundamental principles which should govern the Statutes on Banking and that the objects of vital importance to be attained were:

“The prevention of panic,
the protection of our commerce,
the stability of business conditions,
and the maintenance in active operation
of the productive energies of the Nation.”

7th: I pointed out that the vital defect of the Vreeland Aldrich Bill was in putting the currency system in the control of the banks and making the currency difficult of access and expensive. These errors were all corrected in the Federal Reserve Act.

The Vreeland Aldrich Act, upon my demand made on the floor of the U. S. Senate, March 25th, 1908, p. 3874, and accepted by Senator Aldrich provided for the National Monetary Commission. The Commission sat for four years, collected a library of 2500 volumes, made a report of 33 volumes, and brought in a bill in 1912 proposing to repeat many of the errors I had pointed out, such as Bank control, bank notes for currency, a central bank, etc. and to which I was unalterably opposed.

The objections I had pointed out February 25th, 1908 (pp. 2433 and 2435) on the issuance of currency, that the limitations of Sections 1 and 3 and 5 of the Vreeland Aldrich Act were unwise, proved to be very real indeed, and on Friday, July 31, 1914, when the European War broke out, I drew and offered an amendment suspending limitations imposed. On Wednesday, August 4th, both Houses had agreed on the bill and in the meantime over \$300,000,000 of Emergency Currency was shipped to New York and a dangerous war panic prevented by the suspension of the limitations of Sections 1, 3 and 5 *against which I had protested February 25th, 1908.*

In this action Mr. Glass and Mr. McAdoo cooperated and Frank A. Vanderlip and Charles C. Glover were very active advocates.

When the National Monetary Commission drew up its bill in 1912 to establish a central bank under bank control with bank notes for money, a propaganda was put on to secure public approval. The Democrats resisted this plan and opposed the so-called “Money Trust”.

The House of Representatives under Resolutions 405, 429 and 504 authorized an investigation (Sixty-second Cong., 2nd Sess.) to

ascertain the facts to enable the Congress to determine what legislation was needed. On May 16th, 1912, the sub-committee of which Mr. Pujo, of Louisiana, then Chairman of the Committee on Banking and Currency, was chairman, met to consider the subject of the "money trust".

You conducted this inquiry, and in my judgment you were the best qualified man in America to do it.

The hearings continued to February 26, 1913. The Record makes 2226 pages and your report on the "Money Trust" made a profound impression on Congress and on the country. It did you great credit and contributed in the most important way to crystalize public opinion in support of the Wilson Administration in passing the Federal Reserve Act. I certainly felt grateful to you for this valuable and patriotic service, and for that reason, knowing your progressive and liberal views, I sought your advice frequently in working on the Currency Bill. You were certainly generous in the extreme. At your home you made various engagements for me to meet severally Frank A. Vanderbilt, A. Barton Hepburn, Paul Warburg and others whose intimate views I desired in framing the Federal Reserve Act.

When the Democratic Senate met in March 1913, I took part in organizing the more progressive Democrats in order to select a more sympathetic chairman of the Democratic Conference and thus control the Committee on Committees, of which I became a member.

The Committee on Committees on my request divided the Finance Committee and gave its jurisdiction on Banking and Currency to a new Committee called "The Committee on Banking and Currency". My associates selected me as its chairman on the sole ground of qualifications, already established on the floor of the Senate, and in spite of my representing a new state of comparatively small population and wealth.

I had entered the Senate with this end in view and in the hope I might be of real service to my country in improving the Banking Laws whose deficiencies as a practical banker I had had many concrete reasons to keenly appreciate.

Immediately, and to the exclusion of everything else, I devoted myself to this Bill and gave it my entire time until it was signed December 23, 1913.

I framed a Bill in March and April and had a Committee print made of it the 27th of May, 1913 (copy enclosed) providing in Section 2 for eight reserve banks, with corporate powers, capital to be provided by national banks as member banks, with six directors representing the member banks and three directors appointed by the President on the suggestion of a Governing Board. The banks were distributed from Boston to San Francisco and from Chicago to New Orleans.

Section 6 provided for a Board of Governors of seven persons, including the Secretary of the Treasury and Comptroller of the Currency but all of them government officials, with general supervisory power over the Reserve System.

Section 13 provided for a note circulation consisting of U. S. Treasury notes issued to the Reserve Bank, redeemable on demand in gold and secured by a first lien "upon all the assets" of the Reserve

Bank and further protected by "Prime commercial paper as collateral security" for the return of such notes to the U. S. Treasury. "Prime commercial paper" was defined in Article 1 as "a commercial bill, payable within four months, signed by at least two persons, either of whom shall be good for such bill and one of whom shall be a member bank, such commercial bill to be based upon an actual commercial transaction and not to be based upon a permanent investment."

These principles of sections 2, 6 and 13 for regional banks, a government controlled Board and Treasury notes secured by collateral became the law.

When this draft was written I was chairman of the U. S. Senate Committee on Banking and Currency and had the Committee prints made about *May first*, 1913, for the use of the Committee members and to submit to various citizens qualified to make useful suggestions. I had no reason to change my views on these fundamental principles and did not do so.

About *June first*, 1913, W. Parker Willis, of New York, brought to my residence at Leroy Place, in Washington, D. C., the draft made by him under the direction of Mr. Carter Glass, then, or about to be made, chairman of the Banking and Currency Committee of the House of Representatives.

Mr. Glass did not become Chairman of the Banking Committee until June 3, 1913, seven days after the Government Printing Office had printed my bill.

I was advised that this bill had been submitted to President Wilson and Secretary McAdoo and that it met their general approval in principle. When I examined the Willis draft I was disturbed to find that while the bill provided for twenty reserve cities and twenty reserve banks it put them all under one controlling directory of forty-three members, forty of whom were to be elected by the Directors of the twenty Federal Reserve Banks and only three ex-officio members representing the United States, thus putting the effective control of the Credit System in the hands of a central banking board of private persons. (Section 10).

An Executive Board was proposed to consist of nine members, three practical bankers, three named for long terms by the President and three ex-officio members, the Secretary of the Treasury, the Comptroller of the Currency and the Secretary of Agriculture.

The Executive Committee to be under the by-laws and subject to two-third vote of the full board. (Section 11).

I did not regard this plan as a compliance with the Democratic National Platform which had declared against "the establishment of a central bank" and I insisted on the plan I had drawn of a Board consisting exclusively of government officials. Being unable to induce Mr. Glass to concur with my views, we submitted the matter to Mr. Wilson at the White House in June 1913. We had a conference of about two hours in the Cabinet Room and Mr. Wilson decided to support my views. The bankers violently protested and Mr. Glass gives an account of their protest in his book "An Adventure in Constructive Finance", in Chapter 7, entitled "The Bankers Excluded".

The Willis draft, also Section 23, provided that the Federal Reserve notes should be bank notes instead of Treasury notes and pro-

posed "Said notes shall be in all respects similar to existing National Bank notes except that they shall not bear any legend or superscription indicating that they are secured by United States or other bonds", and these notes were to be printed and delivered to any National Reserve Bank in an amount not to exceed "a sum equal in the aggregate to double the face value of the capital stock of such bank."

This provision was not acceptable to me because:

1st: Making the money of the country mere bank notes did not make it sufficiently secure.

2nd: It gave the National banks control of the money of the country.

3rd: It expanded their power over the Credit System.

4th: It put an unnecessary restriction on the issue.

5th: They were not secured by commercial bills or collateral.

6th: It was contrary to democratic doctrine and the Party Platforms.

The platform of 1908, for example, declared that the "Currency should be issued and controlled by the federal government and loaned on adequate security to National and State banks."

My own draft had followed the National Platform and what I conceived to be the better policy. You will recall how tenaciously I defended this position in a six hour conference with Paul Warburg at Greystone in your presence where he took the opposing positions.

I immediately called on Wm. J. Bryan at Calumet Place and obtained his cooperation to correct this grave error on the currency of the Willis draft. He assisted me and Joseph P. Tumulty, then Secretary to the President, cooperated and my views prevailed.

These fundamentals being reconciled, Mr. Glass and myself on June 26th, 1913, introduced identical bills as a basis for discussion in Congress.

On September 17, 1913, the House passed the bill.

On Tuesday, September 2nd, 1913, as chairman, I called the Banking and Currency Committee of the Senate to begin hearings on the Senate Bill, concluding the hearings on October 27, 1913, taking testimony of 3100 pages. I presided at these hearings.

On October 25th, 1913, the hearings before the Senate Committee which consisted of 7 Democrats and 5 Republicans, closed and were followed by various executive sessions which demonstrated that it was impossible to obtain a committee report in the usual manner, because Mr. Hitchcock of Nebraska, joined the Republicans against his Democratic colleagues, dividing the Committee in 6 and 6. I then endeavored to get the six Democratic members together but was only able to obtain the sympathetic cooperation of three of them, two of them not fully approving my views.

These three authorized me however, to frame the bill, which I did, with constant collaboration with them. When we had finished this task, the other two Democratic members consented to join the four members referred to and I made various concessions in order to get a bill which we could present to the Democratic conference, reserving the right, however, to bring up in conference any point upon which we had disagreed. Thereupon, the Democratic members of the Senate, excepting

Senator Hitchcock, met daily and for three weeks I defended the bill in conferences frequently extending all day. The result was a bill with which I was completely satisfied, and which was acceptable to the Democratic conference and was put through the Senate of the United States as a Democratic Party measure.

The original bill upon which Mr. Glass and myself tentatively agreed and introduced June 26th, passed the House with some modifications, but the changes in the Senate were so numerous when we had finished this work, that I moved to strike out the House bill and substitute the Senate bill which I had prepared and worked out in the Democratic conference.

Senator Hitchcock who took the pains to examine into it, said on November 25th, 1913 (Congressional Record p. 6783) that only 40% of the House bill remained. I think this is quite unimportant as the fundamental principles upon which Senator Glass and myself had agreed on June 26th remained in the bill, except that I recall I insisted on having the United States Treasury retain its independence in making deposits.

On December 19, 1913, *my substitute for the House bill was agreed to*, yeas 54, nays 34. I found it expedient to have nine conferees appointed on behalf of the Senate in order that I could control as a party matter the conferees. This I did by having four out of the six Democrats, in active sympathy with me, and having the conference report treated as a Democratic party measure in which we did not permit the Republican members to divide the Democrats and thus block or change the legislation. This explains why the conference report was signed only by Democrats.

