Agricultural Credits Act of 1923.

There is published below the text of the agricultural credits act of 1923 in the form in which it was signed by the President on March 4. The amendments to the Federal reserve act are contained in Title IV. The text published below is taken from the conference report as published in the Congressional Record for March 3, as no official print of the act is available at this time. It is believed, however, that this text is substantially correct.

An Act to provide additional credit facilities for the agricultural and live-stock industries of the United States; to amend the Federal farm-loan act; to amend the Federal reserve act; and for other purposes.

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

TITLE I.—FEDERAL INTERMEDIATE CREDIT BANKS.

SECTION 1. That section 1 of the Federal farm loan act is amended to read as follows:

"SEC. 1. That this act may be cited as the ' Federal farm loan act.' Its administration shall be under the direction and control of the Federal Farm Loan Board hereinafter created."

SEC. 2. That the Federal farm loan act is amended by adding at the end thereof a new title, to read as follows:

"TITLE II.—FEDERAL INTERMEDIATE CREDIT BANKS.

"SECTION 1. That section 1 of the Federal farm loan act is amended to read as follows:

"(a) That Federal intermediate credit banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Federal Farm Loan Board not inconsistent with the provisions of this act—

(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated live-stock loan company, savings institution under this section if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid-in and unimpaired capital and surplus of such corporation. No paper shall under this section be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of live stock; Provided, That no such loan or advance shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the live stock covered by said mortgages.

(b) No paper shall be purchased from or discounted for any national bank, State bank, trust company, or savings institution under this section if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid-in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under this section be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of live stock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid-in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank upon paper discounted or purchased under this section to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained."

(c) Loans, advances, or discounts made under this section shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not less than six months nor more than three years. Any
Federal intermediate credit bank may in its discretion sell loans or discounts made under this section, with or without its indorsement.

"(d) Rates of interest or discount charged by the Federal intermediate credit banks upon such loans and discounts shall be subject to the approval of the Federal Farm Loan Board. On the majority vote of the members of the Federal Farm Loan Board any Federal intermediate credit bank shall be required to rediscount the discounted paper of any other Federal intermediate credit bank at rates of interest to be fixed by the Federal Farm Loan Board.

"ISSUANCE OF DEBENTURES.

"SEC. 203. (a) That Federal intermediate credit banks, when chartered and established, shall have power, subject to the approval of the Federal Farm Loan Board, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, or notes or other such obligations discounted or purchased or representing loans made under section 202. Provided, That no Federal intermediate credit bank shall have power to issue or obligate itself for debentures or other obligations under the provisions of this section in excess of ten times the amount of the paid-up capital and surplus of such bank.

"(b) The provisions of Title I relating to the preparation and issue of farm-loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under this section; but the Federal Farm Loan Board shall prescribe rules and regulations governing the receipt, custody, substitution, and release of collateral instruments securing such debentures or other obligations, the right of substitution being hereby granted. Rates of interest upon debentures and other such obligations issued under this section shall, subject to the approval of the Federal Farm Loan Board, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per cent per annum.

"(c) The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under this section, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Federal Farm Loan Board and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed.

"DISCOUNT RATES.

"SEC. 204. (a) That before making any discounts under the provisions of this title each Federal intermediate credit bank shall establish and promulgate a rate of discount to be approved by the Federal Farm Loan Board. Any Federal intermediate credit bank which has made an issue of debentures under the provisions of this title may thereafter establish, with the approval of the Federal Farm Loan Board, a rate of discount not exceeding by more than 1 per cent per annum the rate borne by its last preceding issue of debentures.

"(b) No organization entitled to the privileges of this title shall, without the approval of the Federal Farm Loan Board, be allowed to discount with any Federal intermediate credit bank any note or other obligation upon which the original borrower has been charged a rate of interest exceeding by more than 14 per cent per annum the discount rate of the Federal intermediate credit bank at the time such loan was made.

"(c) A Federal intermediate credit bank may, subject to the approval of the Federal Farm Loan Board, buy in the open market at or below par for its own account and retire at or before maturity any such debentures or obligations issued by it.

"CAPITAL STOCK.

"SEC. 205. That for the purpose of exercising the powers conferred by this title each Federal intermediate credit bank shall have a subscribed capital stock of $5,000,000. Capital stock of such amount shall be divided into shares of $5 each and shall be subscribed, held, and paid by the Government of the United States. It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon 30 days' notice to the Secretary of the Treasury and with the approval of the Federal Farm Loan Board. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated.

"APPLICATION OF EARNINGS.

"SEC. 206. (a) That the Federal Farm Loan Board shall equitably apportion the joint expenses incurred in behalf of Federal land banks, joint-stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the expenses of any additional personnel in the Federal Farm Loan Bureau made necessary in connection with the operation of this provision.

"(b) After all necessary expenses of a Federal intermediate credit bank have been paid or provided for, the net earnings shall be divided into equal parts and one-half thereof shall be paid to the United States, and the balance be paid into a surplus fund until it shall amount to 100 per cent of the subscribed capital stock of such bank, and that thereafter 10 per cent of such earnings shall be paid into the surplus. After the aforesaid requirements have been fully met the then net earnings shall be paid to the United States as a franchise tax. The net earnings derived by the United States from Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied.

"LIABILITY ON DEBENTURES.

"SEC. 207. That any Federal intermediate credit bank issuing debentures or other such obligations under this title shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Federal Farm Loan Board against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have outstanding at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section.
"EXAMINATIONS AND REPORTS."

"SEC. 208. (a) That in order to enable each Federal intermediate credit bank to carry out the purpose of this title the Comptroller of the Currency is hereby authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information as he may have available relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discount or loans; Provided, That no such examination shall be made without the consent of such organization except where such examination is required by law: Provided, That any organization, except State banks, trust companies, and savings associations, shall, as a condition precedent to securing rediscout privileges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Federal Farm Loan Board by land bank examiners; and State banks, trust companies, and savings associations may be in like manner required to file their written consent that reports of their examination by constituted authorities may be furnished by such banks, upon request of the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Federal Farm Loan Board, and the results of such examination and audit shall be made public by the board.

"(b) Every Federal intermediate credit bank shall make to the Federal Farm Loan Board not less than three reports during each year as requested by the board and according to the form which may be prescribed by the board, verified by the oath of affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Federal Farm Loan Board within five days from the receipt of a request or requisition therefor from the board, and in the same form in which it is made to the Federal Farm Loan Board shall be published in a newspaper published in the place where the Federal intermediate credit bank is established, or if there is no newspaper in the place, in the one published nearest thereto in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Federal Farm Loan Board. The Federal Farm Loan Board shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its condition.

"(c) Land bank examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Federal Farm Loan Board, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents and the live stock covered by mortgages which are security for notes or other such obligations representing any loan to any organization under this title. Land-bank examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Federal Farm Loan Board, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan.

"(d) The Federal Farm Loan Board shall assess the cost of all examinations made by the examiners of the board. Under the provisions of this title, the Comptroller of the Currency, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the board.

"RULES AND REGULATIONS."

"SEC. 209. That the Federal Farm Loan Board is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary for the efficient execution of the provisions of this title.

"TAX EXEMPTION."

"SEC. 210. That the privileges of tax exemption accorded under section 26 of this act shall apply also to each Federal intermediate credit bank, including its capital, reserve, or surplus, and the income derived therefrom, and the debentures issued under this title shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm-loan bonds in said section.

"PENALTY PROVISIONS."

