

# H. R. 5661

Ordered to be printed with the amendment of the Senate

# A BILL

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the short title of this Act shall be the “Banking Act  
4       of 1933.”

6       SECTION 1. As used in this Act and in any provision of  
7 law amended by this Act—

~~(a) The terms “banks”, “national bank”, “national~~  
~~banking association”, “member bank”, “board”, “dis~~

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

3       (b) Except where otherwise specifically provided,  
 4   the term "affiliate" shall include any corporation, business  
 5   trust, association, or other similar organization—

6       (1) Of which a member bank, directly or indirectly,  
 7   owns or controls either a majority of the voting shares or  
 8   more than 50 per centum of the number of shares voted for  
 9   the election of its directors, trustees, or other persons exer-  
 10   cising similar functions at the preceding election, or con-  
 11   trols in any manner the election of a majority of its directors,  
 12   trustees, or other persons exercising similar functions; or

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

21       (3) Of which a majority of its directors, trustees, or  
 22   other persons exercising similar functions are directors of  
 23   any one member bank.

24       (c) The term "holding company affiliate" shall include  
 25   any corporation, business trust, association, or other similar  
 26   organization—

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

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

10       SEC. 2. ~~(a)~~ The fourth paragraph after paragraph  
 11       ~~“Eight”~~ of section 4 of the Federal Reserve Act, as  
 12       amended (U.S.C., title 12, sec. 301), is amended to read  
 13       as follows:

14       ~~“Said board of directors shall administer the affairs~~  
 15       ~~of said bank fairly and impartially and without discrimina-~~  
 16       ~~tion in favor of or against any member bank or banks and~~  
 17       ~~may, subject to the provisions of law and the orders of~~  
 18       ~~the Federal Reserve Board, extend to each member bank~~  
 19       ~~such discounts, advancements, and accommodations as may~~  
 20       ~~be safely and reasonably made with due regard for the~~  
 21       ~~claims and demands of other member banks, the mainte-~~  
 22       ~~nance of sound credit conditions, and the accommodation of~~  
 23       ~~commerce, industry, and agriculture. The Federal Reserve~~  
 24       ~~Board may prescribe regulations further defining within the~~  
 25       ~~limitations of this Act the conditions under which discounts,~~

1   advancements, and accommodations may be extended to  
2   member banks.—Each Federal Reserve bank shall keep  
3   itself informed of the general character and amount of the  
4   loans and investments of its member banks with a view to  
5   ascertaining whether undue use is being made of bank credit  
6   for the speculative carrying of or trading in securities, real  
7   estate, or commodities, or for any other purpose inconsis-  
8   tent with the maintenance of sound credit conditions; and,  
9   in determining whether to grant or refuse advances, redis-  
10   counts, or other credit accommodations, the Federal Reserve  
11   bank shall give consideration to such information. The  
12   chairman of the Federal Reserve bank shall report to the  
13   Federal Reserve Board any such undue use of bank credit  
14   by any member bank, together with his recommendation.  
15   Whenever, in the judgment of the Federal Reserve Board,  
16   any member bank is making such undue use of bank credit,  
17   the Board may, in its discretion, after reasonable notice and  
18   an opportunity for a hearing, suspend such bank from the use  
19   of the credit facilities of the Federal Reserve System and  
20   may terminate such suspension or may renew it from time  
21   to time.”

22       SEC. 3. The first paragraph of section 7 of the Federal  
23   Reserve Act, as amended (U.S.C., title 12, sec. 289), is  
24   amended, effective July 1, 1933, to read as follows:

25       “After all necessary expenses of a Federal Reserve bank  
26   shall have been paid or provided for, the stockholders shall

1 be entitled to receive an annual dividend of 6 per centum on  
 2 the paid-in capital stock, which dividend shall be cumulative.  
 3 After the aforesaid dividend claims have been fully met,  
 4 the net earnings shall be paid into the surplus fund of the  
 5 Federal Reserve bank."

6 SEC. 4. (a) The first paragraph of section 9 of the  
 7 Federal Reserve Act, as amended (U.S.C., title 12, sec.  
 8 321; Supp. VI, title 12, sec. 321), is amended by inserting  
 9 immediately after the words "United States" a comma and  
 10 the following: "including Morris Plan banks and other in-  
 11 corporated banking institutions engaged in similar business."

12 (b) The second paragraph of section 9 of the Federal  
 13 Reserve Act, as amended (U.S.C., title 12, sec. 320), is  
 14 amended by adding at the end thereof the following: "*Pro-*  
 15 *vided, however,* That nothing herein contained shall prevent  
 16 any State member bank from establishing and operating  
 17 branches in the United States or any dependency or insular  
 18 possession thereof or in any foreign country, on the same  
 19 terms and conditions and subject to the same limitations and  
 20 restrictions as are applicable to the establishment of branches  
 21 by national banks."

22 (c) Section 9 of the Federal Reserve Act, as amended  
 23 (U.S.C., title 12, secs. 321-331; Supp. VI, title 12, secs.  
 24 321-331), is further amended by adding at the end thereof  
 25 the following new paragraphs:

1       “ Any mutual savings bank having no capital stock, but  
2       having surplus and undivided profits not less than the amount  
3       of capital required for the organization of a national bank  
4       in the same place, may apply for and be admitted to member-  
5       ship in the Federal Reserve System in the same manner and  
6       subject to the same provisions of law as State banks and trust  
7       companies, except that such savings bank shall subscribe for  
8       capital stock of the Federal Reserve bank in an amount equal  
9       to six tenths of 1 per centum of its total deposit liabilities as  
10      shown by the most recent report of examination of such  
11      savings bank preceding its admission to membership. There-  
12      after such subscription shall be adjusted semiannually on the  
13      same percentage basis in accordance with rules and regula-  
14      tions prescribed by the Federal Reserve Board. If any  
15      mutual savings bank applying for membership is not per-  
16      mitted by the laws under which it was organized to purchase  
17      stock in a Federal Reserve bank, it shall, upon admission to  
18      the system, deposit with the Federal Reserve bank an amount  
19      equal to the amount which it would have been required to  
20      pay in on account of a subscription to capital stock. There-  
21      after such deposit shall be adjusted semiannually in the same  
22      manner as subscriptions for stock. Such deposit shall be  
23      subject to the same conditions with respect to repayment as  
24      amounts paid upon subscriptions to capital stock by other  
25      member banks and the Federal Reserve bank shall pay inter-

1 est thereon at the same rate as dividends are actually paid  
2 on outstanding shares of stock of such Federal Reserve bank.  
3 If the laws under which such savings bank was organized be  
4 amended so as to authorize mutual savings banks to subscribe  
5 for Federal Reserve bank stock such savings bank shall there-  
6 upon subscribe for the appropriate amount of stock in the  
7 Federal Reserve bank, and the deposit hereinbefore provided  
8 for in lieu of payment upon capital stock shall be applied  
9 upon such subscription. If the laws under which such sav-  
10 ings bank was organized be not amended at the next session  
11 of the legislature following the admission of such savings  
12 bank to membership so as to authorize mutual savings banks  
13 to purchase Federal Reserve bank stock, or if such laws be so  
14 amended and such bank fail within six months thereafter to  
15 purchase such stock, all of its rights and privileges as a  
16 member bank shall be forfeited and its membership in the  
17 Federal Reserve System shall be terminated in the manner  
18 prescribed elsewhere in this section with respect to State  
19 banks and trust companies. Each mutual savings bank shall  
20 comply with all the provisions of law applicable to State  
21 member banks and trust companies, with the regulations of  
22 the Federal Reserve Board and with the conditions of  
23 membership prescribed for such savings bank at the time of  
24 admission to membership, except as otherwise hereinbefore  
25 provided with respect to capital stock.