On December 20th the House appointed its three conferees. The conference report was agreed to in the House by 298 to 60, and in the Senate at 2:30 P. M. on December 23rd 1913 by 43 yeas and 25 nays.

The House conferees struck out two items I thought of special value, one on domestic acceptances which was written into the bill subsequently September 7th, 1916, and one providing for exchange of Reserve notes for gold. This latter provision was subsequently accepted by Congress and proved useful.

That same afternoon, December 23rd, the President signed the bill and presented me with one of the gold pens with which he signed the bill and a letter of appreciation for my services in which he was gracious enough to say:

"The whole country owes you a debt of gratitude and admiration. It has been a pleasure to have been associated with you in so great a piece of constructive legislation."

I was presented with a copy of the act on vellum, identical in form with the bill which the President signed, and containing the signatures of the officers of the United States Senate and of the House of Representatives and of the President, also a full set of the first Federal Reserve notes properly framed.

I thought Mr. McAdoo entitled to great credit in the matter. The action of President Wilson in making it an Administration measure throwing his full strength behind it, settling disputes between parties to the legislation was splendid and vital to success

I wrote a reminiscence of my personal connection with the Federal Reserve Act in 1919, after it had proved its worth, a copy of which I enclose. You will find in this little book that I gladly gave Mr. Glass full credit for his services as Chairman of the House Committee, and that I also recognized the work done by the Committee members of both the House and the Senate and of the great bankers, business men and counselors who helped perfect this measure.

It would be extremely distasteful to me to engage in any controversy with Mr. Glass as to who rendered the greater service. He did his utmost to be of service and so did I. Under the circumstances, since it was your wonderful work in conducting the Pujo investigation that exposed the money trust, and since I personally framed and had printed, as Chairman of the Committee on Banking and Currency of the United States Senate, the Federal Reserve Bill, whose fundamental principles were afterwards written into the act, *and did this before Mr. Willis ever presented his first draft which I rejected, and which was never printed*, it seems somewhat ungracious for my life-time friend, Mr. Glass, to portray me as approving an intrigue to wreck the measure, or to belittle, in any way, either you or me, in his narrative. I still retain in a vault the original Willis Bill with Mr. Glass' notes on it, in his own handwriting, as a part of my voluminous records of this interesting legislative experience.

Mr. Willis did a perfectly natural thing in following the National Monetary Commission bill in making his preliminary draft and Mr. Glass did a natural thing in supporting his expert, for whom he had great respect, in yielding something to the bankers' views in order to reconcile them to enter the New System. We were all feeling our way with a patriotic end in view.

There is enough credit in the whole performance to do honor to all the leading participants without questioning the loyalty or in any way discrediting any who tried to help.

I sympathized, however, with Mr. Glass' displeasure with Colonel House's very unfair references to him and gave him a letter which he used in his book to discredit Colonel House, as a witness against him. Naturally, I do not relish this witness then being used by him to discredit me, or to discredit you.

I know of my own knowledge that your views were substantially the same as mine, and the photograph of Mr. Wilson's memorandum referring to "Mr. Untermeyer's paper" is not in the least convincing to me that the paper referred to in any way contradicts what I personally know of your attitude. Your patriotic services in this matter were very extraordinary and deserve the admiration of the country.

Yours very respectfully,

ROBT. L. OWEN.

May 19, 1927

Hon. Robert L. Owen
Washington Investment Building
Washington, D. C.

My dear Senator,

I am greatly indebted to you for the masterly exposition of the history of your commanding part in the framing and the struggle for the enactment of the historic Federal Reserve Act and for your all-too-generous recognition of my share in that epoch-making legislation of Currency Reform, which enabled our country successfully to jump the financial hurdles and pitfalls of the World War, and has been largely responsible for the marvelous expansion and stability that we have ever since enjoyed.

As you rightly say

"There is enough credit in the whole performance to do honor to all the leading participants without questioning the loyalty or in any way discrediting any who tried to help."

One might have wished that Senator Glass, for the sake of his own reputation, would have approached the writing of his book from that point of view.

As I review the facts, it was largely your firm and patriotic stand, in which I modestly co-operated to the extent of my limited opportunities, that circumvented the efforts and propaganda of the "Money Trust" to foist upon Senator Glass and Congress the Willis draft, misguidedly sponsored by Senator Glass, which provided (1) that the money of the country should be bank notes instead of Government money, which it happily now is; (2) that the National Banks should have control of our money; (3) that the domination of the system be entrusted to the tender mercies of the banks and bankers; (4) that the power of the banks over the credit system be expanded, and in short, it placed the banks instead of the Government in the saddle.

I doubt whether the people of the country realize the full extent of their debt of gratitude to you for your part in killing aborning that vicious piece of legislation.

In this connection, due credit should also be given to the memory of our dear friend, William Jennings Bryan, who was an important factor in bringing about the defeat of that scheme. He warned President Wilson that if the features of the bill drafted by Mr. Willis for Senator Glass, and urged upon the President, to which you refer, were introduced, he would use all his influence (he was then Secretary of State and his influence was great) with the members of Congress and throughout the country to accomplish its defeat. This is not conjecture or hearsay. I know it, for it was upon my urgent request that he went with me to the White House, as the result of a special "hurry-call" visit made by me to Washington for the purpose, upon being informed by telephone of what was im-

pending. You recall that the Bill, of which you have a copy with the original notes of Senator Glass upon it, never saw the light of day. That, and your objection, were the reasons.

How Senator Glass could have been so gullible as to permit himself to be imposed upon to the extent of believing that you or I would or could, in the face of our records to the contrary, tolerate or fail to oppose, much less champion or support the so-called Treasury Bureau Bank scheme, to which he refers, is past understanding. That he should have allowed himself to be so deceived does far greater credit to his credulity than to his judgment. He admits having read your and my articles in the October 1913 North American Review, in which we vigorously combated every proposal now said to have been embodied in this so-called Bureau Bank Bill, of which I am supposed to have been the author, but which I have never yet seen and of the existence of which I never even heard until Senator Glass wrote his interesting work of fiction.

It is not unlikely that whoever sought to impose this product of the "Money Trust" on President Wilson thought he could best disguise and mislead the President as to its source by imputing it to me because of the known antagonism to me as the author of their woes and because of my exposure of the "Money Trust" in the investigation that was responsible for the Currency legislation. It was an exceedingly stupid piece of misrepresentation that was bound to have been disclosed if the Bill had ever reached the light of day.

The sole purpose of the Money Trust investigation was to expose the centralization of the control of money and credit and to correct it by **de-centralizing** such control through a regional system, with Government money and under Government domination.

The President was apparently for the moment deceived, but Senator Glass, writing 14 years later what he believed to be history, should have taken the ordinary precaution expected of the historian of verifying his hearsay information, which he could readily have done. If his work is discredited, he has only himself to blame. As an old newspaper man, he should have known enough to differentiate between the looseness that necessarily characterizes newspaper gossip and the accuracy required in writing history.

It is unnecessary to enlarge upon Senator Glass's inaccuracies and unbelievable unfairness in dealing with and trying to belittle your dominating part in order to magnify his own importance, for your dignified, analytical and illuminating letter demonstrates how preeminently you are qualified to take care of yourself.

For my own part, I am satisfied to close the discussion by again emphatically denying (1) that I ever discussed Currency legislation with Colonel House, either directly or indirectly by word, correspondence or otherwise or had any occasion to know or suspect that he was interested therein; or (2) that there was any basis or excuse for the letter said to have been written by Colonel House to the President which was a pure myth insofar as I am concerned; or (3) that I ever saw, knew or heard of the so-called Treasury Bill to which Senator Glass refers or of any such suggested legislation; or (4)

had ever been concerned in, supported or encouraged any project other than the Bill which culminated in the Federal Reserve Act.

Does it not seem queer that Senator Glass, after again and again discrediting and denouncing Colonel House (who apparently used my name with the President without authority or excuse and thus apparently misled Senator Glass, and for whom I accordingly hold no brief) and assailing Colonel House's integrity and credulity at every point, should turn about and use Colonel House's statements in his letter to President Wilson as evidence to discredit me as he elsewhere does the same thing to discredit or belittle your efforts.

I rest upon my consistent known record on this subject, often publicly expressed, as conclusively disproving the childish story which Senator Glass apparently swallowed hook, line and sinker, presumably because it suited his insatiable ego to permit himself to be taken in by it and upon it to build his "house of cards".

Strangely enough, Senator Glass, you and I who were brought together in this business, were all born and raised in the little town of Lynchburg, Va., where Senator Glass has continued to live, and this controversy is therefore doubly unpleasant to me as I know it is to you. But I could see no way with justice to myself or to you or others that I could avoid it.

I last heard from Senator Glass (it was through the newspapers) in answer to my cable from Japan. He then promised the country that upon my return he would confront me with "documentary evidence" and that "when publication of it (his articles in the Post) is ended, if anybody wants to assail its historical accuracy, I shall cheerfully meet any point of controversy". Here I am and here is Senator Owen challenging the historical accuracy of his narrative and demanding he either make good or retract and apologize. It remains to be seen whether he will have the courage and manhood to do the latter.

With thanks and best wishes,

Sincerely yours,

SAMUEL UNTERMYER.

[This is the Willis draft referred to in Sen. Owen's letter that was rejected and never printed. Sen. Owen has the draft with Sen. Glass's original notes.]

63RD CONGRESS
FIRST SESSION.

H. R.

In the House of Representatives

1913

Mr. Glass of Virginia introduced the following bill which was referred to the Banking and Currency Committee and ordered to be printed.

A BILL

To provide an elastic currency, furnish means of rediscounting commercial paper, protect the creditors of National Banking Associations, and establish a more effective supervision of banking in the United States.

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

SECTION 1. That the act of May 30, 1908, entitled "An Act to amend the National Banking Law," be and the same is hereby repealed.