"SEC. 211. (a) That any officer, director, agent, or employee of a Federal intermediate-credit bank who embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or credits of such bank, or who, without authority from such bank, draws any order or bill of exchange, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such bank with intent in any case to injure or defraud such bank or any other company or person, or to deceive any officer of such bank or the Federal Farm Loan Board, or any agent or examiner appointed to examine the affairs of such bank; and every receiver of such bank who with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of such bank, and every person who with like intent aids or abets any officer, director, agent, employee, or receiver in any violation of this section, shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than $5,000, or shall be imprisoned for not more than five years, or both, at the discretion of the court.

"(b) Whoever makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security from such bank, or for the purpose of influencing in any other way the action of such bank, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.

"(c) Whoever willfully overvalues any property offered as security for any such advance shall be punished by a fine of not more than $5,000, or by imprisonment for not more than two years, or both.

"(d) Any examiner appointed under this act who shall accept a loan or gratuity from any organization examined by him, or from any person connected with any such organization in any capacity, or who shall disclose the names of borrowers to other than the proper officers of such organization, without first having had the approval of the farm-loan commissioner or the board of directors of such organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or of either house thereof,
or any committee of Congress or of either House duly authorized, shall be punished by a fine of not exceeding $5,000 or by imprisonment of not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuitous given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this act. No examiner while holding such office shall perform any other service for compensation for any bank or banking or loan association or for any person connected therewith in any capacity.

"(e) Whoever, being an officer, director, employee, agent, or attorney of a Federal intermediate credit bank, stipulates for or receives consent or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdemeanor and shall, upon conviction thereof be imprisoned for not more than one year and fined not more than $5,000, or both.

"(f) Any person who shall falsely make, forge, or counterfeit certificate or cause or procure to be falsely made, forged, or counterfeited or willingly aid or assist in falsely making, forging, or counterfeiting any debenture, coupon, or other obligation in imitation of or purporting to be in imitation of the debenture, coupon, or other obligation issued by any Federal intermediate credit bank, or any person who shall pass, utter, or publish or attempt to pass, utter, or publish any false, forged, or counterfeited debenture, coupon, or other obligation purporting to be issued by any such bank, knowing the same to be falsely made, forged, or counterfeited, or any person who shall falsely alter or cause or procure to be falsely altered or shall willingly aid or assist in falsely altering any such debenture, coupon, or other obligation or who shall pass, utter, or publish as true any falsely altered or spurious debenture, coupon, or other obligation issued or purporting to have been issued by any such bank, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding $5,000, or by imprisonment not to exceed five years, or both.

"(g) Any person who shall deceive, defraud, or impose upon or who shall attempt to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any debenture, coupon, or other obligation issued under the terms of this title, shall, upon conviction be fined not exceeding $500, or imprisoned not to exceed one year, or both.

"(h) All corporations not organized under the provisions of this title are prohibited from using the words "Federal intermediate credit bank" as part of their corporate name, and any violation of this prohibition shall subject the party charged therewith to a civil penalty of $50 for each day during which the violation continues.

SEC. 212. That no Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized.

TITLE II. NATIONAL AGRICULTURAL CREDIT CORPORATIONS.

FORMATION.

SEC. 231. That corporations for the purpose of providing credit facilities for the agricultural and live-stock industries of the United States, to be known as national agricultural credit corporations, may be formed by any number of natural persons not less than five. Such persons shall enter into articles of association which shall specify the object for which the corporation is formed. Such articles of association shall be signed by the persons intending to participate in the organization of the corporation and be forwarded to the Comptroller of the Currency to be filed and preserved in his office.

REQUISITES OF ARTICLES AND CERTIFICATE.

SEC. 202 (a). That persons signing such articles of association shall make an organization certificate which shall specifically state the name of the corporation to be organized, the place where its office is to be located, the State or States in which its operations are to be carried on, the amount of its capital stock, and the number of shares into which the same shall be divided, and that the certificate is made to enable the subscribers to avail themselves of the advantages of this title.

(b) The name of each corporation organized under this title shall include the words "national agricultural credit corporation."

(c) The organization certificate and articles of association shall be acknowledged before some judge of a court of record or notary public, and shall, together with the acknowledgment thereof duly authenticated by the seal of such court or notary, be transmitted to the Comptroller of the Currency, who shall file, record, and carefully preserve the same in his office.

(d) Upon and filing the articles of association and organization certificate with the Comptroller of the Currency, and when the Comptroller of the Currency has approved the same and issued a written permit to begin business, the corporation shall be and become a body corporate, and shall have power—

(1) To adopt and use a corporate seal.

(2) To have succession for a period of 50 years unless sooner dissolved by the act of shareholders owning two-thirds of its stock or by act of Congress or unless its charter shall be forfeited for violation of law.

(3) To make contracts.

(4) To sue and be sued, complain and defend in any court of law or equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located.

(5) To elect or appoint directors and by its board of directors to appoint such officers and employees as may be deemed proper; to define their authority and duties; to regulate their salaries; in its discretion to require bonds of any of them and to fix the penalty thereof; and to dismiss at pleasure any of such officers or employees.

(6) To prescribe by its board of directors by-laws not inconsistent with law or the regulations of the Comptroller of the Currency defining the manner in which its general business may be conducted, its shares of stock be transferred, its directors and officers be elected or appointed, its property transferred, and the privileges granted to it by law be exercised and enjoyed.

(7) To exercise by its board of directors or duly authorized officers or agents all powers specifically granted by the provisions of this title and such incidental powers as shall be necessary to carry on the business for which it is incorporated, within the limitations prescribed by this title, but such corporation shall transact no business except such as is incidental and necessarily preliminary to its organization and authorized in writing by the Comptroller of the Currency to commence business under the provisions of this title.

(8) The affairs of each national agricultural credit corporation shall be managed by not less than five directors, who shall be elected by the stockholders at a meeting to be held at any time before the corporation is authorized by the Comptroller of the Currency to commence business, and afterwards at meetings to be held on such day in January
of each year as may be provided in the articles of association. The directors so elected shall hold office for one year, and until their successors are elected and have qualified. Every director and other officer of the corporation shall, before entering upon the duties of his office, take and subscribe an oath before a notary public or other official having a seal and authorized to administer oaths, conditioned for the faithful performance of the duties of his office. Such oath shall be in such form as may be prescribed by the Comptroller of the Currency, and shall be filed in the office of the Comptroller of the Currency. Any vacancy in the board shall be filled by appointment by the remaining directors, and any director so appointed shall hold his place until the next election.

SEC. 203. (a) That each national agricultural credit corporation shall have power, under such rules and regulations as the Comptroller of the Currency may prescribe—

(1) To make advances upon, to discount, rediscount, or purchase, and to sell or negotiate, with or without its endorsement or guaranty, notes, drafts, or bills of exchange, and to accept notes, drafts, or bills of exchange, which—

(A) Are issued or drawn for an agricultural purpose, or the proceeds of which have been or are to be used for an agricultural purpose;

(B) Have a maturity, at the time of discount, purchase, or acceptance, not exceeding nine months; and

(C) Are secured at the time of discount, purchase, or acceptance by warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products, or by chattel mortgages or other like instruments conferring a first and paramount lien upon live stock which is being fattened for market.

(2) To make advances upon or to discount, rediscount, or purchase, and to sell or negotiate with or without its endorsement or guaranty, notes secured by chattel mortgages conferring a first and paramount lien upon mortgaged or breeding live stock or dairy herds, and having a maturity at the time of discount, rediscount, or purchase not exceeding three years.

(3) To subscribe for, acquire, own, buy, sell, and otherwise deal in Treasury certificates of indebtedness, bonds or other obligations of the United States to such extent as its board of directors may determine.

(4) To act, when requested by the Secretary of the Treasury, as fiscal agent of the United States, and to perform such services as the Secretary of the Treasury may require in connection with the issue, sale, redemption or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States.