1        SEC. 5. (a) The second paragraph of section 10 of  
2   the Federal Reserve Act, as amended (U.S.C., title 12,  
3   sec. 242), is amended to read as follows:

4        “The Secretary of the Treasury and the Comp-  
5   troller of the Currency shall be ineligible during the  
6   time they are in office and for two years thereafter to  
7   hold any office, position, or employment in any member  
8   bank. The appointive members of the Federal Reserve  
9   Board shall be ineligible during the time they are in office  
10   and for two years thereafter to hold any office, position, or  
11   employment in any member bank, except that this restric-  
12   tion shall not apply to a member who has served the full  
13   term for which he was appointed. Upon the expiration of  
14   the term of any appointive member of the Federal Reserve  
15   Board in office when this paragraph as amended takes effect,  
16   the President shall fix the term of the successor to such  
17   member at not to exceed twelve years, as designated by the  
18   President at the time of nomination, but in such manner as  
19   to provide for the expiration of the term of not more than one  
20   appointive member in any two-year period, and thereafter  
21   each appointive member shall hold office for a term of twelve  
22   years from the expiration of the term of his predecessor. Of  
23   the six persons thus appointed, one shall be designated by  
24   the President as governor and one as vice governor of the  
25   Federal Reserve Board. The governor of the Federal



1 Reserve Board, subject to its supervision, shall be its active  
2 executive officer. Each member of the Federal Reserve  
3 Board shall within fifteen days after notice of appointment  
4 make and subscribe to the oath of office."

5 (b) The fourth paragraph of section 10 of the Federal  
6 Reserve Act, as amended (U.S.C., title 12, sec. 244), is  
7 amended to read as follows:

8 "The principal offices of the Board shall be in the Dis-  
9 trict of Columbia. At meetings of the Board the Secretary  
10 of the Treasury shall preside as chairman, and, in his  
11 absence, the governor shall preside. In the absence of  
12 both the Secretary of the Treasury and the governor the  
13 vice governor shall preside. In the absence of the Secre-  
14 tary of the Treasury, the governor, and the vice governor  
15 the Board shall elect a member to act as chairman pro  
16 tempore. The Board shall determine and prescribe the  
17 manner in which its obligations shall be incurred and  
18 its disbursements and expenses allowed and paid, and may  
19 leave on deposit in the Federal Reserve banks the proceeds of  
20 assessments levied upon them to defray its estimated expenses  
21 and the salaries of its members and employees, whose employ-  
22 ment, compensation, leave, and expenses shall be governed  
23 solely by the provisions of this Act, specific amendments  
24 thereof, and rules and regulations of the Board not inconsis-  
25 tent therewith; and funds derived from such assessments shall

1 not be construed to be Government funds or appropriated  
2 moneys. No member of the Federal Reserve Board shall be  
3 an officer or director of any bank, banking institution, trust  
4 company, or Federal Reserve bank or hold stock in any bank,  
5 banking institution, or trust company; and before entering  
6 upon his duties as a member of the Federal Reserve Board he  
7 shall certify under oath that he has complied with this re-  
8 quirement, and such certification shall be filed with the secre-  
9 tary of the Board. Whenever a vacancy shall occur, other  
10 than by expiration of term, among the six members of the  
11 Federal Reserve Board appointed by the President as above  
12 provided, a successor shall be appointed by the President, by  
13 and with the advice and consent of the Senate, to fill such  
14 vacancy, and when appointed he shall hold office for the  
15 unexpired term of his predecessor."

16 SEC. 6. Paragraph (m) of section 14 of the Federal  
17 Reserve Act, as amended (U.S.C., title 12, sec. 248), is  
18 amended to read as follows:

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

1 in excess of 10 per centum of the unimpaired capital and  
 2 surplus of such bank. Any percentage so fixed by the Fed-  
 3 eral Reserve Board shall be subject to change from time to  
 4 time upon ten days' notice, and it shall be the duty of the  
 5 Board to establish such percentages with a view to prevent-  
 6 ing the undue use of bank loans for the speculative carrying  
 7 of securities. The Federal Reserve Board shall have power  
 8 to direct any member bank to refrain from further increase  
 9 of its loans secured by stock or bond collateral for any period  
 10 up to one year under penalty of suspension of all rediscount  
 11 privileges at Federal Reserve banks."

12 SEC. 7. The Federal Reserve Act, as amended, is  
 13 amended by inserting between sections 12 and 13 (U.S.C.,  
 14 title 12, secs. 261, 262, and 342) thereof the following new  
 15 section:

16 "SEC. 12A. (a) There is hereby created a Federal  
 17 Open Market Committee (hereinafter referred to as the  
 18 'committee'), which shall consist of as many members as  
 19 there are Federal Reserve districts. Each Federal Reserve  
 20 bank by its board of directors shall annually select one  
 21 member of said committee. The meetings of said com-  
 22 mittee shall be held at Washington, District of Columbia,  
 23 at least four times each year, upon the call of the governor  
 24 of the Federal Reserve Board or at the request of any

1 three members of the committee, and, in the discretion of  
2 the Board, may be attended by the members of the Board.

3 “(b) No Federal Reserve bank shall engage in open-  
4 market operations under section 14 of this Act except in  
5 accordance with regulations adopted by the Federal Reserve  
6 Board. The Board shall consider, adopt, and transmit to  
7 the committee and to the several Federal Reserve banks  
8 regulations relating to the open-market transactions of such  
9 banks and the relations of the Federal Reserve System with  
10 foreign central or other foreign banks.

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

17 “(d) If any Federal Reserve bank shall decide not to  
18 participate in open-market operations recommended and ap-  
19 proved as provided in paragraph (b) hereof, it shall file  
20 with the chairman of the committee within thirty days a  
21 notice of its decision, and transmit a copy thereof to the  
22 Federal Reserve Board.”