SECTION 2. That within sixty days after the passage of this act, the Secretary of the Treasury, the Comptroller of the Currency and the Attorney-General of the United States acting as a "Reserve Bank Organization Committee" shall prepare and publish a list of twenty reserve cities chosen from those now authorized by law and shall divide the continental United States into twenty districts, each district to contain one of the said reserve cities; Provided, That the districts shall be apportioned with due regard to the convenience and customary course of business and not necessarily in harmony with the area of the several States. The districts may be readjusted and new districts may from time to time be created by the Board hereinafter created, acting upon a joint application made by not less than ten National Banks situated within one of the existing districts. The districts thus constituted shall be known as "National Reserve Districts" and shall be designated by number according to the pleasure of the Reserve Bank Organization Committee hereinafter referred to as the Organization Committee. The said Organization Committee shall, in accordance with regulations to be established by themselves proceed to organize in each of the reserve cities aforesaid a National Reserve Bank. Such National Reserve Banks shall be known by the number and district to which they belong;—as "National Reserve Bank; First District"—and so forth. Every National Bank located within a given district shall be required to subscribe to the capital of the National Reserve Bank of that district a sum equal to 20 per centum of its own paid up and unimpaired capital, one half of such subscription to be paid in under the terms and conditions prescribed by the National Banking Act with reference to subscriptions to the stock of National Banking Associations. The remainder of the subscriptions or any part thereof shall become a liability of the subscribers, subject to call and payment thereof whenever necessary to meet the obligations of the National Reserve Bank under such terms and in accordance with such regulations as the Board of Directors of said National Reserve Bank may prescribe: Provided, That no National Reserve Bank shall be organized with a paid up and unimpaired capital at the time of beginning business less in amount than \$5,000,000. The Organization Committee hereinbefore provided for shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this act as it shall

deem necessary; and such expenses shall be payable by the Treasury of the United States upon voucher approved by the Secretary of the Treasury, not to exceed in the aggregate \$50,000.

SECTION 3. That the capital stock of each National Reserve Bank shall be divided into shares of \$100. The outstanding capital stock may be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers, or may be decreased as subscribing banks reduce their capital or leave the organization by liquidation. Each National Reserve Bank may establish branch offices at a point within the National Reserve district in which it is located approved by the Federal Reserve Board, after selection by the Board of Directors of said banking corporation; Provided, That the total number of such branches shall not exceed one for each \$500,000 of the capital stock of said National Reserve Bank.

SECTION 4. That upon duly making and filing with the Comptroller of the currency a certificate in the form required and described in sections 5134, 5135, and 5136, R. S., U. S., the National Banking Associations uniting to form a National Reserve Bank shall become a body corporate and as such and in the name designated in the organization certificate shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136 Revised Statutes; save insofar as the same shall be limited or extended as the case may be, by the provisions of this act.

Every National Reserve Bank shall be organized and conducted under the oversight and control of a Board of Directors, whose powers shall be the same as those conferred upon the boards of directors of National Banking Associations under existing law, except insofar as expressly provided to the contrary in this act. Such Board of Directors shall be constituted and elected as hereinafter specified and shall consist of fifteen members holding office for five years and divided into three classes designated as Class A, B and C.

Class A shall consist of five members who shall be chosen by and be representative of the stockholding banks.

Class B shall consist of five members who shall be chosen by and be representative of the stockholders of the National Banks holding shares in the National Reserve Bank.

Class C shall consist of five members four of whom shall be chosen by the directors of classes A and B with approval of the Federal Reserve Board hereinafter created and one of whom shall be designated by the Federal Reserve Board. Directors of class C shall be regarded as representative of general public interest.

Directors of class A shall be chosen in the following manner:

It shall be the duty of the Chairman of the Board of Directors of the National Reserve Bank of the district in which each such bank is situated to classify the banks of the said district who are stockholders in the said National Reserve Bank into five general groups or divisions. Each such group shall contain as nearly as may be one fifth of the aggregate banking capital of the banks holding stock in the National Reserve Bank of the said district and shall consist of banks belonging as nearly as may be to the same general classes of capitalization. The said groups shall be designated by number at the pleasure of the Chairman of the National Reserve Bank.

At a regularly called directors' meeting of each National bank in the National Reserve district aforesaid; the Board of Directors of such National Bank shall elect by ballot one of its own members as a District Reserve Elector and shall certify his name to the Chairman of the Board of Directors of the National Reserve Bank of the district. The said chairman shall establish complete lists of the District Reserve Electors, class A, thus named by banks in each of the aforesaid five groups and shall transmit one complete list to each such elector in each group. Every elector shall within fifteen days of the receipt of the said list, select and certify to the said Chairman from among the names on the list pertaining to his group, transmitted to him by the Chairman, one name as representing his choice for National Reserve Director, class A. The name receiving the greatest number of votes, not less than a majority, shall be designated by said chairman as National Reserve Director, for the group to which he belongs. In case no candidate shall receive a majority of all votes cast in

any district, the chairman aforesaid shall establish an eligible list, including the three names receiving the greatest number of votes on the first ballot, and shall transmit said list to the electors in each of the groups of banks established by him. Each elector shall at once select and certify to the said chairman from among the three names submitted to him his choice for National Reserve Director class A, and the name receiving the greatest number of such votes shall be designated by the chairman as National Reserve Director class A.

Directors of class B shall be chosen in the following manner:

At an annual election of officers of each National Bank the stockholders of said bank, if there be a vacancy among directors of class B in the group to which said bank may belong, shall choose one of their own number who shall not be either an officer or director of any bank as a District Reserve Elector class B. The name of said District Reserve Elector shall be certified to the chairman of the board of directors of the National Reserve Bank of the district in which such National bank is located. It shall thereupon be the duty of said chairman to establish lists and to secure the selection of one director representing each of the five groups into which the banks of the district are divided from among the District Reserve Electors of class B, after the manner hereinbefore prescribed for the choice of directors of class A.

Directors of class C shall be chosen in the following manner:

On the first day of July in each year when there shall be a vacancy among directors of class C, the directors of classes A and B of each National Reserve Bank shall, at a meeting called for that purpose select one or more additional directors not to exceed four in number. Such additional directors shall be residents of the National Reserve district in which they are chosen and shall be fairly representative of the agricultural, industrial, and commercial interest of said district. None of such directors shall be during his term of office an officer or director of any other bank or banking corporation. Eight votes shall be necessary to the choice of each such director and before he shall be declared elected he shall be certified to the Secretary of the Treasury who with the advice and consent of the Federal Reserve Board hereinafter created may accept or reject any or all such directors of Class C.

A fifth director belonging to Class C shall be chosen directly by the Federal Reserve Board hereinafter created, under such regulations as it may prescribe. The said director shall be chairman of the Board of Directors of the National Reserve Bank of the district to which he is appointed and shall be designated as "Federal Reserve Agent". In addition to his duties as chairman of the board of directors of the National Reserve Bank of the district to which he is appointed, he shall be required to maintain under regulations to be established by the Federal Reserve Board, a local office of said Board which shall be situated on the premises of the National Reserve Bank of the District. He shall make regular reports to the Federal Reserve Board, and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall be paid an annual compensation to be fixed by the Federal Reserve Board and to be paid him monthly by the National Reserve Bank to which he is designated.

The Reserve Organization Committee hereinbefore created may in organizing National Reserve banks for the first time, call such meetings of bank directors or stockholders in the several districts as may be necessary to carry out the purposes of this act and may exercise the functions herein conferred upon the chairman of the board of directors of each National Reserve Bank, pending the complete organization of such bank.

At the first meeting of the full board of directors of each National Reserve Bank subsequent to the organization of such bank it shall be the duty of each of the three classes of directors hereinbefore created to designate by such method as shall be prescribed by the Federal Reserve Board one of its members whose term of office shall expire at the end of one year from the first of January nearest the date of such meeting, one whose term of office shall expire at the end of two years from said date, one whose term of office shall expire at the end of three years from said date, one whose term of office shall expire at the end of four years from said date, and one whose term of office shall expire at the end of five years from said date. Thereafter every director of a National Reserve Bank chosen as hereinbefore provided shall hold office for a term of five years. Provided, that the chairman of the board of directors of each

National Reserve Bank, designated by the Federal Reserve Board as hereinbefore described shall be removable at the pleasure of the said board without notice, and his successors shall hold office during the unexpired term of the director in whose place he was appointed.

SECTION 5. That shares of the capital stock of National Reserve Banks shall not be transferable, and under no circumstances shall they be hypothecated, nor shall they be owned otherwise than by subscribing banks, nor shall they be owned by any bank other than in the proportion herein provided. In case a subscribing bank increases its capital, it shall thereupon subscribe for an additional amount of capital of the National Reserve Bank equal to twenty per centum of the Bank's increase of capital, paying therefor its then book value as shown by the last published statement of said bank. A bank applying for stock in a National Reserve Bank at any time after the formation of the latter must subscribe for an amount of the capital of said Reserve Bank equal to twenty per centum of the capital of said subscribing bank, paying therefor its then book value as shown by the last published statement of said Reserve Bank. When the capital of any National Reserve Bank has been increased either on account of the increase of capital of the banks holding stock therein or on account of the increase in the number of stockholding banks, the board of directors shall make and execute a certificate showing said increase in capital, the amount paid in and by whom paid. This certificate shall be filed in the office of the Comptroller of the Currency. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said National Reserve Bank, and if a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said National Reserve Bank. In either case the shares surrendered shall be cancelled and the bank shall receive in payment therefor a sum equal to their then book value as shown by the last published statement of said National Reserve Bank.

SECTION 6. That if any shareholder of a National Reserve Bank shall become insolvent and a receiver be appointed, the stock held by it in said National Reserve Bank shall be cancelled, and the balance after paying all debts due by such insolvent bank to said National Reserve Bank shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a National Reserve Bank is reduced, either on account of a reduction in capital of the banks holding its stock or of the liquidation or insolvency of any such bank holding stock therein, the board of directors shall make and execute a certificate showing such reduction of capital stock and the amount repaid to each bank. This certificate shall be filed in the office of the Comptroller of the Currency.

SECTION 7. That any National Banking Association heretofore organized may at any time within one year from the passage of this Act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of National Banking Associations organized subsequent to the passage of this Act; *Provided*, That such action on the part of such Associations shall be authorized by the consent in writing of shareholders owning not less than two-thirds of the capital stock of the Association. Any National Bank Association now organized which shall not, within one year after the passage of this act, become a National Banking Association under the provisions hereinbefore stated, and which shall not place in the hands of the Treasurer of the United States the sums by law provided for the redemption of its circulating notes, or which shall fail to comply with any other provision of this act shall be dissolved; but such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have previously been incurred.

SECTION 8. That any bank or banking association incorporated by special law of any State, or organized under the general laws of any State, and having a paid up unimpaired capital sufficient to entitle it to become a National banking association under the provisions of this act, may, by the consent in writing of the shareholders owning not less than two-thirds of the capital stock of such bank or banking association, and with the approval of the Comptroller of the Currency, become a National banking association under its former name or by any name approved by the Comptroller. The directors thereof may continue

to be the directors of the association so organized until others are elected or appointed in accordance with the provisions of the law. When the Comptroller has given to such bank or banking association a certificate that the provisions of this act have been complied with, such bank or banking association, and all its stockholders, officers and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed for associations originally organized as National Banking associations under this act.