(5) To purchase, hold, acquire, and dispose of shares of the capital stock of any corporation organized under the provisions of section 207 of this title, in an amount not to exceed at any time 20 per centum of the paid-in and unimpaired capital and surplus; nor shall any such corporation make advances to or hold notes or other direct obligations of any person or corporation, or have outstanding acceptances for any person or corporation, in an amount exceeding 20 per centum of the paid-in and unimpaired capital and surplus of such corporation, unless such advances, notes, acceptances, or other obligations are adequately secured by warehouse receipts representing readily marketable and nonperishable agricultural commodities, in which event the amount of such advances to, or notes or other direct obligations of, or acceptances for, such one person, association, or corporation shall not exceed 50 per centum of such paid-in and unimpaired capital and surplus.

(6) To purchase, hold, and convey real estate for the following purposes, and for no others:

(A) Such as shall be necessary for its accommodation in the transaction of its business.

(B) Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

(C) Such as it shall purchase at sales under judgments, decrees, or mortgages held by the corporation or shall purchase, not to exceed at any time 20 per centum of the amount of such advances, notes, drafts, or bills of exchange sold or negotiated under paragraphs (1) and (2) of subdivision (a) of this section or under section 207.

(7) To act as custodian, trustee, or agent for holders of notes, drafts, or bills of exchange sold or negotiated under paragraphs (1) and (2) of subdivision (a) of this section or under section 207.

(8) To be subject to such regulations as the Comptroller of the Currency may prescribe, collateral trust notes or debentures, with a maturity not exceeding three years, and to pledge as security for such notes or debentures any notes, drafts, bills of exchange, or other securities held by the corporation under the terms of this title. The regulations of the Comptroller of the Currency may prescribe the form of notes or debentures, and of notes, drafts, bills of exchange, or other instruments which may be pledged as security therefor, the provisions which may be made with regard to release, substitution, or exchange of such securities, and with regard to protection, supervision, inspection, and the inspection of the agricultural commodities or live stock pledged or mortgaged as security therefor.

(b) The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under this title, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Comptroller of the Currency and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed.

(c) Any obligation referred to in paragraphs (1) or (2) of subdivision (a) of this section, which is secured by chattel mortgage upon live stock of an estimated market value at least equal to the face amount of such obligation, may be additionally secured by mortgage or deed of trust upon real estate or by other securities, under such regulations as may be made by the Comptroller of the Currency.

LIMITATIONS.

SEC. 204. Except as hereinafter provided in section 207 of this title, no national agricultural credit corporation shall incur liabilities, whether direct or contingent, in excess of ten times its paid-in and unimpaired capital and surplus; nor shall any such corporation make advances to or hold notes or other direct obligations of any person or corporation, or have outstanding acceptances for any person or corporation, in an amount exceeding 20 per centum of the paid-in and unimpaired capital and surplus of such corporation, unless such advances, notes, acceptances, or other obligations are adequately secured by warehouse receipts representing readily marketable and nonperishable agricultural commodities, in which event the amount of such advances to, or notes or other direct obligations of, or acceptances for, such one person, association, or corporation shall not exceed 50 per centum of such paid-in and unimpaired capital and surplus.

No such corporation shall purchase, own, or deal in any live stock except live stock taken in the course of liquidation of obligations held by it.

INTEREST RATES.

SEC. 205. (a) Any national agricultural credit corporation may charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the State in which such corporation is located.

(b) The taking, receiving, reserving, or charging a rate of interest greater than is allowed by subdivision (a), when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid, or his legal representative, may recover back in an action in the nature of an action for debt twice the amount of the interest thus paid from the corporation taking or receiving the same, provided such action is commenced within two years from the time usurious interest was collected.
CAPITAL STOCK.

Sec. 206. (a) That no national agricultural credit corporation shall be permitted to commence business with a paid-in capital of less than $250,000; and no permit to begin business shall be issued to any such corporation by the Comptroller of the Currency until there shall have been filed with him a certificate signed by the president or treasurer and by individuals comprising a majority of the board of directors of such corporation showing that at least 50 per cent of the authorized capital stock of such corporation has been paid in in cash; and the remainder of the capital stock of such corporation shall be paid in installments of at least 10 per cent each on the whole amount of the capital, and the entire authorized capital stock shall be paid in within six months from the date upon which such corporation shall be authorized by the Comptroller of the Currency to commence business. The payment of each installment shall be certified to the Comptroller of the Currency under oath by the president or cashier of such corporation.

(b) The capital stock of any such corporation may be increased at any time with the approval of the Comptroller of the Currency by a vote of two-thirds of the holders of its issued and outstanding capital stock, or by written consent of all of its shareholders without a meeting and without a formal vote; and may be reduced in like manner: Provided, That in no event shall such capital stock be reduced to an amount less than one-tenth of its then outstanding indebtedness, direct or contingent, or to an amount less than $250,000, nor without at the same time reducing proportionately outstanding liabilities. No national agricultural credit corporation, except as herein provided, shall withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its paid-in capital; and section 5304 of the Revised Statutes, prohibiting the payment of unearned dividends or the withdrawal of capital of national banks, shall be held to apply to national agricultural credit corporations.

(c) The provisions and limitations contained in section 5139 of the Revised Statutes, relative to transfer of the shares of the capital stock of national banks, shall apply to national agricultural credit corporations.

(d) Whenever any shareholder or his assign fails, upon demand of the Comptroller of the Currency, to pay his subscription or any part thereof on stock of any national agricultural credit corporation subscribed to by him, the directors of the corporation, after 15 days' notice, shall proceed in the manner prescribed by section 5141 of the Revised Statutes for the collection of unpaid subscriptions to stock of national banks.

(e) Section 5144 of the Revised Statutes, which relates to the right of shareholders of national banks to vote by proxy, shall be held to apply to shareholders of national agricultural credit corporations.

REDISCOUNT CORPORATIONS.

Sec. 207. (a) That national agricultural credit corporations having an authorized capital stock of $1,000,000 or over may be organized under the provisions of this title, to exercise all the powers enumerated in section 203, except that in lieu of the powers conferred in paragraphs (1) and (2) of subdivision (a) of such section, such corporations shall have power—

(1) Upon the indorsement of any national agricultural credit corporation, or of any bank or trust company which is a member of the Federal reserve system, to rediscount for such corporation, bank, or trust company, notes, drafts, bills of exchange, and acceptances, which conform to the requirements of paragraphs (1) and (2) of subdivision (a) of section 203. Such indorsement shall be deemed to be a waiver of demand notice and protest by such corporation as to its own indorsement exclusively;

(2) To discount or purchase notes, drafts, or bills of exchange issued or drawn by cooperative associations of producers of agricultural products, provided such notes, drafts, or bills of exchange are secured at the time of discount or purchase by warehouse receipts or other like documents conveying or securing title to perishable and readily marketable agricultural products and have a maturity at the time of discount or purchase not exceeding nine months;

(3) To sell or negotiate with or without recourse any note, draft, or bill of exchange discounted or purchased hereunder.

(b) National agricultural credit corporations organized under the provisions of this section shall not be subject to the limitations contained in section 204, but the Comptroller of the Currency may, by general regulations, from time to time prescribe the amount of indebtedness, direct or contingent, which such corporations may incur and the aggregate amount of paper of different types which such corporations may rediscount for any one corporation.

(c) Corporations with powers limited, as provided in this section, shall not be subject to the requirements as to deposit of bonds or other obligations of the United States as provided in section 208 of this title.

PERMIT TO BEGIN BUSINESS.