23 SEC. 8. The eighth paragraph of section 13 of the  
24 Federal Reserve Act, as amended (U.S.C., title 12, sec.

1 347; Supp. VI, title 12, sec. 347), is amended to read as  
2 follows:

3       “Any Federal Reserve bank may make advances for  
4 periods not exceeding fifteen days to its member banks on  
5 their promissory notes secured by the deposit or pledge  
6 of bonds, notes, certificates of indebtedness, or Treasury  
7 bills of the United States, or by the deposit or pledge of  
8 debentures or other such obligations of Federal inter-  
9 mediate credit banks which are eligible for purchase by  
10 Federal Reserve banks under section 13 (a) of this Act; and  
11 any Federal Reserve bank may make advances for periods  
12 not exceeding ninety days to its member banks on their  
13 promissory notes secured by such notes, drafts, bills of ex-  
14 change, or bankers’ acceptances as are eligible for rediscount  
15 or for purchase by Federal Reserve banks under the provi-  
16 sions of this Act. All such advances shall be made at rates  
17 to be established by such Federal Reserve banks, such rates  
18 to be subject to the review and determination of the Federal  
19 Reserve Board. If any member bank to which any such ad-  
20 vance has been made shall, during the life or continuance of  
21 such advance, and despite an official warning of the Reserve  
22 bank of the district or of the Federal Reserve Board to the  
23 contrary, increase its outstanding loans secured by collateral  
24 in the form of stocks, bonds, debentures, or other such obli-  
25 gations, or loans made to members of any organized stock

1 exchange, investment house, or dealer in securities, upon any  
 2 obligation, note, or bill, secured or unsecured, for the purpose  
 3 of purchasing and/or carrying stocks, bonds, or other invest-  
 4 ment securities (except obligations of the United States);  
 5 such advance shall be deemed immediately due and payable,  
 6 and such member bank shall be ineligible as a borrower at  
 7 the Reserve bank of the district under the provisions of this  
 8 paragraph for such period as the Federal Reserve Board  
 9 shall determine: *Provided*, That no temporary carrying or  
 10 clearance loans made solely for the purpose of facilitating  
 11 the purchase or delivery of securities offered for public sub-  
 12 scription shall be included in the loans referred to in this  
 13 paragraph."

14 SEC. 9. Section 14 of the Federal Reserve Act, as  
 15 amended (U.S.C., title 12, secs. 353 to 358), is amended  
 16 by adding at the end thereof the following new paragraph:

17 "(g) The Federal Reserve Board shall receive special  
 18 supervision over all relationships and transactions of any  
 19 kind entered into by any Federal Reserve bank with any  
 20 foreign bank or banker, or with any group of foreign banks  
 21 or bankers, and all such relationships and transactions shall  
 22 be subject to such regulations, conditions, and limitations as  
 23 the Board may prescribe. No officer or other representa-  
 24 tive of any Federal Reserve bank shall conduct negotiations  
 25 of any kind with the officers or representatives of any

1 foreign bank or banker without first obtaining the permis-  
2 sion of the Federal Reserve Board. The Federal Reserve  
3 Board shall have the right, in its discretion, to be repre-  
4 sented in any conference or negotiations by such representa-  
5 tive or representatives as the Board may designate. A full  
6 report of all conferences or negotiations, and all understand-  
7 ings or agreements arrived at or transactions agreed upon,  
8 and all other material facts appertaining to such conferences  
9 or negotiations, shall be filed with the Federal Reserve  
10 Board in writing by a duly authorized officer of each  
11 Federal Reserve bank which shall have participated in such  
12 conferences or negotiations."

13 SEC. 10. (a) Section 19 of the Federal Reserve Act,  
14 as amended, is amended by inserting after the sixth para-  
15 graph thereof the following new paragraph:

16 " No member bank shall act as the medium or agent of  
17 any nonbanking corporation, partnership, association, busi-  
18 ness trust, or individual in making loans on the security of  
19 stocks, bonds, and other investment securities to brokers or  
20 dealers in stocks, bonds, and other investment securities.  
21 Every violation of this provision by any member bank shall  
22 be punishable by a fine of not more than \$100 per day dur-  
23 ing the continuance of such violation; and such fine may be  
24 collected, by suit or otherwise, by the Federal Reserve bank  
25 of the district in which such member bank is located."

1       ~~(b)~~ Such section 19 of the Federal Reserve Act, as  
 2 amended ~~(U.S.C., title 12, secs. 142, 374, 461-466; Supp.~~  
 3 ~~VI, title 12, sec. 462a)~~, is further amended by adding at  
 4 the end thereof the following new paragraph:

5       “The Federal Reserve Board shall from time to time  
 6 limit by regulation the rate of interest which may be paid  
 7 by member banks on deposits, and may prescribe differ-  
 8 ent rates for such payment on time and savings deposits  
 9 having different maturities or subject to different conditions  
 10 respecting withdrawal or repayment. No member bank  
 11 shall pay any time deposit before its maturity, or waive any  
 12 requirement of notice before payment of any savings deposit  
 13 except as to all saving deposits having the same require-  
 14 ment.”

15       SEC. 11. Section 22 of the Federal Reserve Act, as  
 16 amended ~~(U.S.C., title 12, secs. 375, 376, 503, 593-595;~~  
 17 ~~Supp. VI, title 12, sec. 593)~~, is further amended by adding  
 18 at the end thereof the following new paragraph:

19       “~~(g)~~ No executive officer of any member bank shall  
 20 borrow from or otherwise become indebted to any member  
 21 bank of which he is an executive officer, and no member  
 22 bank shall make any loan or extend credit in any other man-  
 23 ner to any of its own executive officers: *Provided, That*  
 24 loans heretofore made to any such officer may be renewed  
 25 or extended not more than two years from the effective



1 .date of this title, if in accord with sound banking practice.  
 2 If any executive officer of any member bank borrow from  
 3 or if he be or become indebted to any bank other than a  
 4 member bank of which he is an executive officer, he shall  
 5 make a written report to the chairman of the board of  
 6 directors of the member bank of which he is an executive  
 7 officer, stating the date and amount of such loan or indebted-  
 8 ness, the security therefor, and the purpose for which the  
 9 proceeds have been or are to be used. Any executive  
 10 officer of any member bank violating the provisions of this  
 11 paragraph shall be deemed guilty of a misdemeanor and  
 12 shall be imprisoned not exceeding one year, or fined not  
 13 more than \$5,000, or both; and any member bank violating  
 14 the provisions of this paragraph shall be fined not more  
 15 than \$10,000, and may be fined a further sum equal to the  
 16 amount so loaned or credit so extended."

17 SEC. 12. The Federal Reserve Act, as amended, is  
 18 amended by inserting between section 24 and section 25  
 19 (U.S.C., title 12, sec. 371 and 601-605; Supp. VI, title  
 20 12, sec. 371) hereof the following new section:

21 "SEC. 24A. Hereafter no national bank, without the  
 22 approval of the Comptroller of the Currency, and no State  
 23 member bank, without the approval of the Federal Reserve  
 24 Board, shall (1) invest in bank premises, or in the stock,  
 25 bonds, debentures, or other such obligations of any corpora-

1 tion holding the premises of such bank or ~~(2)~~ make loans  
2 to or upon the security of the stock of any such corporation,  
3 if the aggregate of all such investments and loans will  
4 exceed the amount of the capital stock of such bank.”