SECTION 9. That it shall be lawful for any National Banking association having a capital of not less than \$1,000,000 to establish branches under such rules and regulations as may be prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury; Provided, That the number of such branches shall not exceed one for each \$500,000 of capital stock issued by the parent institution.

SECTION 10. That there shall be created a Federal Reserve Board. That said Board shall consist of three classes of members, hereinafter designated as classes A, B and C.

Class A shall consist of National Reserve Representatives equal in number to the number of National Reserve Banks, and including one member representing each such bank.

Class B shall consist of National Reserve Delegates equal in number to the number of National Reserve districts, and including one member from each such district.

Class C shall consist of Government Reserve Officers, three in number, and including the Secretary of the Treasury, the Comptroller of the Currency and the Attorney-General of the United States.

National Reserve Representatives (class A) shall be selected by ballot by the directors of National Reserve Banks, one to each bank, who shall himself be a member of the directorate of said National Reserve Bank. The Chairman of the Board of Directors of each National Reserve Bank shall be ineligible for election as a member of the Federal Reserve Board.

It is proposed to alter this by providing that the Federal Reserve Board shall be selected by the directors of the National Reserve Banks.

C. G.

National Reserve Delegates (class B) shall be chosen from among the stockholders of the National Banks organized in the several National Reserve districts in the following manner: At a regularly called stockholders' meeting it shall be the duty of said stockholders voting under the regulations prescribed for the choice of bank officers to elect one of their own number as a candidate for appointment as "National Reserve Delegate." The name of the National Reserve Delegate so chosen shall be certified to the Comptroller of the Currency by the President of the Bank whose stockholders have elected said Delegate. It shall be the duty of the Comptroller to establish a complete list of all candidates for National Reserve Delegate so chosen within each National Reserve district and to forward a copy of the same to each National Bank stockholder in said district. Each such stockholder receiving such list shall select from the list thus established one candidate for National Reserve Delegate and shall indicate his choice to the Comptroller in manner as the latter may require. The name receiving the greatest number of votes after the manner aforesaid shall be designated by the Comptroller as National Reserve Delegate for the district in which he is chosen, unless the said number shall be less than a majority of all votes cast. If no candidate shall receive a majority of all votes cast at such election it shall be the duty of the Comptroller aforesaid to establish an eligible list consisting of the five names receiving the largest number of votes on the first ballot and to forward a copy of the same to each National bank stockholder in said district. Each such stockholder receiving such list of five names shall select from the list one candidate for National Reserve Delegate and shall indicate his choice to the Comptroller in such manner as the latter may require. The name receiving the greatest number of votes, not less than a majority, after the manner aforesaid shall be designated by the Comptroller as National Reserve

Delegate for the district in which he is chosen. If no such candidate shall receive a majority of votes the Secretary of the Treasury shall nominate from among the five candidates one who shall act as National Reserve Delegate for the ensuing term and he shall be so designated by the Comptroller; Provided, That no bank stockholder in selecting a National Reserve Delegate from the list established by the Comptroller shall cast more than one ballot; and provided further that no person who at the time is an officer or director of a National bank shall be eligible to the office of National Reserve Delegate. Subsequent acceptance of office as officer or director of a National Bank shall automatically cancel the appointment of a National Reserve Delegate.

Every member of the Federal Reserve Board shall receive a salary of \$2,500 per annum.

Each member of the Federal Reserve Board shall be chosen for a term of six years or for the unexpired portion of such term, Provided, That the first members of the Federal Reserve Board in classes A and B shall hold office for a term of six years dating from the first of January next succeeding the election at which they are chosen, except as hereinafter otherwise provided, and all members of the Federal Reserve Board belonging to classes A and B, first chosen under this act shall take office immediately upon their election and shall continue to hold the same until the first of January next succeeding such election and thereafter as herein provided.

Upon assembling for the first time the members of the Federal Reserve Board belonging to classes A and B shall separate into two groups under such regulations as the Board may lay down for effecting the said grouping. One such group shall hold office for three years, dating from the first of January next succeeding the election of members, the other for six years next succeeding such election. Each group shall include one half the total number of members of the two classes, drawn in equal numbers from each. Thereafter every member of the said Board belonging to classes A and B shall hold office for a term of six years. Vacancies in classes A and B shall be filled as they may occur, in the manner prescribed for the original choice of members belonging to the class in which such vacancies may occur.

SECTION 11. That the first meeting of the Federal Reserve Board shall be held on July 1, 1913 and upon convening for the first time, the Federal Reserve Board shall separate by classes. Class A meeting separately, shall choose from among its own number by ballot two members who shall be known as Federal Reserve Officers. Class B shall in like manner select from among its own number two Federal Reserve Officers. The four Federal Reserve Officers thus chosen shall, with the ex officio members constituting class C of the Federal Reserve Board, constitute an executive committee of the Federal Reserve Board of seven members, and shall be known as the Federal Reserve Committee. The Secretary of the Treasury shall be ex officio Chairman of the Federal Reserve Board and Chairman of the Federal Reserve Committee. He shall designate at his pleasure, one of the four Federal Reserve Officers chosen by classes A and B of the Federal Reserve Board as President of said Board; and shall designate two others from among the aforesaid four as first and second Vice-Presidents. The remaining member included in the four Federal Reserve Officers aforesaid shall be designated as Secretary of the Federal Reserve Board. The powers and duties of the President, Vice-Presidents and Secretary shall be established in by law to be adopted by the Federal Reserve Board. After being thus designated by the Secretary of the Treasury Federal Reserve Officers shall continue to hold office in the positions to which they are designated until the expiration of their terms as members of the Federal Reserve Board, current at the time when they were so designated.

It is proposed to alter this so as to provide that the Executive Board shall contain 9 members—3 practical bankers; 3 members named for long terms by the President and 3 ex officio members, Sect'y Treasury, Comptroller of Currency and Sect'y Agriculture.

C. G.

The powers and functions hereinafter conferred upon the Federal Reserve Board may be exercised by the Executive Committee of said Board in accordance

with by laws to be established by said Board. But said Committee must fully report its action on each and every matter of business falling within its jurisdiction to a general meeting of said Board to be convened not less frequently than once each month. And every member of said Board may at his discretion attend meetings of the Executive Committee, although he shall have no vote at such meetings.

Any member of the Federal Reserve Board may at the monthly meeting hereinbefore specified propose a motion reversing or modifying any action of the Executive Committee already taken, and such motion shall be voted upon promptly under rules of procedure to be adopted by said Board; Provided, that no such motion shall be binding upon the Executive Committee or shall be deemed to cancel or reverse its action unless it receives two-thirds of all votes cast at the meeting of the Federal Reserve Board at which it shall be proposed.

SECTION 12. That on the nomination of the President of the Federal Reserve Board, the Executive Committee shall appoint all officers and employes of the Board, except those otherwise provided for in this act, determine their remuneration, tenure of office, and duties.

The Executive Committee shall have full control, subject to the Board, of the detailed management of said Board. For this purpose it shall meet regularly once a week at the office of the Board or at such other places as may be designated by the Chairman of the Board. Special meetings may be called by the Chairman or by any three members.

The Federal Reserve Board shall appoint a Board of Examiners consisting of three members, to report at any time upon the conditions of credit, the kind of business done, and the proper conduct of the discounts at each National Reserve Bank or of any individual bank; and said Board may authorize the employment of suitable assistance, if needed, for this work of examination.

The Secretary of the Treasury as Chairman of the Federal Reserve Board and Chairman of the Executive Committee shall be responsible for the discipline of the Executive Staff of the Board, determine the duties of the various persons concerned, secure the preparation of the reports to be made to the Executive Committee and the members of the Board, and perform all other duties pertaining to his office. All of his acts shall be subject to the review of the Executive Committee and its decision in all matters pertaining to his duties shall be final unless reversed by the Board. In the absence or illness of the Secretary of the Treasury, his duties shall devolve upon the Comptroller of the Currency acting as Vice-Chairman.

The expenses of the Federal Reserve Board shall be paid by the National Reserve Banks out of their gross receipts in such a manner and at such times as the Board shall direct. Each Reserve Bank shall pay such a portion of said expenses as its capital and surplus bear to the aggregate capital and surplus of all.

At all meetings of the Board a quorum shall consist of two-thirds its total number of members. A majority of those present shall be required to pass any resolution. Each member shall be reimbursed for his reasonable travelling and other necessary expenses for attendance on each meeting, on vouchers approved by the Executive Committee.

SECTION 13. That the Federal Reserve Board hereinbefore established shall be authorized and empowered

- (a) To examine once each month the accounts and books of each National Reserve Bank.
- (b) To determine the apportionment of Federal deposits among the National Reserve Banks.
- (c) To require a National Reserve Bank to rediscount the paper of any other National Reserve Bank.
- (d) To ascertain once each month the character of the paper held by each National Reserve Bank and to require at its discretion the suspension of further issues for a designated period.
- (e) To establish each week or as much oftener as required a rate of discount which shall be mandatory upon each National Reserve Bank and for each class of paper; provided, that said rate of discount need not be uniform for all Reserve Banks.

(f) To suspend for a period not exceeding thirty days (and to renew such suspension for periods of not to exceed fifteen days) any and every reserve requirement specified in this act.

SECTION 14. That any National Reserve Bank may receive from any bank or banking institution or trust company duly organized under Federal or State law deposits of current funds in lawful money, national bank notes, Federal reserve notes or checks, drafts and other claims upon solvent banks domestic and foreign.

Upon the endorsement of any bank having a deposit with it any National Reserve Bank may discount notes and bills of exchange arising out of commercial transactions; that is notes and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, and not including notes or bills issued or drawn for the purpose of carrying stocks, bonds or other investment securities. Such notes and bills must have a maturity of not more than thirty days.

Upon the endorsement of any bank having a deposit with it, any National Reserve Bank may discount paper of the classes hereinbefore described having a maturity of more than sixty and not more than 120 days, provided that its own cash reserve exceeds 50 per cent of its total outstanding demand liabilities and provided further that not more than 50 per centum of the total paper so discounted for any depositing bank shall have a maturity of more than sixty days.

