

A B I L L

TO AMEND THE ACT APPROVED DECEMBER 23, 1913,

KNOWN AS

THE FEDERAL RESERVE ACT.

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BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That the Act approved December 23, 1913, known as the Federal Reserve Act, as amended, be further amended by adding a new section as follows:

BANKING CORPORATIONS AUTHORIZED TO DO FOREIGN BANKING BUSINESS.

Section 25 (a): Corporations to be organized for the purpose of engaging principally in international or foreign banking or other financial operations, or banking or other financial operations in a dependency or insular possession of the United States, either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions as provided by this section, and to act when required as fiscal agents of the United States, may be formed by any number of natural persons, not less in any case than five.

Such persons shall enter into articles of association which shall specify in general terms the objects for which the association is formed and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulations of its business and the conduct of its affairs.

Such articles of association shall be signed by all of the persons intending to participate in the organization of the corporation and, thereafter, shall be forwarded to the Federal Reserve Board and shall be filed and preserved in its office. The persons signing the said articles of association shall, under their hands, make an organization certificate which shall specifically state:

First: The name assumed by such corporation, which shall be subject to the approval of the Federal Reserve Board.

Second: The place or places where its operations are to be carried on.

Third: The place in the United States where its home office is to 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 business or residence of the persons executing the certificate and the number of shares to which each has subscribed.

Sixth: The fact that the certificate is made to enable the persons subscribing the same, and all other persons, firms, companies and corporations, who or which may thereafter subscribe to or purchase shares of the capital stock of such corporation, to avail themselves of the advantages of this Section.

The persons signing the organization certificate shall duly acknowledge the execution thereof before a judge of some court of record or notary public, who shall certify thereto under the seal of such court or notary and, thereafter, the certificate shall be forwarded to the Federal Reserve Board to be filed and preserved in its office. Upon duly making and filing articles of association and an organization certificate the association shall become and be a body corporate, and, as such, and in the name designated therein, shall have power under such conditions and regulations as the Federal Reserve Board may prescribe to adopt and use a corporate seal which may be changed at the pleasure of its board of directors; to have succession for a period of twenty years unless sooner dissolved by an Act of Congress or unless its franchises become forfeited by some violation of law; to make contracts; to sue and be sued, complain and defend in any court of law or equity; to elect or appoint directors, a majority of whom shall be citizens of the United States; and, by its board of directors, to appoint such officers and employees as may be deemed proper, define their authority and duties, require bonds of them and fix the penalty thereof; dismiss such officers or employees, or any thereof, at pleasure, and appoint others to fill their places; to prescribe, by its board of directors, by-laws not inconsistent with law or with the regulations of the Federal Reserve Board regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed.

Each corporation so organized shall also have power:

(a) To purchase, sell, discount and negotiate notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers and other evidences of indebtedness; to purchase and sell securities, including the obligations of the United States or of any State thereof; to accept bills or drafts drawn upon it subject to such limitations and restrictions as the Federal Reserve Board may impose; to issue letters of credit; to purchase and sell, exchange, coin and bullion; to borrow and to lend money on real or personal security; to receive deposits; and generally to exercise such powers as are incidental to the powers conferred by this act or as may be usual in connection with the transaction of the business of banking or other financial operations in the countries, colonies, dependencies, or possessions in which it shall transact business.

(b) To establish and maintain for the transaction of its business branches or agencies in foreign countries, their dependencies or colonies and in the dependencies or insular possessions of the United States, at such places as may be approved by the Federal Reserve Board and under such rules and regulations as it may prescribe; and to establish and maintain such additional branches or agencies as the Federal Reserve Board may from time to time authorize even in countries or dependencies not specified in the original organization certificate.

(c) With the consent of the Federal Reserve Board to purchase and hold stock or other certificates of ownership in any other corporation organized under the provisions of this section, or under the laws of any foreign country or a colony or dependency thereof, or under the laws of any State, dependency or insular possession of the United States, not transacting business in the United States, except such as in the judgment of the Federal Reserve Board may be incidental to its international or foreign business; provided, however, that without the consent of the Federal Reserve Board, no corporation organized hereunder shall invest in any one corporation an amount in excess of ten per centum of its own capital and surplus. The provisions of

Section 7 of the Act approved October 15, 1914, entitled "An Act to Supplement Existing Laws against unlawful restraints and monopolies and for other purposes," shall not apply to corporations or to officers, directors or employees of corporations organized under this section.