5 SEC. 13. The Federal Reserve Act, as amended, is  
6 further amended by inserting after section 25 ~~(a)~~ ~~(U.S.C.,~~  
7 title 12, secs. 611–631) thereof the following new section:

8 “SEC. 25. ~~(b)~~ Notwithstanding any other provision  
9 of law all suits of a civil nature at common law or in equity  
10 to which any corporation organized under the laws of the  
11 United States shall be a party, arising out of transactions  
12 involving international or foreign banking, or banking in  
13 a dependency or insular possession of the United States,  
14 or out of other international or foreign financial operations,  
15 either directly or through the agency, ownership, or control  
16 of branches or local institutions in dependencies or insular  
17 possessions of the United States or in foreign countries,  
18 shall be deemed to arise under the laws of the United States,  
19 and the district courts of the United States shall have  
20 original jurisdiction of all such suits; and any defendant in  
21 any such suit may, at any time before the trial thereof,  
22 remove such suits from a State court into the district court  
23 of the United States for the proper district by following the  
24 procedure for the removal of causes otherwise provided by  
25 law.

1       “Notwithstanding any other provision of law, all suits  
 2   of a civil nature at common law or in equity to which any  
 3   Federal Reserve bank shall be a party shall be deemed to  
 4   arise under the laws of the United States, and the district  
 5   courts of the United States shall have original jurisdiction  
 6   of all such suits; and any Federal Reserve bank which is a  
 7   defendant in any such suit may, at any time before the trial  
 8   thereof, remove such suit from a State court into the district  
 9   court of the United States for the proper district by following  
 10   the procedure for the removal of causes otherwise provided  
 11   by law. No attachment or execution shall be issued against  
 12   any Federal Reserve bank or its property before final judg-  
 13   ment in any suit, action, or proceeding in any State, county,  
 14   municipal, or United States court.”

15       SEC. 14. Paragraph “Seventh” of section 5136 of  
 16   the Revised Statutes, as amended (U.S.C., title 12, sec. 24;  
 17   Supp. VI, title 12, sec. 24), is amended to read as follows:

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

1 the provisions of this title; and generally by engaging in all  
2 forms of banking business and undertaking all types of bank-  
3 ing transactions that may, by the laws of the State in  
4 which such bank is situated, be permitted to banks of  
5 deposit and discount organized and incorporated under the  
6 laws of such State, except insofar as they may be forbidden  
7 by the provisions of any Act of Congress. The business  
8 of dealing in investment securities by the association shall  
9 be limited to purchasing and selling such securities without  
10 recourse, solely upon the order, and for the account of  
11 customers, and in no case for its own account, and the asso-  
12 ciation shall not underwrite any issue of securities: *Pro-*  
13 *vided*, That the association may purchase for its own account  
14 investment securities under such limitations and restrictions  
15 as the Comptroller of the Currency may by regulation pre-  
16 scribe, but in no event ~~(1)~~ shall the total amount of any  
17 issue of investment securities of any one obligor or maker  
18 purchased after this section as amended takes effect and held  
19 by the association for its own account exceed at any time 10  
20 per centum of the total amount of such issue outstanding, but  
21 this limitation shall not apply to any such issue the total  
22 amount of which does not exceed \$100,000 and does not  
23 exceed 50 per centum of the capital of the association, nor  
24 ~~(2)~~ shall the total amount of the investment securities of  
25 any one obligor or maker purchased after this section as

1 amended takes effect and held by the association for its own  
2 account exceed at any time 15 per centum of the amount of  
3 the capital stock of the association actually paid in and un-  
4 impaired and 25 per centum of its unimpaired surplus fund.  
5 As used in this section the term 'investment securities'  
6 shall mean marketable obligations evidencing indebtedness  
7 of any person, copartnership, association, or corporation in  
8 the form of bonds, notes, and/or debentures commonly  
9 known as investment securities under such further definition  
10 of the term 'investment securities' as may by regulation  
11 be prescribed by the Comptroller of the Currency. Except  
12 as hereinafter provided or otherwise permitted by law, noth-  
13 ing herein contained shall authorize the purchase by the asso-  
14 ciation of any shares of stock of any corporation. The limi-  
15 tations herein contained as to investment securities shall not  
16 apply to obligations of the United States, or obligations of  
17 any State or of any political subdivision thereof, or obliga-  
18 tions issued under authority of the Federal Farm Loan Act,  
19 as amended, or any other Acts creating Federal corpora-  
20 tions: *Provided*, That in carrying on the business com-  
21 monly known as the safe-deposit business the association shall  
22 not invest in the capital stock of a corporation organized  
23 under the law of any State to conduct a safe-deposit busi-  
24 ness in an amount in excess of 15 per centum of the capital

1 stock of the association actually paid in and unimpaired and  
2 15 per centum of its unimpaired surplus.”

3 The restrictions of this section as to dealing in invest-  
4 ment securities shall take effect two years after the date of  
5 the approval of this Act.

6 SEC. 15. (a) Section 5138 of the Revised Statutes,  
7 as amended (U.S.C., title 12, sec. 51; Supp. VI, title 12,  
8 sec. 51), is amended to read as follows:

9 “SEC. 5138. After this section as amended takes effect,  
10 no national banking association shall be organized with a  
11 less capital than \$100,000, except that such associations  
12 with a capital of not less than \$50,000 may be organized  
13 in any place the population of which does not exceed six  
14 thousand inhabitants. No such association shall be organ-  
15 ized in a city the population of which exceeds fifty thousand  
16 persons with a capital of less than \$200,000, except that  
17 in the outlying districts of such a city where the State laws  
18 permit the organization of State banks with a capital of  
19 \$100,000 or less, national banking associations now organ-  
20 ized or hereafter organized may, with the approval of the  
21 Comptroller of the Currency, have a capital of not less than  
22 \$100,000.”

23 (b) The tenth paragraph of section 9 of the Federal  
24 Reserve Act, as amended (U.S.C., title 12, sec. 329), is  
25 amended to read as follows:

1       “~~No applying bank shall be admitted to membership~~  
 2   ~~in a Federal Reserve bank unless it possesses a paid-up unim-~~  
 3   ~~paired capital sufficient to entitle it to become a national~~  
 4   ~~banking association in the place where it is situated under~~  
 5   ~~the provisions of the National Bank Act, as amended.~~”

6       SEC. 16. Section 5139 of the Revised Statutes, as  
 7   amended (~~U.S.C., title 12, sec. 52; Supp. VI, title 12,~~  
 8   ~~sec. 52~~), is amended by adding at the end thereof the follow-  
 9   ing new paragraph:

10       “After two years from the date of the enactment of  
 11   the Banking Act of 1933, no certificate representing the  
 12   stock of any such association shall represent the stock of  
 13   any other corporation, except a member bank, nor shall the  
 14   ownership, sale, or transfer of any certificate representing  
 15   the stock of any such association be conditioned in any  
 16   manner whatsoever upon the ownership, sale, or transfer  
 17   of a certificate representing the stock of any other corpora-  
 18   tion, except a member bank.”