Upon the endorsement of any bank having a deposit with it, any National Reserve Bank may discount acceptances of depositing banks which are based on the exportation or importation of goods or on travellers credits and which mature in not more than 90 days and bear the signature of at least one bank in addition to that of the acceptor. The amount so re-discounted shall at no time exceed the capital of the bank for which the rediscounts are made. The aggregate of such notes and bills bearing the signature or endorsement of any one person, company, firm or corporation, rediscounted for any one bank, shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank.

Any National Bank may at its discretion accept drafts or bills of exchange drawn upon it having not more than four months to run and growing out of transactions involving the importation or exportation of goods or the issue of travellers letters of credit. Provided that no bank shall accept such bills to an amount equal in the aggregate to more than one half the face value of its paid up and unimpaired capital.

SECTION 15. Whenever in the opinion of the Federal Reserve Committee upon application jointly and directly made to the Secretary of the Treasury by not less than ten National Banks in one district the public interest so requires, the Federal Reserve Committee may authorize the Reserve Bank of the District to discount the direct obligations of depositing banks secured by the pledge and deposit with it of satisfactory securities; but in no case shall the amount so loaned by a National Reserve Bank exceed three-fourths of the actual value of the securities so pledged, or one half the amount of its own paid up and unimpaired capital.

SECTION 16. That every National Reserve Bank shall have power, both at home and abroad, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of its holdings if any of United States bonds.

SECTION 17. That any National Reserve Bank may invest in United States bonds; also in obligations having not more than one year to run, of the United States or its dependencies, or of any State, or of foreign governments.

SECTION 18. That every National Reserve Bank shall have power to purchase from depositing banks and to sell with or without its endorsement, checks, or bills of exchange, arising out of commercial transactions as hereinbefore defined, payable in such foreign countries as the Board of Directors of such National Reserve Bank may determine. These bills of exchange must have not exceeding ninety days to run and must bear the signature of two or more responsible parties, of which the last one shall be that of a subscribing bank.

SECTION 19. That any National Reserve Bank may with the consent of the Federal Reserve Board open and maintain banking accounts in foreign countries and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling and collecting foreign bills of exchange, and it shall have authority to buy and sell with or without its endorsement through such correspondents or agencies, checks or prime foreign bills of exchange arising out of commercial transactions, which have not exceeding ninety days to run, and which bear the signature of two or more responsible parties.

SECTION 20. That the Government of the United States and banks depositing in the National Reserve Banks formed under this act as hereinafter indicated shall be the only depositors in said Reserve Banks. All domestic transactions of the National Reserve Banks shall be confined to the Government and the depositing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

SECTION 21. That all moneys now held in the general fund of the Treasury shall within six months from the passage of this act be deposited in National Reserve Banks; and thereafter the revenues of the Government shall be regularly deposited in such banks and disbursements shall be made by check drawn against such deposits. It shall be the duty of the Federal Reserve Board herein established to apportion the funds of the Government among the said National Reserve Banks and to fix from month to month a rate of interest which shall be regularly paid by the banks holding such deposits; Provided, that no National Reserve Bank shall be required to receive Government deposits when in the judgment of its directors the condition of business does not warrant the payment of the rate of interest fixed by the Federal Reserve Board.

SECTION 22. That no National Reserve Bank shall pay interest on deposits; except those of the Government of the United States; and no National Banking Association shall pay interest on funds of other banks deposited with it.

SECTION 23. That any National Reserve Bank may at its discretion, subject to the provisions of this act, make application to the Federal Reserve Board for Federal Reserve notes. Said notes shall be in all respects similar to existing National bank notes except that they shall not bear any legend or superscription indicating that they are secured by United States or other bonds. But no National Reserve Bank shall receive in the aggregate notes exceeding a sum equal to the face value of the capital stock of such Bank plus the stockholders' individual liability, or in the aggregate a sum double the face value of the capital stock of such bank. Upon receiving an application for notes from any National Reserve Bank, the Federal Reserve Board shall immediately issue said notes to the Bank making said application. Any National Reserve Bank desiring to reduce its circulation may do so, upon the same conditions now prescribed for the retirement of National bank notes; Provided, that nothing in the statutes of the United States shall prevent a National Reserve Bank from retiring its outstanding notes as rapidly as its officers and directors may deem best.

It shall be the duty of every National Reserve Bank to receive on deposit at par the notes of every other National Reserve Bank and of every National Banking Association. Every National Reserve Bank shall provide for the redemption of its own notes on demand in gold at least one point in every reserve district throughout the United States. The method of such redemption and the provisions under which it shall be carried on shall be subject to control by the Federal Reserve Board, and it shall be the duty of said Board to establish such rules and regulations that all notes issued by National Reserve Banks shall be maintained convertible into gold at par without exchange through the United States.

SECTION 24. That no National Banking Association shall be entitled to receive from the Comptroller of the Currency, or to issue, circulating notes in excess of the total amount of such notes which such bank may have outstanding at the passage of this act. Provided that no National Banking Association which may in future reduce its outstanding circulating notes in the manner prescribed by law shall hereafter be entitled to receive from the Comptroller of

the Currency, or to issue, circulating notes in excess of the sum to which its outstanding notes shall have been reduced by such withdrawals.

SECTION 25. That so much of the provisions of section 5159 of the Revised Statutes of the United States and section 4 of the Act of June 20th, 1874, and section 8 of the Act of July 12th, 1882, as provide that before any National Banking Association shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States, United States registered bonds, to an amount, where the capital is \$150,000 or less, not less than one-fourth of its capital stock, and \$50,000 where the capital is in excess of \$150,000, be and the same is hereby repealed.

SECTION 26. Upon application, the Secretary of the Treasury shall exchange the two per centum bonds of the United States bearing the circulation privilege, theretofore deposited by any National Banking Association with the Treasurer of the United States as security for circulating notes, for three per centum bonds of the United States without the circulation privilege, payable after twenty years from date of issue. When and in proportion as the outstanding two per centum bonds deposited by them with the Treasurer shall be thus exchanged or refunded, the power of National Banks to issue circulating notes secured by United States bonds shall cease and be determined. Every National Bank may continue to apply for and receive from the Comptroller of the Currency circulating notes under the conditions provided by this act, but no National Bank shall be permitted to issue circulating notes of any description or to issue or to make use of any substitute for such circulating notes in the form of Clearing House certificates, cashier's check, or other obligation not specifically provided for under this act; Provided, That no National Bank shall in any one year present two per centum bonds for exchange in the manner hereinbefore provided to an amount exceeding ten per centum of the total amount of bonds deposited with the Treasurer by said Bank at the time of the passage of this act; Provided further that at the expiration of ten years from the passage of this act every holder of United States two per centum bonds shall receive in exchange three per centum bonds of like denomination payable twenty years from date of issue. Each National Reserve Bank may receive from the Federal Reserve Board and issue at its own discretion subject to the provisions of this act, in addition to the notes provided for by Sec. 23 of this act, a sum in notes equal to the par value two per centum bonds of the United States surrendered by its own stockholding banks to the Treasurer of the United States in exchange for three per centum bonds.

SECTION 27. That within sixty days from and after the date when the Secretary of the Treasury shall have officially announced, in such manner as he may select, to National Banks situated in the several National Reserve districts, the fact that a National Reserve Bank has been established in the district within which they are situated, every such National Banking Association wherever situated within the said district shall establish with the National Reserve Bank of the district a credit balance on the books of the latter institution equal to not less than five per centum of the total outstanding demand liabilities of the National Bank establishing the same. Such balance may at any time be increased but shall at no time be allowed to fall below a figure equal to the five per cent of total outstanding demand liabilities aforesaid. From and after a date twelve months subsequent to the expiration of the sixty days after the organization of the National Reserve Bank of the district as aforesaid, it shall be the duty of every National Banking Association wherever situated within the National Reserve district to which it belongs to establish with the National Reserve Bank of the district an additional balance equal to not less than five per centum of the total outstanding demand liabilities of the National Bank establishing the same. Thereafter it shall be the duty of every such National Banking Association to maintain a credit balance on the books of the National Reserve Bank of the district within which it is situated which shall at all times be at least equal to ten per centum of the total outstanding demand liabilities of the National Bank establishing and maintaining the same.

From and after the passage of this act it shall be the duty of every National Banking Association wherever situated to maintain constantly on hand in its own vaults a sum in lawful money equal to not less than five per centum of its total outstanding demand liabilities.

From and after the passage of this act for a period of thirteen months it shall be the duty of every National Banking Association situated outside of a Reserve City or Central Reserve City, in addition to the requirements hereinbefore set forth to maintain at all times either:

(a) An additional credit balance on the books of the National Reserve Bank of the district equal to five per centum of the total outstanding demand liabilities of the National Banking Association establishing the same; or

(b) An additional credit balance on the books of another National Banking Association situated in a Reserve City or Central Reserve City equal to five per centum of the total outstanding demand liabilities of the National Bank Association establishing the same; or

(c) A sum constantly on hand in its own vaults, in lawful money, equal to not less than five per centum of its total outstanding demand liabilities.

From and after the passage of this act, it shall be the duty of every National Banking Association situated in a Reserve City but not in a Central Reserve City, in addition to the requirements hereinbefore set forth for all National Banks, to maintain at all times either:

(a) An additional credit balance on the books of the National Reserve Bank of the district equal to ten per centum of the total outstanding demand liabilities of the National Banking Association establishing the same; or

(b) An additional credit balance on the books of another National Banking Association situated in a Central Reserve City equal to ten per centum of the total outstanding demand liabilities of the National Banking Association establishing the same; or

(c) A sum constantly on hand in its own vaults in lawful money equal to not less than ten per centum of its total outstanding demand liabilities; Provided, That from and after a date twelve months subsequent to the date upon which National Banking Associations situated in Reserve Cities shall have first opened an account and established a credit balance with the National Reserve Bank of the district in which they are situated, they shall be required to maintain in addition to the ten per cent balance on the books of the National Reserve Bank hereinbefore required and in addition to the sum of five per cent of outstanding liabilities in cash in their own vaults, a sum not exceeding five per cent of such total outstanding liabilities either in their own vaults or as a credit balance on the books of the National Reserve Association or as a credit balance on the books of a National Banking Association situated in a Central Reserve City, and shall be subject to no other requirement.

From and after the passage of this act and until a date twelve months subsequent to the date upon which National Banking Associations in Central Reserve Cities shall have first opened an account and established a credit balance with the National Reserve Bank of the district in which they are located, they shall be required to maintain in addition to the requirements hereinbefore set forth either:

(a) An additional credit balance on the books of the National Reserve Bank of the district equal to fifteen per centum of the total outstanding demand liabilities of the National Banking Association establishing the same; or

(b) A sum constantly on hand in their own vaults in lawful money equal to not less than fifteen per centum of their total outstanding demand liabilities.