Sec. 208. (a) That no national agricultural credit corporation, except corporations with powers limited as provided in section 207, shall commence business until it has deposited with the Federal reserve bank of the district wherein it has its place of business bonds or other obligations of the United States in an aggregate face amount of at least 25 per cent of its paid-in capital stock. Each such corporation shall at all times keep on deposit with such Federal reserve bank an amount of such bonds or other obligations of the United States at least equal in face value to 7½ per cent of the aggregate indebtedness of such corporation, direct or contingent, said amount to include the 25 per cent deposited as hereinbefore by this section provided. Except as hereinafter provided, such bonds or other obligations shall be held by such Federal reserve bank, subject to the direction and control of the Comptroller of the Currency, in trust for the equal and pro rata protection and benefit of all holders of notes, debentures, drafts, bills of exchange, or acceptances upon which such corporation may be directly or contingently liable. Upon receipt of proper evidence that the amount of such bonds or other obligations of the United States so deposited exceeds 7½ per cent of such aggregate indebtedness, the Comptroller of the Currency may release such excess, provided that the amount remaining on deposit shall in no event be reduced below 25 per cent of the paid-in capital stock of such corporation. Under such regulations as the Comptroller of the Currency may prescribe, a Federal reserve bank may, upon request of the corporation which deposited the same, sell any such bonds or obligations for account of such corporation and permit such corporation to use the proceeds thereof for the protection or preservation of any property pledged or mortgaged as security for obligations owned or indorsed by the corporation. If by reason of such sale the face amount of such bonds or other obligations of the United States remaining on deposit with such Federal reserve bank shall be less than 7½ per cent of such aggregate indebtedness of the corporation, no further advances shall be made, or notes, drafts, or bills of exchange discounted, rediscounted, accepted, or purchased, by such corporation until sufficient additional bonds or other obligations of the United States have been deposited to make good the deficiency.
(b) In determining whether to grant permission to do business to any national agricultural credit corporation, the Comptroller of the Currency shall take into account the extent to which the laws of the State or States in which the corporation will do business afford adequate protection to advances made upon the security of warehouse or chattel mortgages, and shall be punishable by a fine of not more than $1,000, or by imprisonment for not more than one year, or both.

Reciprocal arrangements with States or foreign countries as to the examination and supervision of national agricultural credit corporations shall be made.

The Comptroller of the Currency shall have power to appoint and fix the compensation of examiners to examine national agricultural credit corporations or to use national-bank examiners from performing any service for compensation for any bank or officer and from disclosing the names of borrowers or the collateral for loans without obtaining the written consent of the Comptroller of the Currency, and such provisions shall be held to apply to examiners appointed to examine corporations organized under the provisions of this title. The provisions of the Federal reserve act which prohibit national-bank examiners from performing any service for compensation for any bank or officer and from disclosing the names of borrowers or the collateral for loans without obtaining the written consent of the Comptroller of the Currency, and such provisions shall be held to apply to examiners appointed to examine national agricultural credit corporations.

Sec. 299. (a) That all National Agricultural Credit Corporations shall be under the supervision of the Comptroller of the Currency, who shall be charged with the execution of all laws of the United States relating to the organization, regulation, and control of such corporations. The Comptroller of the Currency shall exercise the same general powers over such corporations as he exercises over national banks organized under the laws of the United States.

(b) In addition to the two Deputy Comptrollers of the Currency now provided for by law, there shall be in the bureau of the Comptroller of the Currency a third Deputy Comptroller of the Currency who shall be appointed in the manner and shall have the like oath of office and give a like bond as the deputy comptrollers now provided for by law. Under the direction of the Comptroller of the Currency, such additional deputy comptroller shall have charge of the administration of the provisions of this title relating to the organization and operation of national agricultural credit corporations and shall perform such other duties as shall be assigned to him by the Comptroller of the Currency. The Comptroller of the Currency is hereby authorized to employ such additional examiners, clerks, and other employees as he deems necessary to carry out the provisions of this title and to assign to duty in the office of his bureau in Washington such examiners and assistant examiners as he shall deem necessary to assist in the performance of the work of that bureau.

The salaries of the Deputy Comptrollers of the Currency and of such additional examiners, assistant examiners, clerks, and other employees shall be fixed in advance by the Comptroller of the Currency. The salaries of the two deputy comptrollers now provided for by law and of all national-bank examiners and assistant examiners assigned to duty in the office of the bureau in Washington in connection with the supervision of national banks shall be considered part of the expenses of the examinations provided for by section 5240 of the Revised Statutes, as amended; and the salaries of such additional deputy comptroller and of all examiners, assistant examiners, clerks, and other employees appointed under the terms of this title and assigned to duty in connection with the examination of national-bank examiners, assistant examiners, clerks, and other employees appointed under the terms of this title and assigned to duty in connection with the examination of such additional examiner shall be considered part of the expenses of the administration of this title: Provided, however, That the salary of the additional deputy comptroller provided for by this subdivision shall be considered part of the expenses of the administration of this title in proportion to the total assets, an assessment sufficient to pay the expenses of the administration of this title for the ensuing half year, together with any deficit carried forward from the preceding half year. Each such corporation shall pay the amount so assessed against it to the Treasurer of the United States, subject to the order of the Comptroller of the Currency, to be disbursed by the comptroller in payment of expenses incurred in the administration of this title.

(c) The Comptroller of the Currency shall have power to require to represent that he is a Federally licensed live-stock inspector or that he is a person other than a holder of a license duly issued under this subdivision whenever, after opportunity for hearing has been given to the licensee, the Secretary shall determine that such licensee is incompetent, or has knowingly or carelessly made false or erroneous inspection reports with respect to any live stock, or has accepted any money or other consideration, directly or indirectly, for any neglect or improper performance of duty, or has in any other manner shown himself to be unfit to act as a live-stock inspector.

Pending investigation, the Secretary of Agriculture, whenever he deems it necessary, may suspend a license temporarily without a hearing. It shall be unlawful for any person other than a holder of a license duly issued under this subdivision, or any person whose license has been suspended or revoked under the terms of this subdivision, to represent that he is a Federally licensed live-stock inspector, and any violation of this provision shall be punishable by a fine of not more than $1,000, or by imprisonment for not more than one year, or both.

Any inspector licensed under the provisions of this subdivision who makes any statement in any inspection report or to any person for the purpose of obtaining for himself, or any other person, any advance on the security of the live stock inspected, knowing the same to be false, or who willfully or knowingly to any security by which an advance is secured, shall be punishable by a fee of not more than $1,000, or by imprisonment for not more than one year, or both.
fine of not more than $5,000, or by imprisonment for not
more than five years, or both.

(1) The Comptroller of the Currency shall allot to the
Department of Agriculture from time to time such sums as
may be estimated to be necessary for the administration of
the functions vested in that department by this title, and
may ratify the same from time to time against
national agricultural credit corporations.

BANKS MEMBERS OF THE FEDERAL RESERVE SYSTEM MAY
BECOME STOCKHOLDERS.

Sec. 210. Any member bank of the Federal reserve
system may file application with the Comptroller of the
Currency for permission to invest an amount not exceeding
in the aggregate 10 per cent of its paid-in capital stock
and surplus in the stock of one or more of the national
agricultural credit corporations, and upon approval of
such application may purchase such stock. The Com-
troller of the currency shall have discretion to approve or
reject such application in whole or in part.

TAXATION.

Sec. 211. Any tax by a State of the shares in
national agricultural credit corporations, or of dividends
derived therefrom, or of the income of said corporations,
or real estate owned by them, shall be such only as is
may be authorized by law in the case of national banking
associations; and taxation by a State of the detentures or
other obligations of such corporations shall not be at a
higher rate than the rate applicable to other moneyed
capital in the hands of individual citizens thereof.

DEPOSITS.

Sec. 212. The moneys of national agricultural credit
corporations may be kept on deposit subject to check in
any member bank of the Federal reserve system.