19       SEC. 17. ~~(a)~~ After the expiration of two years after  
 20   the date of enactment of this Act, it shall be unlawful—

21       ~~(1)~~ For any person, firm, corporation, association,  
 22   business trust, or other similar organization, engaged prin-  
 23   cipally in the business of issuing, underwriting, selling, or  
 24   distributing, at wholesale or retail, or through syndicate  
 25   participation, stocks, bonds, debentures, notes, or other se-

1 securities, to engage at the same time to any extent whatever  
2 in the business of receiving deposits subject to check or to  
3 repayment upon presentation of a passbook, certificate of  
4 deposit, or other evidence of debt, or upon request of the  
5 depositor; or

6       ~~(2)~~ For any person, firm, corporation, association,  
7 business trust, or other similar organization, other than a  
8 banking institution or private banker subject to examination  
9 and regulation under State or Federal law, to engage to  
10 any extent whatever in the business of receiving deposits  
11 subject to check or to repayment upon presentation of a  
12 passbook, certificate of deposit, or other evidence of debt,  
13 or upon request of the depositor, unless such person, firm,  
14 corporation, association, business trust, or other similar  
15 organization shall submit to periodic examination by the  
16 Comptroller of the Currency or by the Federal Reserve Bank  
17 of the district and shall make and publish periodic reports  
18 of its condition, exhibiting in detail its resources and liabilities,  
19 such examination and reports to be made and published  
20 at the same times and in the same manner and with like  
21 effect and penalties as are now provided by law in respect  
22 of national banking associations transacting business in the  
23 same locality.

24       ~~(b)~~ Whoever shall willfully violate any of the pro-  
25 visions of this section shall upon conviction be fined not



1 more than \$5,000 or imprisoned not more than five years;  
2 or both, and any officer, director, employee, or agent of  
3 any person, firm, corporation, association, business trust,  
4 or other similar organization who knowingly participates  
5 in any such violation shall be punished by a like fine or  
6 imprisonment or both.

7 SEC. 18. The first two sentences of section 5197 of  
8 the Revised Statutes (U.S.C., title 12 sec. 85) are  
9 amended to read as follows:

10 "Any association may take, receive, reserve, and charge  
11 on any loan or discount made, or upon any notes, bills of  
12 exchange, or other evidences of debt, interest at the rate  
13 allowed by the laws of the State, Territory, or District where  
14 the bank is located, or at a rate of 1 per centum in excess  
15 of the discount rate on ninety-day commercial paper in effect  
16 at the Federal Reserve bank in the Federal Reserve district  
17 where the bank is located, whichever may be the greater,  
18 and no more, except that where by the laws of any State  
19 a different rate is limited for banks organized under State  
20 laws, the rate so limited shall be allowed for associations  
21 organized or existing in any such State under this title.  
22 When no rate is fixed by the laws of the State, or Territory,  
23 or District, the bank may take, receive, reserve, or charge a  
24 rate not exceeding 7 per centum, or 1 per centum in excess  
25 of the discount rate on ninety-day commercial paper in

1 effect at the Federal Reserve bank in the Federal Reserve  
2 district where the bank is located, whichever may be the  
3 greater, and such interest may be taken in advance, reckon-  
4 ing the days for which the note, bill, or other evidence of  
5 debt has to run."

6       SEC. 19. In any case in which, in the opinion of the  
7 Comptroller of the Currency, it would be to the advantage  
8 of the depositors and unsecured creditors of any national  
9 banking association whose business has been closed, for such  
10 association to resume business upon the retention by the  
11 association, for a reasonable period to be prescribed by the  
12 Comptroller, of all or any part of its deposits, the Comp-  
13 troller is authorized, in his discretion, to permit the associa-  
14 tion to resume business if depositors and unsecured creditors  
15 of the association representing a least 85 per centum of its  
16 total deposit and unsecured credit liabilities consent in writing  
17 to such retention of deposits. Nothing in this section shall  
18 be construed to affect in any manner any powers of the  
19 Comptroller under the provisions of law in force on the date  
20 of enactment of this Act with respect to the reorganization  
21 of national banking associations.

22       SEC. 20. Whenever, in the opinion of the Comp-  
23 troller of the Currency, and director or officer of a national  
24 bank, or of a bank or trust company doing business in the  
25 District of Columbia, or whenever, in the opinion of a Fed-

1 eral Reserve agent, any director or officer of a State member  
2 bank in his district shall have continued to violate any law  
3 relating to such bank or trust company or shall have con-  
4 tinued unsafe or unsound practices in conducting the business  
5 of such bank or trust company, after having been warned  
6 by the Comptroller of the Currency or the Federal Reserve  
7 agent, as the case may be, to discontinue such violations  
8 of law or such unsafe or unsound practices, the Comptroller  
9 of the Currency or the Federal Reserve agent, as the case  
10 may be, may certify the facts to the Federal Reserve Board.  
11 In any such case the Federal Reserve Board may cause  
12 notice to be served upon such director or officer to appear  
13 before such Board to show cause why he should not be  
14 removed from office. A copy of such order shall be sent to  
15 each director of the bank affected, by registered mail. If  
16 after granting the accused director or officer a reasonable  
17 opportunity to be heard, the Federal Reserve Board finds  
18 that he has continued to violate any law relating to such  
19 bank or trust company or has continued unsafe or unsound  
20 practices in conducting the business of such bank or trust  
21 company after having been warned by the Comptroller of  
22 the Currency or the Federal Reserve agent to discontinue  
23 such violation of law or such unsafe or unsound practices,  
24 the Federal Reserve Board, in its discretion, may order that  
25 such director or officer be removed from office. A copy of

1 such order shall be served upon such director or officer.  
2 A copy of such order shall also be served upon the bank of  
3 which he is a director or officer, whereupon such director or  
4 officer shall cease to be a director or officer of such bank:  
5 *Provided*, That such order and the findings of fact upon  
6 which it is based shall not be made public or disclosed to  
7 anyone except the director or officer involved and the direc-  
8 tors of the bank involved, otherwise than in connection with  
9 proceedings for a violation of this section. Any such director  
10 or officer removed from office as herein provided who there-  
11 after participates in any manner in the management of such  
12 bank shall be fined not more than \$5,000 or imprisoned  
13 for not more than five years, or both, in the discretion of  
14 the court.

15       SEC. 21. After one year from the date of enactment  
16 of this Act, notwithstanding any other provision of law, the  
17 board of directors, board of trustees, or other similar gov-  
18 erning body of every national banking association and of  
19 every State bank or trust company which is a member of the  
20 Federal Reserve System shall consist of not less than five  
21 nor more than twenty-five members; and every director,  
22 trustee, or other member of such governing body shall be the  
23 bona fide owner in his own right of shares of stock of such  
24 banking association, State bank or trust company having a  
25 par value in the aggregate of not less than \$2,000. If any

1 national banking association violates the provisions of this  
2 section and continues such violation after thirty days' notice  
3 from the Comptroller of the Currency, the said Comptroller  
4 may appoint a receiver or conservator therefor, in accordance  
5 with the provisions of existing law. If any State bank or  
6 trust company which is a member of the Federal Reserve  
7 System violates the provisions of this section and continues  
8 such violation after thirty days' notice from the Federal  
9 Reserve Board, it shall be subject to the forfeiture of its  
10 membership in the Federal Reserve System in accordance  
11 with the provisions of section 9 of the Federal Reserve Act,  
12 as amended.

