

( C o p y )

X-3984

68th CONGRESS,  
1st Session.

H. R. 3206

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IN THE HOUSE OF REPRESENTATIVES.

December 13, 1923.

Mr. Fulmer introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed.

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A BILL

Obligating Federal reserve banks to pay interest upon all realized balances, whether reserve or otherwise, maintained by all member banks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Reserve Act, approved December 23, 1913, as amended, be, and the same is hereby, amended by adding to section 19 subdivision (d), after subdivision (c), to read as follows:

"(d) The Federal reserve banks are hereby obligated and required to pay every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank, interest at the rate of 2 per centum per annum on all realized balances, whether reserve or otherwise, so that section 19 shall read as follows:

"BANK RESERVES.

"Sec. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.

"Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserve balances with its Federal reserve bank as follows :

"(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than 7 per centum of the aggregate amount of its demand deposits and 3 per centum of its time deposits.

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than 10 per centum of the aggregate amount of its demand deposits and 3 per centum of its time deposits:

Provided, however, That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraph (a) hereof.

"(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than 13 per centum of the aggregate amount of its demand deposits and 3 per centum of its time deposits: Provided, however, That if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof.

"(d) The Federal reserve banks are hereby obligated and required to pay every member bank, banking association, or trust company which is, or which becomes, a member of any Federal reserve bank interest at the rate of 2 per centum per annum on all realized balances, whether reserve or otherwise.

"No member bank shall keep on deposit with any State bank or trust company which is not a member bank a sum in excess of 10 per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act, except by permission of the Federal Reserve Board.

"The required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing

liabilities: Provided, however, That no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored.

"In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as a basis for ascertaining the deposits against which required balances with Federal reserve banks shall be determined.

"National banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the provisions of this Act."