CONVERSION OF CORPORATIONS.

Sec. 213. (a) Any agricultural or live-stock financ-
ing corporation incorporated by special law of any State
or organized under the general laws of any State and
having an unimpaired capital sufficient to entitle it to
become a national agricultural credit corporation may,
by the vote of the shareholders owning not less than 51 per
centum of the capital stock of such corporation, with the
approval of the Comptroller of the Currency, be converted
into a national agricultural credit corporation under this
title, with any name approved by the Comptroller of the
Currency: Provided, That the said conversion shall not
be ratified and confirmed by the affirmative vote of the
shareholders of each of such corporations owning at least
two-thirds of its capital stock outstanding, at a meeting
to be held on the call of the directors after publishing
notice of the time, place, and object of the meeting for
four consecutive weeks in some newspaper published in
the place where the said corporation is located, and if no
newspaper is published in the place, then in a paper
published nearest thereto, and after sending to each
shareholder of record by registered mail at least
10 days prior to said meeting: Provided, That the capital
stock of such consolidated corporation shall not be less
than $500,000 paid in if the corporations consolidated are
organized by the powers covered by section 203, or
less than $1,000,000 paid in if the corporations consoli-
dated are those organized under section 207.

(b) When such consolidation shall have been effected
and approved by the Comptroller of the Currency, any
shareholder of either of the corporations so consolidated
who has not voted for such consolidation may give notice
to the board of directors of the corporation in which he is
interested, within 20 days from the date of the certificate
of approval of the Comptroller of the Currency, that he
dissents from the plan of consolidation as adopted and
approved, whereupon he shall be entitled to receive the
value of the shares so held by him, to be ascertained by an
appraisal made by a committee of three persons, one to
be selected by the shareholder, one by the directors, and
the third by the two so chosen; and in case the value so
affixed shall not be satisfactory to the shareholder, he may
within five days after being notified of the appraisal
appeal to the Comptroller of the Currency, who shall
cause a reappraisal to be made, which shall be final and
binding; and if said reappraisal shall exceed the value
affixed by said committee, the corporation shall pay the
cost of the reappraisal, otherwise the cost of said
paid expense; and the value so ascertained and deter-
mined shall be deemed to be a debt due and be forthwith
paid to said shareholder by said corporation, and the
shares so paid shall be surrendered and after due notice
sold at public auction within 30 days after the final ap-
praisal provided for by this title.

(c) Where corporations consolidate under the provisions
of this title, all of the rights, franchises, and interest of
corporations shall be consolidated in and to every
species of property, personal and mixed, and choses in
action thereto belonging, and shall be deemed to be
transferred to and vested in the corporation into which
it is consolidated without any deed or other transfer, and
the said consolidated corporation shall hold and enjoy
the same and all rights of property, franchises, and in-
terest, in the same manner and to the same extent as
they were held and enjoyed by the corporations so con-
solidated therewith.

CONSOLIDATION OF CORPORATIONS.

Sec. 214. (a) Any two or more national agricultural
credit corporations, with the approval of the Comptroller
of the Currency, may consolidate into one corporation
under the charter of either or any of the existing corpora-
tions on such terms and conditions as may be lawfully
agreed upon by a majority of the board of directors of each
corporation proposing to consolidate, such agreement to
be ratified and confirmed by the affirmative vote of the
shareholders of each of such corporations owning at least
two-thirds of its capital stock outstanding, at a meeting
where the said corporation is located, and if no
newspaper is published in the place, then in a paper
published nearest thereto, and after sending to each
shareholder of record by registered mail at least
10 days prior to said meeting: Provided, That the capital
stock of such consolidated corporation shall not be less
than $250,000 paid in if the corporations consolidated are
organized by the powers covered by section 203, or
less than $1,000,000 paid in if the corporations consoli-
dated are those organized under section 207.

(b) When such consolidation shall have been effected
and approved by the Comptroller of the Currency, any
shareholder of either of the corporations so consolidated
who has not voted for such consolidation may give notice
to the board of directors of the corporation in which he is
interested, within 20 days from the date of the certificate
of approval of the Comptroller of the Currency, that he
dissents from the plan of consolidation as adopted and
approved, whereupon he shall be entitled to receive the
value of the shares so held by him, to be ascertained by an
appraisal made by a committee of three persons, one to
be selected by the shareholder, one by the directors, and
the third by the two so chosen; and in case the value so
affixed shall not be satisfactory to the shareholder, he may
within five days after being notified of the appraisal
appeal to the Comptroller of the Currency, who shall
cause a reappraisal to be made, which shall be final and
binding; and if said reappraisal shall exceed the value
affixed by said committee, the corporation shall pay the
cost of the reappraisal, otherwise the cost of said
paid expense; and the value so ascertained and deter-
mined shall be deemed to be a debt due and be forthwith
paid to said shareholder by said corporation, and the
shares so paid shall be surrendered and after due notice
sold at public auction within 30 days after the final ap-
praisal provided for by this title.
INSOLVENCY, RECEIVERSHIP, AND LIQUIDATION.

Sec. 215. (a) That whenever any national agricultural credit corporation shall be dissolved and its rights, privileges, and franchises declared forfeited as prescribed in the preceding section, or whenever any creditor of any such corporation shall have obtained a judgment against it in any court of record and made application, accompanied by a certificate from the clerk of the court, stating that such judgment has been rendered and has remained unpaid for the space of 90 days, or whenever the Comptroller of the Currency shall become satisfied of the insolvency of such corporation, he may, after due examination of its affairs in either case, appoint a receiver who shall proceed to wind up the affairs of such corporation. The receiver so appointed shall exercise the powers and be subject to the restrictions of receivers of national banks; and the Comptroller of the Currency shall have the same powers and duties in connection with the administration of such receivership as he has in reference to the receivership of national banks.

(b) Shareholders' agents for shareholders of national agricultural credit corporations may be appointed in the manner provided under the provisions of the act of June 30, 1876, as amended, and shall have the same general powers and duties and be subject to the same restrictions as shareholders' agents of a national bank.

(c) Any national agricultural credit corporation may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock. Whenever a vote is taken to go into liquidation it shall be the duty of the board of directors to cause notice of this fact to be certified under the seal of the corporation by its president or cashier to the Comptroller of the Currency and publication thereof to be made for a period of two months in a newspaper published nearest thereto, that the corporation is closing up its affairs and notifying the creditors to present their claims against the corporation for payment. All such claims shall be presented to and approved by a liquidating agent to be appointed by the board of directors of such corporation, with the approval of the Comptroller of the Currency, and the affairs of such corporation shall be liquidated by such agent and under the supervision of the Comptroller of the Currency.

PENALTY PROVISIONS.

Sec. 216. (a) That any officer, director, agent, or employee of a national agricultural credit corporation who embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or credits of such corporation, or who without authority from the directors draws any order or draft on the corporation, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such corporation with intent in any case to injure or defraud such corporation or any other company or person or to deceive any officer of such corporation or the Comptroller of the Currency or any agent or examiner appointed to examine the affairs of such corporation; and every receiver of such corporation who willfully attempts to defraud, injure, embezzle, abstract, purloin, or willfully misapply any of the moneys, funds, or assets of the corporation, and every person who with like intent aids or abets any officer or director, employee, or receiver in any violation of this section shall be deemed guilty of a misdemeanor, and upon conviction in any district court of the United States, shall be fined not more than $5,000, or shall be imprisoned for not more than five years, or both, at the discretion of the court.

(b) Whoever makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security, from a national agricultural credit corporation, or for the purpose of influencing in any other way the action of such corporation, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.

(c) Whoever willfully overvalues any property offered as security for any such advance shall be punished by a fine of not more than $5,000, or by imprisonment for not more than two years, or both.