Subsequent to the date hereinbefore specified every National Banking Association situated in a Central Reserve City shall have at all times on hand in its own vaults a sum equal to five per centum of its total outstanding demand liabilities or shall maintain on the books of the National Reserve Bank of the district a credit balance equal to five per cent of its total outstanding demand liabilities, such sum or balance to be in addition to the requirements hereinbefore set forth for all National Banking Associations; Provided, That nothing in this act contained shall prevent a National Banking Association from increasing its

balance either with the National Reserve Bank of its district or with other National Banks beyond the minimum limits specified in this section. Provided, That no National Banking Association or National Reserve Bank shall count or report any of its own notes or of the notes of any other National Bank or of any National Reserve Bank as a part of its cash assets.

That so much of sections 5191 and 5192 Revised Statutes and so much of Sec. 2 of the act of June 20, 1874, relating to the maintenance of reserves in Central Reserve cities, and so much of the said acts as requires or dispenses with the maintenance of specified reserves against liabilities, as is inconsistent with this section shall be and the same is hereby repealed.

SECTION 28. That so much of section 3 of the Act of June 20th, 1874, entitled "An Act fixing the amount of United States notes, providing for a redistribution of the National Bank Currency, and for other purposes," as provides that the fund deposited by any National Banking Association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the act aforesaid be, and the same is hereby repealed. And from and after the passage of this act, such fund of five per centum shall in no case be counted by any National Banking Association as a part of its lawful reserve.

SECTION 29. That no National Reserve Bank shall discount for, or purchase from, any state or private bank or trust company, or from any banking institution whatsoever incorporated or authorized to transact business in the United States or in any state or territory therein, any of the kinds of paper hereinbefore described and specified except upon the following conditions to wit:

Every state or private bank or trust company or other banking institution formed or incorporated under state or national law shall at the time it presents paper for rediscount to the National Reserve Bank of the district in which it is located have an open deposit account equal in amount to that required by section 24 of this act to be maintained by a similarly situated National Bank and shall thereafter maintain such balance. Every such bank shall submit to such inspection and shall make and render such reports as may be required by the Federal Reserve Board under the terms of this act of similarly located National Banks.

Any National Reserve Bank may at any time refuse to discount or purchase paper of the kinds herein described, for a bank belonging to any one of the classes herein described, because of the failure of such institution to comply with the requirements of this section; Provided, that upon ascertaining that such institution no longer complies with the requirements of this section it shall at once certify such fact to the Chairman of the Federal Reserve Committee.

SECTION 30. That every National Reserve Bank shall at all times have on hand in its own vaults in gold or the equivalent thereof a sum equal to not less than 25 per centum of its outstanding circulating notes. It shall at all times have on hand in its own vaults live commercial paper having not more than 30 days to run to an amount equal to 50 per centum of its outstanding demand liabilities which shall at the same time be not less than 75 per centum of its outstanding circulating notes.

SECTION 31. That the Federal Reserve Board shall as often as it deems best, and in any case not less frequently than once each month, order an examination of National Banking Associations in reserve cities. Such examination shall show in detail the total amount of loans made by each bank on demand, on time and the different classes of collateral held to protect the various loans. And the Federal Reserve Board shall have power when in its judgment the result of such examination requires, to order that for a period of thirty days next following the demand deposits carried by other banks with any one or more of the associations so specially examined shall not be counted as a part of the required reserve of the depositing institution.

SECTION 32. That every National Reserve Bank shall pay, on or before the last day of every month, to the Treasurer of the United States a duty

imposed at the rate of two per centum per annum upon the average daily amount of its circulating notes outstanding in excess of 100 per centum of its capital stock, and not in excess of 150 per centum of such capital stock, and a duty imposed at the rate of six per centum per annum upon the average daily amount of such notes outstanding in excess of 150 per centum of its capital stock. Circulating notes of any National Reserve Bank shall be deemed and held to be outstanding whenever they shall have been supplied by the Federal Reserve Board to such bank, in blank, registered and countersigned according to law, and shall not have been returned to the Board for cancellation or covered by an equal amount of lawful money deposited with the Treasurer of the United States for the retirement of such notes.

SECTION 33. That in order to enable the said Treasurer to assess the duties imposed by the preceding section, the Chairman of the Federal Reserve Committee shall, within five days from the first day of each calendar month, make a return to the Treasurer of the United States, in such form as he may prescribe, of the average daily amount of circulating notes of each National Reserve Bank outstanding during the calendar month next preceding. And every National Reserve Bank shall be notified by said Treasurer of the United States within ten days from the first day of each calendar month of the amount of the duties upon its circulating notes due from it to the United States, under this act, and every such Association shall, before the last day of such calendar month, pay to the said Treasurer in lawful money the full amount of such tax; and whenever any Association fails to pay the duties imposed by this Act, the sum due may be collected in the manner provided for the collection of taxes; and while such default continues no further amount of circulating notes shall be issued to such defaulting Reserve Bank.

SECTION 34. That every National Banking Association shall pay into the Treasury of the United States each half year, in the months of January and July, on or before the thirteenth day thereof, a duty of one-eighth of one per centum upon the value of its franchise as measured by the aggregate amount of its capital, surplus, and undivided profits, upon the last day of the calendar month next preceding. Sections 5213, 5215, and 5216 and 5217 of the Revised Statutes of the United States are hereby repealed. But nothing in this section contained shall be so construed as in any manner to release any National Banking Association from any liability for taxes or penalties incurred prior to the passage of this Act.

SECTION 35. That from and after the passage of this act the stockholders of every National Banking Association shall be held individually responsible for all contracts, debts, and engagements of such Association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any National Banking Association who shall have transferred their shares, or registered the transfer thereof, within sixty days next before the date of the failure of such Association to meet its obligations, shall be liable to the same extent as if they had made no such transfer; but this provision shall not be construed to affect in any way any resources which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

SECTION 36. That section 324 of the Revised Statutes of the United States be amended so as to read as follows: "There shall be in the Department of the Treasury a Bureau charged, except as in this act otherwise provided, with the execution of all laws passed by Congress relating to the issue and regulation of currency issued by National Banking Associations, the chief officer of which Bureau shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury, acting as the Chairman of the Federal Reserve Board."

SECTION 37. That the examination of the affairs of every National Banking Association authorized by existing law, shall take place at least twice in each calendar year, and as much oftener as the Comptroller of the

Currency shall consider necessary in order to furnish a full and complete knowledge of its condition; and the person making such examination shall have power to call together a quorum of the directors of such Association, who shall, under oath, state to such examiner the character and circumstances of such of its loans and discounts as he may designate; and from and after the passage of this act all bank examiners shall receive fixed salaries, the amount whereof shall be determined by the Secretary of the Treasury and shall be annually reported to Congress. But the expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the Association examined. The Comptroller of the Currency shall so arrange the duties of National Bank examiners that no two successive examinations of any Association shall be made by the same examiner.

In addition to the examination made and conducted by the Comptroller of the Currency, every National Reserve Bank shall with the approval of the Federal Reserve Board arrange for periodical examinations of the banks within its district. Such examinations shall be so conducted as to inform the National Reserve Bank under whose auspices it is conducted of the condition of its member or stockholding banks and of the lines of credit which are being granted by them. Every National Reserve Bank shall at all times be bound to furnish to the Federal Reserve Board such information as may be demanded by the latter concerning the condition of any National Bank organized within the district in which the said National Reserve Bank is located, and it shall have power at all times to order special examinations without notice of the condition of its member of stockholding banks.

SECTION 38. That no Association shall hereafter make any loans or grant any gratuity to any examiner of such Association. Any Association offending against this provision shall be deemed guilty of a misdemeanor, and shall be fined not more than \$1,000 and a further sum equal to the money so loaned or guaranty given; and the officer or officers of such Association making such loan or granting such gratuity shall be likewise deemed guilty of a misdemeanor, and shall be fined not to exceed \$500. Any examiner accepting a loan or gratuity from any Association examined by him shall be deemed guilty of a misdemeanor, and shall be fined not more than \$500, and a further sum equal to the money so loaned or gratuity given.

SECTION 39. That any National Banking Association not situated in a Reserve City of Central Reserve City may make loans secured by improved and unencumbered farm land, and so much of section , Revised Statutes, as prohibits the making of such loans by banks so situated shall be and the same is hereby repealed, provided, that no such loan shall be made to an amount exceeding 50 per centum of the actual value of the property offered as security, and such properties shall be situated within the National Reserve district in which the said bank is located; and provided further that the aggregate amount of such loans made by any one bank shall not exceed a sum equal to 25 per cent of the capital and surplus, unimpaired, of such bank.

SECTION 40. That the Comptroller of the Currency, in addition to the reports provided for by existing law, shall have authority to call for such other reports, regular or special, as he may deem advisable; and such reports shall be rendered in such form as the Comptroller may prescribe; and each Association making such report shall cause a copy thereof to be conspicuously displayed in a public place in its banking house for the period of thirty days from the date of such report; but nothing herein contained shall be construed to require the publication of such additional reports by each Association in the manner prescribed for other reports now rendered.

SECTION 41. That banking corporations for carrying on the business of banking in foreign countries and in aid of the Commerce of the United States with foreign countries and to act when required as fiscal agents of the United States in such countries may be formed by any number of persons, not less in any case than five, who shall enter into articles of association which shall specify in general terms the object for which the banking corporation is formed, and may contain any other provisions not inconsistent with the provisions of this

section which the banking corporation may see fit to adopt for the regulation and conduct of its business and affairs, which said regulations shall be signed, in duplicate, by the persons uniting to form the banking corporation, and one copy thereof shall be forwarded to the Comptroller of the Currency and the other to the Secretary of State, to be filed and preserved in their offices.

That the persons uniting to form such banking corporation shall, under their hands, make an organization certificate which shall specify, first, the name assumed by such banking corporation, which name shall be subject to approval by the Comptroller; second, the foreign country or countries or the dependencies of the United States where its banking operations are to be carried on; third, the place in the United States where its home office shall be located; fourth, the amount of its capital stock and the number of shares into which the same shall be divided; fifth, the names and places of residence of the shareholders and the number of shares held by each of them; and sixth, a declaration that said certificate is made to enable such persons to avail themselves of the advantages of this section.