(d) Corporations organized under authority of this section may be granted permission by the Federal Reserve Board to exercise any or all of the powers specified in Section 11(k) of the Federal Reserve Act in so far as the exercise of said power may be necessary in the conduct of the foreign or international business engaged in by such corporations.

No corporation organized under this section shall carry on any part of its business in the United States except such as, in the judgment of the Federal Reserve Board, shall be incidental to its international or foreign business; and provided further that except such as is incidental and preliminary to its organization no such corporation shall exercise any of the powers conferred by this section until it has been duly authorized by the Federal Reserve Board to commence business as a corporation organized under the provisions of this Section.

No corporation shall be organized under the provisions of this section with a capital stock of less than two million dollars, one quarter of which must be paid in before the corporation may be authorized to begin business. The capital stock of any such corporation may be increased at any time, with the approval of the Federal Reserve Board, by a vote of two-thirds of its shareholders, or by unanimous consent in writing of the shareholders without a meeting and without a formal vote; and may be reduced in like manner, provided that, in no event, shall it be less than two million dollars.

A majority of the shares of the capital stock of any such corporation shall be held and owned by citizens of the United States, by corporations chartered under the laws of the United States or of a State of the United States or by firms or companies, the controlling interest in which is owned by the citizens of the United States or of a State thereof. The provisions of section eight of the Act approved October 15, 1914, entitled "An Act to Supplement Existing Laws against unlawful Restraints and Monopolies, and for other purposes," shall not be construed to apply to the directors, other officers, agents, or employees of corporations organized under the provisions of this section.

Shareholders in any corporation organized under the provisions of this section shall not be liable for the contracts, debts and engagements of such corporation except to the extent of their unpaid stock subscriptions. Any member bank may act as agent for any corporation organized under the provisions of this section for the purpose of dealing with any Federal reserve bank and the Federal Reserve Board shall establish and promulgate rules and regulations defining and governing transactions which corporations organized hereunder may have with Federal reserve banks, either directly or through the agency of a member bank. No such corporation, however, shall become a member of any Federal reserve bank.

Should any corporation organized hereunder fail to comply with any of the provisions of the laws of the United States, all of its rights, privileges and franchises derived herefrom may thereby be forfeited. Before any such corporation shall be declared dissolved, or its rights, privileges and franchises forfeited, any noncompliance with, or violation of such laws shall, however, be determined and adjudged by a court of the United States of competent jurisdiction, in a suit brought for that purpose in the district or territory in which the home office of such corporation is located, which suit shall be brought by the United States at the instance of the Federal Reserve Board. Upon adjudication of such noncompliance or violation, each director and officer who participated in, or assented to, the illegal act or acts, shall be liable in his personal or individual capacity for all damages which the said corporation shall have sustained in consequence thereof. No dissolution shall take away or impair any remedy against the corporation, its stockholders or officers for any liability or penalty previously incurred.

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

Whenever the Federal Reserve Board shall become satisfied of the insolvency of any such corporation, it may appoint a receiver who shall take possession of all of the property and assets of the corporation and exercise the same rights, privileges, powers and authority with respect thereto as are now exercised by receivers of national banks appointed by the Comptroller of the Currency of the United States; provided, however, that the assets of the corporation subject to the laws of other countries or jurisdictions shall be dealt with in accordance with the terms of such laws.

Every corporation organized under the provisions of this section

shall hold a meeting of its stockholders annually upon a date fixed in its by-laws, such meeting to be held at its home office in the United States. Every such corporation shall keep at its home office books containing the names of all stockholders thereof, and the names and addresses of the members of its board of directors, together with copies of all reports made by it to the Federal Reserve Board. Every such corporation shall make reports to the Federal Reserve Board at such times and in such form as it may require; and shall be subject to examinations whenever deemed necessary by the Federal Reserve Board by examiners appointed by the Federal Reserve Board, the cost of such examinations, including the compensation of the examiners, to be fixed by the Federal Reserve Board and to be paid by the corporation examined.

July 11, 1919.