(d) Any examiner appointed under this title who shall accept a loan or gratuity from any organization examined by him, or from any person connected with any such organization in any capacity, or who shall disclose the names of borrowers to other than the proper officers of such organization, without first having obtained express permission in writing from the Comptroller of the Currency mentioned the board of directors of such organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or of either House thereof, or any committee of Congress or of either House duly authorized, shall be punished by a fine of not exceeding $5,000 or by imprisonment not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this title. No examiner while holding such office shall perform any other service for compensation for any bank or banking or loan association or for any person connected therewith in any capacity.

(e) Whoever, being an officer, director, employee, agent, or attorney of a national agricultural credit corporation stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation, or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdeemeanor and upon conviction shall be imprisoned for not more than one year or fined not more than $5,000, or both.

(f) Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any debentures, coupons, or other obligations in imitation of or purporting to be in imitation of the debentures, coupons, or other obligations issued by any national agricultural credit corporation, and any person who shall pass, utter, or publish or attempt to pass, utter, or publish any false, forged, or counterfeited debenture, coupon, and other obligation purporting to be issued by any such corporation knowing the same to be falsely made, forged, or counterfeited, and any person who shall falsely alter or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering any such debenture, coupon, or other obligation, or who shall pass, utter, or publish as true any falsely altered or spurious debenture, coupon, or other obligation issued or purporting to have been issued by any such corporation knowing the same to be falsely altered or spurious shall be punished by a fine of not exceeding $5,000, or by imprisonment not exceeding five years, or both.

(g) Any person who shall deceive, defraud, or impose upon or who shall attempt to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any paper, note, draft, check, or bill of exchange issued by any national agricultural credit corporation, or by false pretense or representation or false or spurious debentures, coupons, or other obligations, or any false statement, knowing it to be false, for the purpose of obtaining, or to induce any person to impart confidence in, any paper, note, draft, check, or bill of exchange, or for any false statement, knowing it to be false, for the purpose of obtaining, or to induce any person to impart confidence in, any paper, note, draft, check, or bill of exchange, shall be punished by a fine of not exceeding $5,000, or by imprisonment not exceeding five years, or both.
of any debenture, coupon, or other obligation issued under the terms of this title, shall be fined not exceeding $500 or imprisoned not to exceed one year, or both.

(h) All corporations not organized under the provisions of this title are prohibited from using the words "national agricultural credit corporation" as part of their corporate name, and any violation of this prohibition shall subject the party charged therewith to a civil penalty of $50 for each day during which the violation continues.

RESERVATION OF RIGHT TO AMEND.

TITLe III.—AMENDMENTS TO FEDERAL FARM LOAN Act.

Sec. 301. That the second paragraph of section 3 of the Federal farm loan act is amended to read as follows:

"Said Federal Farm Loan Board shall consist of seven members, including the Secretary of the Treasury, who shall be a member and chairman ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members to be appointed by the President, not more than three shall be appointed from one political party, and all six of said members shall be citizens of the United States and shall devote their entire time to the business of the Federal Farm Loan Board; they shall receive an annual salary of $10,000 payable monthly, together with actual expenses and salaries of the Federal Farm Loan Board, its officers and employees, farm-loan registrars, and examiners, and provisions of this act. except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Federal Farm Loan Board may prescribe, the rate charged borrowers may be 1% per cent in excess of the rate borne by the last preceding issue of farm-loan bonds of the Federal land bank with which such branch bank is connected: Provided, That no loan be made in Porto Rico or Alaska by such branch bank for a longer term than 20 years."

Sec. 303. That the second paragraph of section 4 of the Federal farm loan act is amended to read as follows:

"The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors and shall be chosen by and be representative of national farm-loan associations and borrowers through agencies, three shall be known as district directors and shall be appointed by the Federal Farm Loan Board and represent the public interest. The term of office of local and district directors shall be three years."

"Within 30 days from the date of passage of the agricultural credit act of 1923, and thereafter at least two months before each election, the Federal Farm Loan Board shall divide each land-bank district into three divisions, as nearly equal as possible, according to the number of borrowers and the voting strength of national farm-loan associations and borrowers through agencies, and the farm loan commissioner shall thereafter notify each association and agency in writing that an election is to be held for one local director from each of said divisions and requesting each association and agency to nominate one candidate for each division. Within 10 days of receipt of such notice each national farm-loan association and borrower through agencies shall forward nominations of residents of their respective divisions for one director for such division to said farm loan commissioner. The farm loan commissioner shall then prepare a list of candidates for local directors, consisting of the 10 persons receiving the highest number of votes from national farm-loan associations and borrowers through agencies for each division."

"At least one month before said election the farm-loan commissioner shall mail to each national farm-loan association and to each borrower through agencies the list of candidates for their respective divisions. The directors of each national farm-loan association shall cast the vote of said association for one of the candidates on said list and shall forward said vote to the said farm-loan commissioner within 10 days after said list of candidates is received. In voting under this section each association shall be entitled to cast a number of votes equal to the
total voting strength of the stockholders in association meetings, and each borrower through agencies shall be entitled to one vote for each share of stock held by him in the Federal land bank not exceeding 20 shares, and shall forward said vote to the said farm-loan commissioner within 10 days after said list of candidates is received. The candidate receiving the highest number of votes in his division shall be declared elected as local director of the Federal land bank district from his division. In case of a tie, the farm-loan commissioner shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective associations and borrowers through agencies for such candidates, as counted, shall be tabulated and preserved, subject to examination by any candidate, for at least one year after the result of the election is announced.

"The Federal Farm Loan Board shall designate one of the district directors to serve until December 31, 1924, one to serve until December 31, 1925, and one to serve until December 31, 1926. After their first appointment each district director shall be appointed for a term of three years. At the first regular meeting of the board of directors of each Federal land bank the local directors shall designate one of their members to serve until December 31, 1924, one to serve until December 31, 1925, and one to serve until December 31, 1926. Thereafter each local director shall be chosen as hereinbefore provided and shall hold office for a term of three years. Any vacancies that may occur in the board of directors shall be filled for the unexpired term of the director so vacancy shall be provided for in the original selection of such directors. At the same time that the associations and borrowers through agencies nominate the candidates for the local directors, each association and each borrower through agencies shall also nominate one candidate for director at large for the entire district, and from the three persons having the greatest number of votes for nominee for director at large the Federal Farm Loan Board shall select a director at large, whose term of office shall terminate on the 31st day of December, 1925, and every three years thereafter. Such seventh director may be removed by the Federal Farm Loan Board for neglect of duty, incapacity for the work, or malfeasance in office after charges duly preferred and a hearing had thereon, and in such cases the associations of the district shall in like manner nominate candidates for another director at large to fill the vacancy, for whom the Federal Farm Loan Board shall in same manner select a successor, but any person who is removed cannot be nominated to succeed himself. The board of directors thus selected shall, upon qualification, immediately take over the management of each bank.

"Directors of Federal land banks shall have been for at least two years, residents of the district for which they are appointed or elected, and a local director shall be a resident of his division when elected. No district director of a Federal land bank shall, during his continuance in office, act as an officer, director, or employee of any other institution, association, or partnership engaged in banking or in the business of making or selling land-mortgage loans.

"Directors of the Federal land bank shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their boards, to be paid by the respective Federal land banks. Any compensation that may be provided by the Board of Directors of the Federal land bank to serve for directors, officers, or employees shall be subject to the approval of the Federal Farm Loan Board."

SEC. 306. That the fourth paragraph of section 7 of the Federal farm loan act is amended to read as follows:

"(d) To liquidate indebtedness of the owner of the land mortgaged, incurred for agricultural purposes, or incurred prior to January 1, 1922.""