That no banking corporation shall be organized under the provisions of this section with a less capital than two million dollars, which shall be fully paid in before the banking corporation shall be authorized to commence business, and the fact of said payment shall be certified by the Comptroller of the Currency, and a copy of his certificate to this effect shall be filed with the Secretary of State; *Provided*, That the capital stock of any such bank may be increased at any time by a vote of two-thirds of its shareholders, with the approval of the Comptroller of the Currency, and that the capital stock of any such bank which exceeds two million dollars may be reduced at any time to the sum of two million dollars by the vote of the shareholders owning two-thirds of the capital.

That every banking corporation formed pursuant to the provisions of this section shall for a period of twenty years from the date of the execution of its organization certificate be a body corporate, but shall not be authorized to receive the deposits in the United States nor transact any domestic business not necessarily related to the business being done in foreign countries or in the dependencies of the United States. Such banking corporations shall have authority to make acceptances, buy and sell bills of exchange or other commercial paper relating to foreign business, and to purchase and sell securities, including securities of the United States or of any State in the Union. Each banking corporation organized under the provisions of this section shall have power to establish and maintain for the transaction of its business a branch or branches in foreign countries, their dependencies, or the dependencies of the United States at such places and under such regulations as its board of directors may deem expedient.

A majority of the shares of the capital stock of such banking corporation shall be held and owned by citizens of the United States or corporations chartered under the laws of the United States or of any State of the Union, and a majority of the members of the board of directors of such banking corporations shall be citizens of the United States. Each director shall own in his own right at least one hundred shares of the capital stock of the banking corporation of which he is a director.

Whenever the Comptroller shall become satisfied of the insolvency of any such banking corporation he may appoint a receiver, who shall proceed to close up such corporation in the same manner in which he would close a national bank, the disposition of the assets of the branches to be subject to any special provisions of the laws of the country under whose jurisdiction such assets are located.

The annual meeting of every such banking corporation shall be held at its home office in the United States, and every such banking corporation shall keep at its home office books containing the names of all stockholders of such banking corporation and members of its board of directors, together with copies of the reports furnished by it to the Comptroller of the Currency exhibiting in detail and under appropriate heads the resources and liabilities of the banking corporation. Every such banking corporation shall make reports to the Comptroller of the Currency at such times as he may require, and shall be subject to examinations when deemed necessary by the Comptroller of the Currency through examiners appointed by him; the compensation of such examinations to be fixed by the Comptroller of the Currency.

Any such banking corporation may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock.

Any bank doing business in the United States being the owner of stock in any National Reserve Bank may subscribe to the stock of any banking corporation organized under the provisions of this section, but the aggregate of such stock held by any one bank shall not exceed ten per centum of the capital stock of the subscribing bank.

SECTION 42. That nothing contained in this Act shall be construed to alter or affect any vested rights of property or contract, or any penalty incurred before the taking effect of this Act or any part of it, and all provisions of law inconsistent with or superseded by any of the provisions of this Act be and the same are hereby repealed.

In the Senate of the United States

May , 1913.

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

A BILL

To establish associations of national and other banks and trust companies, to be known as reserve banks, under the supervision of a National Currency Board, to mobilize reserves, to provide additional circulation when required for national commerce, and for other purposes.

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

DEFINITIONS.

That the term "reserve bank," as used in this Act, means a reserve bank incorporated in accordance with the terms hereof;

"Member bank" means one of the subscribing banks of a reserve bank;

"Reserve district" means one of the districts within which a reserve bank is located under the authority of this Act;

"Prime commercial paper" means a commercial bill, payable within four months, signed by at least two persons, either of whom shall be good for such bill and one of whom shall be a member bank, such commercial bill to be based upon an actual commercial transaction and not to be based upon a permanent investment;

"Treasury gold note" means a note issued by the United States Treasury, based on the credit of the United States and printed in the form to be prescribed by the National Currency Board, payable on demand at any reserve bank or at the Treasury of the United States;

"The National Currency Board" shall mean the board of governors of the national currency, as described in this Act.

SECTION 2. That the New England Reserve Bank, the Eastern Reserve Bank, the Southeastern Reserve Bank, the Southern Reserve Bank, the Central States Reserve Bank, the Rocky Mountain Reserve Bank, the Southwestern Reserve Bank, and the Pacific Reserve Bank be, and are hereby, created and established for a term of thirty years from the date of filing with the Comptroller of the Currency a certificate of paid-in capital stock as hereinafter provided.

The head office of the New England Reserve Bank shall be located in Boston, of the Eastern Reserve Bank in New York, of the Southeastern Reserve Bank in Atlanta, of the Southern Reserve Bank in New Orleans, of the Central States Reserve Bank in Chicago, of the Southwestern Reserve Bank in Kansas City, of the Rocky Mountain Reserve Bank in Denver, and of the Pacific Reserve Bank in San Francisco.

TERMS OF SUBSCRIPTIONS.

SECTION 3. That within six months from the date of the passage of this Act every national bank shall subscribe to the capital of the reserve bank of its district, to an amount equal to twenty per centum of the paid-in and unimpaired and surplus capital of the subscribing bank, and not more nor less.

Fifty per centum of the subscriptions to the capital stock of the reserve bank shall be fully paid in within six months at the time and places fixed by the National Currency Board, and the remainder of the subscriptions, or any part thereof, shall become a liability of the subscribers, subject to call and payment thereof, whenever necessary to meet the obligations of the reserve bank, under such terms and in accordance with such regulations as the board of directors of the reserve bank may prescribe.

Any bank or trust company incorporated under the laws of any State or of the District of Columbia may subscribe to the capital of the reserve bank of its district according to the same terms and proportions as a national bank if it complies with the following conditions:

First. That (a) it shall have a paid-in and unimpaired capital of not less than that required for a national bank in the same locality; and, (b) if a trust company, it shall have an unimpaired capital and surplus of fifty per centum more than the amount of capital required for a national bank in the same locality.

Second. Keep a like reserve as required of the national banks in their own vaults and with the reserve bank.

Third. Agree to proper examinations as may be required by the National Currency Board.

Fourth. That it shall agree to comply with all other requirements and conditions imposed by this Act and regulations made in conformity therewith.

No member bank shall serve as an intermediary by which any bank or trust company, not a stockholder of a reserve bank, shall receive the benefits arising under the provisions of this Act.

No member bank shall pay interest upon the funds of other banks or trust companies deposited with it.

THE ORGANIZATION COMMITTEE.

SECTION 4. That the Secretary of the Treasury, the Attorney General, and the Comptroller of the Currency are hereby designated a committee to effect the organization of the reserve banks. They shall divide the entire country into eight districts, which shall be apportioned with due regard to the convenient and customary course of business and not necessarily along State lines, and within sixty days after the passage of this Act they shall provide for the opening of books for subscriptions to the capital stock of the reserve banks. The necessary expenses of this committee shall be paid out of the Treasury upon vouchers approved by the members of said committee, and the Treasury shall be reimbursed by the reserve banks to the full amount paid out therefor.

The subscribing banks uniting to form a reserve bank shall make and file with the Comptroller of the Currency an organization certificate in the form and manner described in sections fifty-one hundred and thirty-four, fifty-one hundred and thirty-five, and fifty-one hundred and thirty-six, Revised Statutes of the United States, signed by their authorized representatives, and they shall then become a body corporate, and, as such, shall have power to perform all those acts, enjoy all those privileges, and exercise all those powers described in section fifty-one hundred and thirty-six, Revised Statutes, save in so far as the same shall be limited or extended by the provisions of this Act.

THE BOARDS AND OFFICERS OF THE RESERVE BANKS.

SECTION 5. That each reserve bank shall be organized and conducted under the oversight and control of a board of directors, whose powers shall be the same as those conferred upon the boards of directors of national banking associations under existing law, except as otherwise provided in this Act. Such boards shall consist of nine members holding office for six years, to be chosen in the following manner:

Six directors shall be elected by the several subscribing banks, each bank having one unit of voting power for each million or fraction thereof of its capital. Each unit of voting power shall have as many votes as there are directors to be elected, and these votes may be given in favor of any or all of the candidates for election. Three directors shall be appointed by the President of the United States from a list furnished by the National Currency Board to be hereafter provided for, and shall fairly represent the agricultural, commercial, manufacturing, and other interests of the district.

The manager of the reserve bank shall be elected by the board of directors of the bank and shall thereafter be ex officio presiding officer of that board, but shall have no vote unless the board be equally divided. Until the organization of the National Currency Board and the appointments of its representatives upon the board of a reserve bank the elected members of such board shall have full power to act.

No director of a reserve bank shall be, while serving, an officer or a director of any bank or trust company.

At the first meeting of the full board of directors of each reserve bank the members of the board shall be divided into three classes, whose terms of office shall expire at intervals of two, four, and six years, respectively, estimated from the first day of January, nineteen hundred and fourteen. Two of the directors chosen by the member banks and one of the directors appointed by the President shall belong to each class. Thereafter all directors chosen as hereinbefore provided shall be chosen for terms of six years.

BOARD OF GOVERNORS OF THE NATIONAL CURRENCY.

SECTION 6. That there shall be created a board of governors of the national currency, to consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, ex officio, and four governors, to be appointed by the President of the United States, and to serve subject to his will, one of whom shall be distinguished for his practical knowledge of the commerce of the United States, one for his practical knowledge of the manufacturing business, one for his practical knowledge of transportation, and one who shall be distinguished for his knowledge of banking and credit. The Secretary of the Treasury shall be ex officio chairman, but the board of governors may select its own chairman pro tempore. All expenses of the board, including the cost of necessary offices and the salaries of its members, shall be apportioned among and paid by the reserve banks in proportion to their capital. The salaries of the members of the board shall be determined by a majority of the reserve banks, each bank having one vote, and no salary shall be reduced during the term of an appointment.

The National Currency Board shall have authority to make by-laws not inconsistent with law, which shall prescribe the manner in which the duties of the board shall be fulfilled and the privileges granted to it by law exercised and enjoyed.

CAPITAL OF THE RESERVE BANKS.

SECTION 7. That each reserve bank shall have an authorized capital equal in amount to twenty per centum of the paid-in and unimpaired capital and surplus of all banks eligible for membership in the said reserve bank. Such reserve bank shall be authorized to commence business upon the approval of the National Currency Board and a certificate of the Comptroller of the Currency.

The capital stock of the reserve bank shall be divided into shares of \$100 each. These shares shall not be transferable, and under no circumstances shall they be hypothecated, nor shall they be owned otherwise than by member banks, nor shall they be owned by any such bank other than in the proportions herein provided. In case a member bank increases its capital it shall thereupon subscribe for an additional amount of the capital of its reserve bank, equal to twenty per centum of the member bank's increase of capital, paying therefor the then book value as shown by the last published statement of said reserve bank.