13       SEC. 22. From and after January 1, 1934, no officer  
14 or director of any member bank shall be an officer, director,  
15 or manager of any corporation, partnership, or unincorpo-  
16 rated association engaged primarily in the business of pur-  
17 chasing, selling, or negotiating securities, and no member  
18 bank shall perform the functions of a correspondent bank  
19 on behalf of any such individual, partnership, corporation,  
20 or unincorporated association; and no such individual, part-  
21 nership, corporation, or unincorporated association shall  
22 perform the functions of a correspondent for any member  
23 bank or hold on deposit any funds on behalf of any member  
24 bank, unless in any such case there is a permit therefor  
25 issued by the Federal Reserve Board; and the Board is

1 authorized to issue such permit if in its judgment it is not  
2 incompatible with the public interest, and to revoke any  
3 such permit whenever it finds after reasonable notice and  
4 opportunity to be heard, that the public interest requires  
5 such revocation.

6       SEC. 23. The Act entitled "An Act to supplement  
7 existing laws against unlawful restraints and monopolies,  
8 and for other purposes", approved October 15, 1914, as  
9 amended, is hereby amended by adding after section 8  
10 thereof (U.S.C., title 15, sec. 19) the following new section:

11       "SEC. 8A. That from and after the 1st day of Janu-  
12 ary 1934, no director, officer, or employee of any bank,  
13 banking association, or trust company organized or operat-  
14 ing under the laws of the United States shall be at the same  
15 time a director, officer, or employee of a corporation or a  
16 member of a partnership organized for any purpose what-  
17 soever which shall make loans secured by stock or bond  
18 collateral to any individual, association, partnership, or  
19 corporation other than its own subsidiaries."

20       SEC. 24. The provisions of section 5151 of the Revised  
21 Statutes and section 23 of the Federal Reserve Act, as  
22 amended (U.S.C., title 12, secs. 63 and 64) (imposing lia-  
23 bility upon shareholders in national banking associations in  
24 addition to the amount invested in shares), shall not apply to  
25 hold any shareholder in any national banking association

1 individually responsible in any amounts in excess of the  
 2 amount invested in shares in such association, on account  
 3 of any shares acquired by him after the date of enactment  
 4 of this title.

## 5 TITLE II

### 6 AFFILIATES

7 SECTION 201. The paragraph of section 4 of the  
 8 Federal Reserve Act, as amended (~~U.S.C., title 12, sec.~~  
 9 ~~304~~), which commences with the words "The Federal  
 10 Reserve Board shall classify " is amended by inserting before  
 11 the period at the end thereof a colon and the following:  
 12 "~~Provided~~, That whenever any two or more member banks  
 13 within the same Federal Reserve district are affiliated with  
 14 the same holding company affiliate, participation by such  
 15 member banks in any such nomination or election shall be  
 16 confined to one of such banks, which may be designated for  
 17 the purpose by such holding company affiliate."

18 SEC. 202. Section 9 of the Federal Reserve Act, as  
 19 amended (~~U.S.C., title 12, secs. 321-331; Supp. VI, title~~  
 20 ~~12, secs. 321-331~~), is amended by adding at the end thereof  
 21 the following new paragraphs:

22 "Each bank admitted to membership under this section  
 23 shall obtain from each of its affiliates other than member  
 24 banks and furnish to the Federal reserve bank of its district  
 25 and to the Federal Reserve Board not less than three reports

1 during each year. Such reports shall be in such form as  
2 the Federal Reserve Board may prescribe, shall be verified  
3 by the oath or affirmation of the president or such other  
4 officer as may be designated by the board of directors of  
5 such affiliate to verify such reports, and shall disclose the  
6 information hereinafter provided for as of dates identical  
7 with those fixed by the Federal Reserve Board for  
8 reports of the condition of the affiliated member bank.  
9 Each such report of an affiliate shall be transmitted as  
10 herein provided at the same time as the corresponding  
11 report of the affiliated member bank, except that the Fed-  
12 eral Reserve Board may, in its discretion, extend such time  
13 for good cause shown. Each such report shall contain such  
14 information as in the judgment of the Federal Reserve  
15 Board shall be necessary to disclose fully the relations  
16 between such affiliate and such bank and to enable the Board  
17 to inform itself as to the effect of such relations upon the  
18 affairs of such bank. The reports of such affiliates shall  
19 be published by the bank under the same conditions as  
20 govern its own condition reports.

21 "Any such affiliated member bank may be required to  
22 obtain from any such affiliate such additional reports as  
23 in the opinion of its Federal Reserve bank or the Federal  
24 Reserve Board may be necessary in order to obtain a full  
25 and complete knowledge of the condition of the affiliated



1 member bank. Such additional reports shall be transmitted  
2 to the Federal Reserve bank and the Federal Reserve Board  
3 and shall be in such form as the Federal Reserve Board  
4 may prescribe.

5 “Any such affiliated member bank which fails to  
6 obtain from any of its affiliates and furnish any report  
7 provided for by the two preceding paragraphs of this section  
8 shall be subject to a penalty of \$100 for each day during  
9 which such failure continues, which, by direction of the  
10 Federal Reserve Board, may be collected, by suit or other-  
11 wise, by the Federal Reserve bank of the district in which  
12 such member bank is located. For the purposes of this  
13 paragraph and the two preceding paragraphs of this section,  
14 the term ‘affiliate’ shall include holding company affiliates  
15 as well as other affiliates.

16 “State member banks shall be subject to the same  
17 limitations and conditions with respect to the purchasing,  
18 selling, underwriting, and holding of investment securities  
19 and stock as are applicable in the case of national banks  
20 under paragraph ‘Seventh’ of section 5136 of the Revised  
21 Statutes, as amended.

22 “After two years from the date of the enactment of  
23 the Banking Act of 1933, no certificate representing the  
24 stock of any State member bank shall represent the stock  
25 of any other corporation, except a member bank, nor shall

1 the ownership, sale, or transfer of any certificate represent-  
2 ing the stock of any such bank be conditioned in any manner  
3 whatsoever upon the ownership, sale, or transfer of a cer-  
4 tificate representing the stock of any other corporation,  
5 except a member bank.

6 “ Each State member bank affiliated with a holding  
7 company affiliate shall obtain from such holding company  
8 affiliate, within such time as the Federal Reserve Board shall  
9 prescribe, an agreement that such holding company affiliate  
10 shall be subject to the same conditions and limitations as are  
11 applicable under section 5144 of the Revised Statutes, as  
12 amended, in the case of holding company affiliates of national  
13 banks. A copy of each such agreement shall be filed with  
14 the Federal Reserve Board. Upon the failure of a State  
15 member bank affiliated with a holding company affiliate to  
16 obtain such an agreement within the time so prescribed, the  
17 Federal Reserve Board shall require such bank to surrender  
18 its stock in the Federal Reserve bank and to forfeit all rights  
19 and privileges of membership in the Federal Reserve System  
20 as provided in this section. Whenever the Federal Reserve  
21 Board shall have revoked the voting permit of any such  
22 holding company affiliate, the Federal Reserve Board may,  
23 in its discretion, require any or all State member banks  
24 affiliated with such holding company affiliate to surrender  
25 their stock in the Federal Reserve bank and to forfeit all

1 rights and privileges of membership in the Federal Reserve  
2 System as provided in this section.