SEC. 307. That paragraph "Seventh" of section 12 of the Federal farm loan act is amended to read as follows:

"Seventh. The amount of loans to any one borrower shall not in any case exceed a maximum of $25,000, nor shall any one loan be for a less sum than $100, but preference shall be given to applications for loans of $10,000 and under.

"SEC. 308. That section 21 of the Federal farm loan act is amended by adding at the end thereof 12 new paragraphs to read as follows:

"Whenever it shall appear desirable to issue consolidated bonds of the 12 Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided.

"Every bond so issued shall be signed by the Farm Loan Commissioner and attested by the secretary of the Federal Farm Loan Board, and their signatures may be either in full or in typewritten or engraved form, and shall be deposited in the face of the bond the fact that it is the joint and several obligation of the 12 Federal land banks, and shall in all respects be governed by the provisions of the Federal farm loan act not inconsistent herewith.

"The consolidated bonds issued under this provision shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond.

"Each Federal land bank on whose behalf consolidated bonds shall be issued under this provision shall in all respects be bound by the act of the Farm Loan Commissioner and the secretary of the Federal Farm Loan Board in executing such bonds.

"Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in this section and be bound by the action of the Farm Loan Commissioner and the secretary of the Federal Farm Loan Board in executing the same.

"Every farm-loan bond issued hereunder shall contain on the face thereof a certificate signed by the Farm Loan Commissioner to the effect that it is issued under the authority of Title I of the Federal farm loan act, has the approval in form and issue of the Federal Farm Loan Board, and is legal and regular in all respects; that it is not taxable by national, State, municipal, or local authority; that it is issued against collateral security consisting of obligations of the United States Government, or indorsed first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond.

"When any Federal land bank shall desire to participate in a consolidated issue of farm-loan bonds it shall make application to the Federal Farm Loan Board for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Federal Farm Loan Board. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder.

"If any Federal land bank shall fail to pay its proportion of interest or principal as herein prescribed, the Federal...
Farm Loan Board shall immediately call upon the other
Federal land banks for the amount necessary to make said
payment, the assessments to be made in proportion to the
capital stock of each, which assessments shall be forthwith
paid by said banks.

"The presidents of the 12 Federal land banks shall constitute
the bond committee of the Federal land banks and shall select a chairman from among their number.
The vice president may act in place of the president on
the president's request or in case he fails to act.

"When an issue of consolidated bonds is contemplated,
the bond committee shall determine the amount of such
issue, the rate of interest which it is to bear, and the
participation of the several banks therein, and submit
their recommendations to the Federal Farm Loan Board for
approval. When approved by the Federal Farm Loan
Board the bonds shall be executed by the Farm Loan
Commissioner and the secretary of the Federal Farm
Loan Board, as herein provided.

"The expenses of the bond committee and of the sale of
bonds shall be charged against the several land banks in
proportion to their participation in the proceeds.

"The president of the Federal land banks shall receive
no additional compensation for their services as members
of the bond committee, but shall be paid necessary travel-
ing expenses.

SEC. 309. That subdivisions (a) and (b) of the eighth
paragraph of section 22 of the Federal farm loan act are
amended to read as follows:

"(a) To purchase at or below par Federal farm-loan
bonds issued by or on behalf of said bank as they mature.

(b) To purchase at or below par Federal farm-loan
bonds.

SEC. 310. That section 25 of the Federal farm loan act is
amended to read as follows:

"SEC. 25. That if there shall be default under the terms
of any indorsed first mortgage held by a Federal land bank
under the provisions of this title, the National Farm Loan
Association through which said mortgage was received by
said Federal land bank shall be notified of said default.
Said association may thereupon be required, within 30
days after such notice, to make good such default, either
by payment of the amount unpaid thereon in cash or by
the substitution of an equal amount of Federal farm
loan bonds, with all unmatured coupons attached.

SEC. 311. That section 29 of the Federal farm loan act is
amended by adding at the end thereof a new paragraph to
read as follows:

"Upon liquidation of any national farm-loan associa-
tion, the stock in the Federal land bank held by such associa-
tion shall be canceled and the Federal land bank shall there-
fore receive in exchange therefor an amount of stock in the
Federal land bank equal to the amount of stock held by such borrowers in the liquidated
association, such stock to be held by the bank as collateral
to the loans of such borrowers and to be paid off and retired
in the same manner as stock held by borrowers in
farm-loan associations, and the Federal land bank shall
pay to the borrowers holding such stock the same divi-
dends as are paid to national farm-loan associations by
such bank. The personal liability of the stockholders in
such liquidated association to the association shall survive
such liquidation and shall be vested in the bank in that
district, which may enforce the same as fully as the
association could if in existence.

TITLE IV.—AMENDMENTS TO THE FEDERAL RESERVE ACT,

SEC. 401. That the ninth paragraph of section 9
Federal reserve act is amended to read as follows:

"(a) To any applying bank shall be admitted to membership in
a Federal reserve bank unless (a) it possesses a paid-up,
unimpaired capital sufficient to entitle it to become
a national banking association in the place where it is situ-
ated under the provision of the national bank act, or (b) it
possesses a paid-up, unimpaired capital of at least 60 per
cent of the amount sufficient to entitle it to become a
national banking association in the place where it is situ-
ated under the provisions of the national bank act and,
under penalty of loss of membership, complies with rules
and regulations which the Federal Reserve Board shall
prescribe fixing the time within which and the method
by which the unimpaired capital of such bank shall be
increased out of the net income to equal the capital which
would have been required if such bank had been admitted
to membership under the provisions of clause (a) of this
paragraph: Provided, That every such rule or regulation
shall require the applying bank to set aside annually not
less than 20 per cent of its net income of the preceding year
as a fund exclusively applicable to such capital increase.

SEC. 402. That the second paragraph of section 13 of
the Federal reserve act is amended and divided into two
paragraphs to read as follows:

"Upon the indorsement of any of its member banks,
which shall be deemed a waiver of demand, notice and
protest by such bank as to its own indorsement exclu-
sively, any Federal reserve bank may discount notes,
drafts, and bills of exchange only for domestic commer-
cial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or
commercial purposes, or the proceeds of which have been
used, or are to be used, for such purposes, the Federal
Reserve Board to have the right to determine or define
the character of the paper thus eligible for discount,
within the meaning of this act. Nothing in this act
contained shall be construed to prohibit such notes, drafts,
and bills of exchange, secured by staple agricultural
products, or other goods, wares, or merchandise from being
eligible for such discount, and the notes, drafts, and bills
of exchange of factors issued as such making advances
exclusively to producers of staple agricultural products
in their raw state shall be eligible for such discount; but
such definition shall not include notes, drafts, or bills
covering merely investments or issued or drawn for the
purpose of carrying or trading in stocks, bonds, or other
investment securities, except bonds and notes of the Gov-
ernment of the United States. Notes, drafts, and bills
admitted to discount under the terms of this paragraph
must have a maturity at the time of discount of not more
than 90 days, exclusive of days of grace.

"Upon the indorsement of any of its member banks,
which shall be deemed a waiver of demand, notice and
protest by such bank as to its own indorsement exclusively,
and also the character of the paper thus eligible for discount;
the Federal Reserve Board to have the right to determine or define
the character of the paper thus eligible for discount,
within the meaning of this act. Nothing in this act
contained shall be construed to prohibit such notes, drafts,
and bills of exchange, secured by staple agricultural
products, or other goods, wares, or merchandise from being
eligible for such discount, and the notes, drafts, and bills
of exchange of factors issued as such making advances
exclusively to producers of staple agricultural products
in their raw state shall be eligible for such discount; but
such definition shall not include notes, drafts, or bills
covering merely investments or issued or drawn for the
purpose of carrying or trading in stocks, bonds, or other
investment securities, except bonds and notes of the Gov-
ernment of the United States. Notes, drafts, and bills
admitted to discount under the terms of this paragraph
must have a maturity at the time of discount of not more
than 90 days, exclusive of days of grace.
"Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than 30 days' sight, exclusive of days of grace, and which are indorsed by at least one member bank: Provided, That such acceptances if drawn for an agricultural purpose and secured at the time of acceptance by warehouse receipts or other negotiable documents conveying or securing title covering readily marketable staples, may be discounted with a maturity at the time of discount of not more than six months' sight, exclusive of days of grace."