A bank applying for membership in a reserve bank at any time after its formation must subscribe for an amount of the capital of said reserve bank equal to twenty per centum of the capital and surplus of the subscribing bank, paying therefor its then book value as shown by the last published statement. In case a member bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said reserve bank, and if a member bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said reserve bank. In either case the shares surrendered shall be canceled, and the member bank shall receive in payment therefor from the reserve bank a sum equal to the then book value of the reserve bank as shown by its last published statement, and the capital of the reserve bank shall be reduced correspondingly.

If any member bank shall become insolvent and a receiver be appointed, the

stock held by it in said reserve bank shall be canceled, the insolvent bank credited with the value thereof, and the balance, after paying all debts due by such insolvent bank to said reserve bank (such debts being hereby declared to be a first lien upon the paid-in capital stock held by such member), shall be paid to the receiver of the insolvent bank.

Except as hereinbefore provided, no member bank may withdraw from membership in a reserve bank until after one year's notice of such intention to withdraw, and in such case the member bank shall receive from the reserve bank a sum equal to the book value of its stock on the date of withdrawal.

A certificate of all increases and decreases of the capital of each reserve bank shall be immediately filed with the Comptroller of the Currency. Each reserve bank shall cause to be kept at all times a full and correct list of the names of the banks owning its stock and the number of shares held by each. Such list shall be subject to inspection of all the shareholders of the Reserve bank, and a copy thereof shall be transmitted on the first of July of each year to the Comptroller of the Currency and at any other time required by the Comptroller of the Currency.

EARNINGS OF THE RESERVE BANKS.

SECTION 8. That the earnings of each reserve bank shall be disposed of in the following manner: After the payment of all expenses, including the expenses of the National Currency Board, the shareholders shall be entitled to receive an annual dividend of five per centum on the paid-in capital, which dividend shall be cumulative. Further annual net earnings shall be paid into the surplus fund of the reserve bank until that fund shall amount to twenty per centum of the paid-in capital, and thereafter all earnings in excess of five per centum per annum shall be paid to the United States.

The reserve bank shall be exempt from local and State taxation, except in respect to taxes upon real estate and from all Federal taxes except such as are provided by this Act.

FUNCTIONS OF THE RESERVE BANKS.

SECTION 9. That the reserve banks shall be the fiscal agents of the United States. All moneys now held in the general fund of the Treasury shall, within six months from the passage of this Act, be deposited in the reserve banks, and thereafter the revenues of the Government shall be deposited in such banks and disbursements shall be made by check drawn against such deposits. It shall be the duty of the National Currency Board herein established to apportion the funds and revenues of the Government among the several reserve banks.

The Government of the United States, reserve banks owning stock in a reserve bank, and the officers of the United States shall be the only depositors in such banks. All domestic transactions of the reserve banks shall be confined to the Government, the officers of the United States, member banks and other reserve banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments, or of gold coin or bullion.

No reserve bank shall pay interest on deposits.

A reserve bank may discount, purchase, and sell notes, bills of exchange, and acceptances issued or drawn for agricultural, industrial, or commercial purposes, provided, first, that they have no more than three months to run, and, second, that they bear the indorsement of one or more of its member banks. The amount so discounted for any subscriber shall at no time exceed the capital and surplus of the subscribing bank. The aggregate of such notes, bills, and acceptances made by any one person, company, firm, or corporation discounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said banks.

A reserve bank may discount and purchase notes, bills, and acceptances of the character above described from another reserve bank, provided that they bear the indorsement of said reserve bank.

A reserve bank may, with the specific approval of the National Currency Board, discount the direct obligation of one of its member banks: Provided, That the application is secured by the pledge and deposit with it of satisfactory securities, which shall be held by the reserve bank. In no case shall the amount loaned by the reserve bank exceed three-fourths of the value of the security so

pledged, and in case the value of such security should depreciate, the reserve bank may require additional collateral to the extent of such depreciation.

A reserve bank may invest in United States bonds, also in obligations having not more than one year to run of the United States or its dependencies, or of any State, or of foreign governments.

A reserve bank may, with the consent of the National Currency Board, open and maintain banking accounts in foreign countries and establish agencies in such countries for the purpose of purchasing, selling, and collecting foreign bills of exchange and foreign government obligations of the kinds named in this Act, and it shall have authority to buy and sell, with or without its indorsement, checks or bills of exchange, payable in foreign countries, arising out of commercial transactions which have not exceeding ninety days to run and which bear the signature of two or more responsible parties.

A reserve bank may purchase, acquire, hold, and convey real estate for the same purposes and under the same restrictions as are described in section fifty-one hundred and thirty-seven, Revised Statutes of the United States, for the national banks.

The reserve banks shall have power to lend to and borrow from each other, to deal in gold coin or bullion, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security.

A reserve bank shall, upon request, transfer any part of the deposit balance of any depositor to the credit of any other depositor in any reserve bank. The regulations under which such transfer shall be made and the transfer charges shall be fixed by the National Currency Board.

FUNCTIONS OF THE BOARD OF GOVERNORS OF THE NATIONAL CURRENCY.

SECTION 10. That the National Currency Board shall be authorized and empowered—

First. To exercise general supervision over the reserve banks and to examine at will the accounts and books of national banks and of all reserve banks.

Second. To determine the apportionment of Treasury deposits and revenues among the national reserve banks.

Third. To readjust the boundaries of the districts of the reserve banks and to authorize the establishment of agencies within these districts whenever in their opinion the business of the country requires.

Fourth. To provide regulations and to establish charges for the transfer of deposits from accounts kept with one reserve bank to accounts kept with another.

Fifth. To supervise the issue of national currency as provided by this Act.

Sixth. To suspend for a period not exceeding thirty days (and to renew such suspension for a period not to exceed fifteen days) any and every reserve requirement specified in this Act.

RESERVES OF MEMBER BANKS.

SECTION 11. That within two years from the date when the Secretary of the Treasury shall have officially announced that a reserve bank has been established within a given district, and as rapidly as practicable, every member bank within the said district shall establish and thereafter maintain a reserve of cash in its own vaults, or of balance with the reserve bank, equal to not less than fifteen per centum of its total outstanding demand liabilities, and of this reserve no less than one-half shall be kept as a balance with the reserve bank. All liabilities maturing within thirty days shall be construed to be demand liabilities within the meaning of this Act. All Acts or parts of Acts requiring the maintenance of other reserves in national banks against demand liabilities are hereby repealed.

RESERVES OF THE RESERVE BANKS.

SECTION 12. That all demand liabilities of a reserve bank shall be covered to the extent of fifty per centum by a reserve of gold (including gold bullion and foreign gold coin) or other legal tender money of the United States: Provided, That Whenever and so long as such reserve shall fall and remain below fifty per centum the reserve bank shall pay for the first month or fraction thereof a special tax at the rate of five per centum per annum

upon the deficiency of the reserve, and thereafter an additional tax of one per centum per annum for each month until a tax of ten per centum per annum is reached, and thereafter such tax of ten per cent per annum upon the average amount of such notes. Whenever and so long as such a deficiency in the reserve exists the minimum discount rate with the reserve banks shall be maintained at not less than the rate of the tax.

NOTE CIRCULATION.

SECTION 13. That the Comptroller of the Currency is hereby authorized, with the approval and under regulations to be prescribed by the National Currency Board, to issue United States Treasury gold notes to the reserve banks, said notes to be redeemable in gold on presentation at any reserve bank, or at the office of the Treasurer of the United States. The United States shall have a paramount lien upon all of the assets of the reserve bank to which said notes are issued to the extent of such notes retained by said reserve bank, and until such notes or an equal amount of lawful money are returned to the Treasury of the United States. Any reserve bank receiving such notes shall be required to redeem them on demand, in gold, and shall set apart in its own vaults prime commercial paper as collateral security for the return of such notes, or an equivalent in lawful money, to the Treasurer of the United States.

Such Treasury gold notes shall be issued in a form to be prescribed by the National Currency Board.

A reserve bank to which such Treasury gold notes are issued shall pay during the first four months during which such notes are held and retained at the rate of three per centum per annum for the use of such notes, and at the rate of one per centum per annum for each additional month or fraction thereof until a tax of ten per centum per annum is reached, and thereafter a tax of ten per centum per annum upon the average amount of such notes until they are returned to the Treasury.

MEMORANDUM.

NOTE.—The security of these notes is first, a first lien on the assets of the reserve bank; second, prime commercial paper of like amount collateral in the hands of the bank; third, the credit of the United States.

The banks will have abundant gold in their hands to keep these notes at par. Any person desiring gold can easily get gold on the thousands of millions of outstanding gold certificates. These notes for commercial purposes intended to be used as a means of discounting prime commercial paper and furnishing a prompt and open market for prime commercial paper would be distributed to the local banks desiring currency for moving the crops, etc.

The United States Government might, if it were deemed worth while at all, acquire a small gold deposit to cover any of these notes offered for redemption in gold at the Treasury.

The Subtreasury should be abolished and the Government deposits placed with the reserve banks. The currency board should have authority to require the reserve banks to keep an open account with the Treasurer of the United States and each of them.

REPORTS AND EXAMINATIONS.

SECTION 14. That the reserve banks shall make reports showing the principal items of their balance sheets to the Comptroller of the Currency once a week, which reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency by the reserve bank and coincident with the five reports called for each year from the national banks.

The National Currency Board shall, as often as deemed necessary or proper, directly or through representatives, examine the affairs of the reserve banks.

All member banks shall, under regulations to be prescribed by the National Currency Board, report monthly, or oftener, if required, to their reserve banks, showing the principal items of their balance sheets.

It shall be the duty of a reserve bank to examine the condition of all

member banks at such times and under such regulations as the National Currency Board may determine. The reserve bank may, however, accept for this purpose copies of the reports of the national-bank examiners of member national banks and also copies of the reports of State bank examiners for member State banks and trust companies in States where the furnishing of such information is not contrary to law.

A reserve bank may make such payments to national and State examiners for such services required of them as the directors may consider just and equitable. All reports of national-bank examiners in regard to the condition of banks shall hereafter be made in duplicate, and one copy shall be filed with the appropriate reserve bank for the confidential use of its executive officers. The reports of all examinations conducted by or for the reserve banks shall be held strictly confidential and for the exclusive use of the executive officers of the reserve bank.