3       “ In connection with examinations of State member  
4 banks, examiners selected or approved by the Federal  
5 Reserve Board shall make such examinations of the affairs  
6 of all affiliates of such banks as shall be necessary to disclose  
7 fully the relations between such banks and their affiliates  
8 and the effect of such relations upon the affairs of such banks.  
9 The expense of examination of affiliates of any State member  
10 bank may, in the discretion of the Federal Reserve Board,  
11 be assessed against such bank and when so assessed, shall  
12 be paid by such bank. In the event of the refusal to give  
13 any information requested in the course of the examination  
14 of any such affiliate, or in the event of the refusal to permit  
15 such examination, or in the event of the refusal to pay  
16 any expense so assessed, the Federal Reserve Board may,  
17 in its discretion, require any or all State member banks  
18 affiliated with such affiliate to surrender their stock in the  
19 Federal Reserve bank and to forfeit all rights and privileges  
20 of membership in the Federal Reserve System, as provided  
21 in this section.”

22       SEC. 203. The Federal Reserve Act, as amended, is  
23 amended by inserting between sections 23 and 24 thereof  
24 (U.S.C., title 12, secs. 64 and 371; Supp. VI, title 12,  
25 sec. 371) the following new section:

1       “ ~~SEC. 23A.~~ No member bank shall ~~(1)~~ make any loan  
2   or any extension of credit to, or purchase securities under  
3   repurchase agreement from, any of its affiliates, or ~~(2)~~ in  
4   vest any of its funds in the capital stock, bonds, debentures,  
5   or other such obligations of any such affiliate, or ~~(3)~~ accept  
6   the capital stock, bonds, debentures, or other such obliga-  
7   tions of any such affiliate as collateral security for advances  
8   made to any person, partnership, association, or corporation,  
9   if, in the case of any such affiliate, the aggregate amount of  
10   such loans, extensions of credit, repurchase agreements,  
11   investments, and advances against such collateral security  
12   will exceed 10 per centum of the capital stock and surplus  
13   of such member bank, or if, in the case of all such affiliates,  
14   the aggregate amount of such loans, extensions of credits,  
15   repurchase agreements, investments, and advances against  
16   such collateral security will exceed 20 per centum of the  
17   capital stock and surplus of such member bank.

18       “Within the foregoing limitations, each loan or exten-  
19   sion of credit of any kind or character to an affiliate shall be  
20   secured by collateral in the form of stocks, bonds, debentures,  
21   or other such obligations having a market value at the time  
22   of making the loan or extension of credit of at least 20 per  
23   centum more than the amount of the loan or extension of  
24   credit, or of at least 10 per centum more than the amount of  
25   the loan or extension of credit if it is secured by obligations

1 of any State, or of any political subdivision or agency  
2 thereof: *Provided*, That the provisions of this paragraph  
3 shall not apply to loans or extensions of credit secured by  
4 obligations of the United States Government, the Federal  
5 intermediate credit banks, or the Federal land banks, or by  
6 such notes, drafts, bills of exchange, or bankers' acceptances  
7 as are eligible for rediscount or for purchase by Federal  
8 Reserve banks. A loan or extension of credit to a director  
9 officer, clerk, or other employee or any representative of  
10 any such affiliate shall be deemed a loan to the affiliate to  
11 the extent that the proceeds of such loan are used for the  
12 benefit of, or transferred to, the affiliate.

13       ~~“For the purposes of this section the term ‘affiliate’~~  
14 ~~shall include holding company affiliates as well as other~~  
15 ~~affiliates, and the provisions of this section shall not apply~~  
16 ~~to any affiliate (1) engaged solely in holding the bank~~  
17 ~~premises of the member bank with which it is affiliated,~~  
18 ~~(2) engaged solely in conducting a safe-deposit business or~~  
19 ~~the business of an agricultural credit corporation or livestock~~  
20 ~~loan company, (3) in the capital stock of which a national~~  
21 ~~banking association is authorized to invest pursuant to~~  
22 ~~section 25 of the Federal Reserve Act, as amended, or (4)~~  
23 ~~organized under section 25 (a) of the Federal Reserve~~  
24 ~~Act, as amended; but as to any such affiliate, member~~  
25 ~~banks shall continue to be subject to other provisions of~~

1 law applicable to loans by such banks and investments by  
2 such banks in stocks, bonds, debentures, or other such  
3 obligations.”

4 SEC. 204. Section 5144 of the Revised Statutes, as  
5 amended (U.S.C., title 12, sec. 61), is amended to read  
6 as follows:

7 “SEC. 5144. In all elections of directors and in de-  
8 ciding all questions at meetings of shareholders, each share-  
9 holder shall be entitled to one vote on each share of stock  
10 held by him; except (1) that shares of its own stock held  
11 by a national bank as sole trustee shall not be voted, and  
12 shares of its own stock held by a national bank and one  
13 or more persons as trustees may be voted by such other  
14 person or persons, as trustees, in the same manner as if he  
15 or they were the sole trustee, and (2) shares controlled  
16 by any holding company affiliate of a national bank shall  
17 not be voted unless such holding company affiliate shall  
18 have first obtained a voting permit as hereinafter provided,  
19 which permit is in force at the time such shares are voted.  
20 Shareholders may vote by proxies duly authorized in  
21 writing; but no officer, clerk, teller, or bookkeeper of such  
22 bank shall act as proxy; and no shareholder whose liability  
23 is past due and unpaid shall be allowed to vote.

24 “For the purposes of this section shares shall be  
25 deemed to be controlled by a holding company affiliate if

1 they are owned or controlled directly or indirectly by such  
2 holding company affiliate, or held by any trustee for the  
3 benefit of the shareholders or members thereof.

4 “Any such holding company affiliate may make appli-  
5 cation to the Federal Reserve Board for a voting permit  
6 entitling it to cast one vote at all elections of directors and  
7 in deciding all questions at meetings of shareholders of such  
8 bank on each share of stock controlled by it or authoriz-  
9 ing the trustee or trustees holding the stock for its benefit  
10 or for the benefit of its shareholders so to vote the same.  
11 The Federal Reserve Board may, in its discretion, grant or  
12 withhold such permit as the public interest may require.  
13 In acting upon such application, the Board shall consider  
14 the financial condition of the applicant, the general character  
15 of its management, and the probable effect of the granting  
16 of such permit upon the affairs of such bank, but no such  
17 permit shall be granted except upon the following conditions:

18 “(a) Every such holding company affiliate shall, in  
19 making the application for such permit, agree (1) to  
20 receive, on dates identical with those fixed for the examina-  
21 tion of banks with which it is affiliated, examiners duly  
22 authorized to examine such banks, who shall make such  
23 examinations of such holding company affiliate as shall be  
24 necessary to disclose fully the relations between such banks  
25 and such holding company affiliate and the effect of such