Sec. 404. That the Federal reserve act is amended by adding at the end of section 13 a new section to read as follows:

"Sec. 13a. Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose, or based upon live stock, and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months, but not exceeding six months, and such notes, drafts, and bills of exchange may be sold as collateral security for the issuance of Federal reserve notes under the provisions of section 16 of this act: Provided, That notes, drafts, and bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal reserve notes unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market.

"That any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, rediscount such notes, drafts, and bills for any Federal intermediate credit bank, except that no Federal reserve bank shall rediscount for a Federal intermediate credit bank any such note or obligation which bears the indorsement of a nonmember State bank or trust company which is eligible for membership in the Federal reserve system, in accordance with section 9 of this act.

"Any Federal reserve bank may also buy and sell debentures and other such obligations issued by a Federal intermediate credit bank or by a national agricultural credit corporation, but only to the same extent as and subject to the same limitations as those upon which it may buy and sell bonds issued under Title I of the Federal farm loan act.

"Notes, drafts, bills of exchange or acceptances issued or drawn by cooperative marketing associations composed of producers of agricultural products shall be deemed to have been issued or drawn for an agricultural purpose, within the meaning of this section, if the proceeds thereof have been or are to be advanced by such association to any of its members: Provided, That the express enumeration in this paragraph of certain classes of paper of cooperative marketing associations as eligible for rediscount shall not be construed as rendering ineligible any other class of paper of such associations which is now eligible for rediscount.

"The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be rediscounted by such bank."

Sec. 406. That section 14 of the Federal reserve act is amended by adding at the end thereof a new paragraph to read as follows:

"(f) To purchase and sell in the open market, either from or to domestic banks, firms, corporations, or individuals, acceptances of Federal intermediate credit banks and of national agricultural credit corporations, whenever the Federal Reserve Board shall declare that the public interest so requires."

Sec. 406. That section 15 of the Federal reserve act is amended by adding at the end thereof a new paragraph to read as follows:

"The Federal reserve banks are hereby authorized to act as depositories for and fiscal agents of any national agricultural credit corporation or Federal intermediate credit bank."

Sec. 407. That the act entitled "An act to amend the act approved December 23, 1913, known as the Federal reserve act," approved April 13, 1920, is repealed.

TITLE V.—MISCELLANEOUS PROVISIONS.

AMENDMENTS TO WAR FINANCE CORPORATION ACT.

Sec. 501. That section 14 of the Federal reserve act is further amended to read as follows:

"The Federal reserve banks are hereby authorized to act as depositories for and fiscal agents of any national agricultural credit corporation or Federal intermediate credit bank."

Sec. 502. That the second paragraph of section 12 of Title I of the War Finance Corporation act, as amended, is further amended to read as follows:

"The power of the corporation to issue notes or bonds may be exercised at any time prior to January 31, 1927, but no such bonds or notes shall mature later than June 30, 1927."

Sec. 503. (a) That the third paragraph of section 15 of Title I of such act, as amended, is amended by striking out at the beginning of such paragraph the words "beginning July 1, 1923," and inserting in lieu thereof the words "beginning April 1, 1924."

(b) The fourth paragraph of such section, as amended, is amended by striking out at the beginning of such paragraph the words "After July 1, 1923," and inserting in lieu thereof the words "After April 1, 1924."

INDEBTEDNESS OF NATIONAL BANKS.

Sec. 504. That section 5392 of the Revised Statutes, as amended, is amended by adding at the end thereof a new paragraph to read as follows:

"Eighth. Liabilities incurred under the provisions of section 202 of the Federal farm loan act, approved July 17, 1916, as amended."
JOINT CONGRESSIONAL COMMITTEE.

Sec. 506. (a) That a joint committee be appointed, to consist of three members of the Banking and Currency Committee of the Senate, to be appointed by the President thereof, and five members of the Banking and Currency Committee of the House of Representatives, to be appointed by the Speaker thereof. Vacancies occurring in the membership of the committee shall be filled in the same manner as the original appointments.

(b) The joint committee is authorized to inquire into the effect of the present limited membership of State banks and trust companies in the Federal reserve system upon financial conditions in the agricultural sections of the United States; the reasons which actuate eligible State banks and trust companies in failing to become members of the Federal reserve system; what administrative measures have been taken and are being taken to increase such membership; and whether or not any change should be made in existing law, or in rules and regulations of the Federal Reserve Board, or in methods of administration, to bring about in the agricultural district a larger membership of such banks or trust companies in the Federal reserve system.

(c) The committee is authorized to sit at any time during the sessions or recesses of the Congress, to conduct its hearings at Washington or at any other place in the United States, to send for persons, books, and papers, to take testimony, to administer oaths, and to employ experts deemed necessary by such committee, a clerk, and a stenographer to report such hearings as may be had in connection with any subject which may be before said committee, such stenographer’s services to be rendered at a cost not exceeding $1.25 per printed page. The expenses of such committee shall be submitted not later than January 31, 1924.

separability provision.

Sec. 507. That if any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment is rendered.

definitions.

Sec. 508. That when used in this act the term “Federal farm credit act” means the Federal farm loan act approved July 17, 1916, as amended, and the term “Federal reserve act” means the Federal reserve act approved December 23, 1913, as amended.

short title.

Sec. 509. That this act may be cited as the “Agricultural credits act of 1923.”

And the Senate agrees to the same.

Acceptance, discount, and open-market purchase of bankers’ acceptances.

There is published herewith the gist of a letter recently written by the board’s general counsel in reply to inquiries made by an officer of a Federal reserve bank concerning certain provisions of the law and the board’s regulations which deal with the acceptance, discount, and open-market purchase of bankers’ acceptances. This opinion of general counsel does not embody any new ruling of the board, but it does contain a full discussion of a number of questions relating to bankers’ acceptances and may be of interest and assistance in clarifying and explaining some of the many questions which have arisen and which may arise in connection with this subject.

“(1) You state that section 13 of the Federal reserve act and the board’s Regulation C contain no provision authorizing member banks to accept against the storage of goods sold and awaiting delivery, as distinguished from readily marketable staples, but that regulation B authorizes Federal reserve banks to purchase in the open market bankers’ acceptances based on the storage within the United States of goods actually under contract of sale, and you do not understand how the board can authorize a Federal reserve bank to purchase an acceptance of a member bank of a kind which the member bank is not authorized to make. Regulation B was not intended to, and does not, authorize Federal reserve banks to purchase in the open market acceptances which could not lawfully be made by the accepting banks. It does, however, authorize Federal reserve banks to purchase acceptances of the kinds therein described which may not have been accepted by member banks and there was, therefore, no necessity of limiting the open-market purchase power of Federal reserve banks to the kinds of acceptances which may be lawfully made by member banks. As you know, acceptances purchased in the open market are generally not purchased from the accepting bank, but from other banks which have discounted or purchased them. As will be seen later, section 13 of the Federal reserve act constitutes the sole grant of the acceptance power to national member banks and, therefore, Federal reserve banks should not purchase in the open market the acceptances of any national bank which do not comply with the provisions of section 13. Federal reserve banks may, however, purchase in the open market any kind of bankers’ accept-