1 relations upon the affairs of such banks, such examinations  
2 to be at the expense of the holding company affiliate so  
3 examined; ~~(2)~~ that the reports of such examiners shall  
4 contain such information as shall be necessary to disclose  
5 fully the relations between such affiliate and such banks  
6 and the effect of such relations upon the affairs of such  
7 banks; ~~(3)~~ that such examiners may examine each bank  
8 owned or controlled by the holding company affiliate, both  
9 individually and in conjunction with other banks owned or  
10 controlled by such holding company affiliate; and ~~(4)~~ that  
11 publication of individual or consolidated statements of con-  
12 dition of such banks may be required;

13 “~~(b)~~ After five years after the enactment of the  
14 Banking Act of 1933, every such holding company affiliate  
15 ~~(1)~~ shall possess, and shall continue to possess during  
16 the life of such permit, free and clear of any lien, pledge,  
17 or hypothecation of any nature, readily marketable assets  
18 other than bank stock in an amount not less than 12 per  
19 centum of the aggregate par value of all bank stocks con-  
20 trolled by such holding company affiliate, which amount  
21 shall be increased by not less than 2 per centum per annum  
22 of such aggregate par value until such assets shall amount to  
23 25 per centum of the aggregate par value of such bank stocks;  
24 and ~~(2)~~ shall reinvest in readily marketable assets other than  
25 bank stock all net earnings over and above 6 per centum



1 per annum on the book value of its own shares outstanding  
2 until such assets shall amount to such 25 per centum of the  
3 aggregate par value of all bank stocks controlled by it;  
4 “(c) Notwithstanding the foregoing provisions of this  
5 section, after five years after the enactment of the Bank-  
6 ing Act of 1933, (1) any such holding company affiliate  
7 the shareholders or members of which shall be indi-  
8 vidually and severally liable in proportion to the number  
9 of shares of such holding company affiliate held by them  
10 respectively, in addition to amounts invested therein, for  
11 all statutory liability imposed on such holding company  
12 affiliate by reason of its control of shares of stock of banks,  
13 shall be required only to establish and maintain out of net  
14 earnings over and above 6 per centum per annum on the  
15 book value of its own shares outstanding a reserve of readily  
16 marketable assets in an amount not less than 12 per centum  
17 of the aggregate par value of bank stocks controlled by it,  
18 and (2) the assets required by this section to be possessed  
19 by such holding company affiliate may be used by it for  
20 replacement of capital in banks affiliated with it and for  
21 losses incurred in such banks, but any deficiency in such  
22 assets resulting from such use shall be made up within such  
23 period as the Federal Reserve Board may by regulation  
24 prescribe;

1       ~~“(d) Every officer, director, agent, and employee of~~  
2 every such holding company affiliate shall be subject to the  
3 same penalties for false entries in any book, report, or  
4 statement of such holding company affiliate as are applicable  
5 to officers, directors, agents, and employees of member  
6 banks under section 5209 of the Revised Statutes, as  
7 amended; and

8       ~~“(e) Every such holding company affiliate shall, in its~~  
9 application for such voting permit, ~~(1)~~ show that it does not  
10 own, control, or have any interest in, and is not participating  
11 in the management or direction of, any corporation, business  
12 trust, association, or other similar organization formed for  
13 the purpose of, or engaged principally in, the issue, flota-  
14 tion, underwriting, public sale, or distribution, at wholesale  
15 or retail or through syndicate participation, of stocks, bonds,  
16 debentures, notes, or other securities of any sort ~~(here-~~  
17 ~~inafter referred to as ‘securities company’)~~; ~~(2)~~ agree that  
18 during the period that the permit remains in force it will  
19 not acquire any ownership, control, or interest in any such  
20 securities company or participate in the management or  
21 direction thereof; ~~(3)~~ agree that if, at the time of filing  
22 the application for such permit, it owns, controls, or has an  
23 interest in, or is participating in the management or direc-  
24 tion of, any such securities company, it will, within five  
25 years after the filing of such application, divest itself of its

1 ownership, control, and interest in such securities company  
2 and will cease participating in the management or direction  
3 thereof, and will not thereafter, during the period that the  
4 permit remains in force, acquire any further ownership,  
5 control, or interest in any such securities company or par-  
6 ticipate in the management or direction thereof; and (4)  
7 agree that thenceforth it will declare dividends only out of  
8 actual net earnings.

9        “If at any time it shall appear to the Federal Reserve  
10 Board that any holding company affiliate has violated any  
11 of the provisions of the Banking Act of 1933 or of any  
12 agreement made pursuant to this section, the Federal Re-  
13 serve Board may, in its discretion, revoke any such voting  
14 permit after giving sixty days’ notice by registered mail of  
15 its intention to the holding company affiliate and affording  
16 it an opportunity to be heard. Whenever the Federal Re-  
17 serve Board shall have revoked any such voting permit, no  
18 national bank whose stock is controlled by the holding com-  
19 pany affiliate whose permit is so revoked shall receive depos-  
20 its of public moneys of the United States, nor shall any such  
21 national bank pay any further dividend to such holding com-  
22 pany affiliate upon any shares of such bank controlled by  
23 such holding company affiliate.

24        “Whenever the Federal Reserve Board shall have re-  
25 voked any voting permit as hereinbefore provided, the

1 rights, privileges, and franchises of any or all national banks  
2 the stock of which is controlled by such holding company  
3 affiliate shall, in the discretion of the Federal Reserve Board,  
4 be subject to forfeiture in accordance with section 2 of the  
5 Federal Reserve Act, as amended."

6       SEC. 205. After two years from the date of the enact-  
7 ment of this Act, no member bank shall be affiliated in any  
8 manner described in section 1 ~~(b)~~ of this title with any cor-  
9 poration, association, business trust, or other similar organiza-  
10 tion engaged principally in the issue, flotation, underwriting,  
11 public sale, or distribution at wholesale or retail or through  
12 syndicate participation of stocks, bonds, debentures, notes,  
13 or other securities.

14       For every violation of this section the member bank  
15 involved shall be subject to a penalty not exceeding \$1,000  
16 per day for each day during which such violation continues.  
17 Such penalty may be assessed by the Federal Reserve Board,  
18 in its discretion, and, when so assessed, may be collected by  
19 the Federal Reserve bank by suit or otherwise.

20       If any such violation shall continue for six calendar  
21 months after the member bank shall have been warned by  
22 the Federal Reserve Board to discontinue the same, ~~(a)~~ in  
23 the case of a national bank, all rights, privileges, and  
24 franchises granted to it under the National Bank Act may  
25 be forfeited in the manner prescribed in section 2 of the Fed-

1    ~~eral Reserve Act, as amended, or, (b) in the case of a State~~  
 2    ~~member bank, all of its rights and privileges of membership~~  
 3    ~~in the Federal Reserve System may be forfeited in the~~  
 4    ~~manner prescribed in section 9 of the Federal Reserve Act,~~  
 5    ~~as amended.~~

6        SEC. 206. ~~(a)~~ The second sentence of the first para-  
 7    graph of section 5200 of the Revised Statutes, as amended  
 8    ~~(U.S.C., title 12, sec. 84; Supp. VI, title 12, sec. 84),~~  
 9    is amended by inserting before the period at the end thereof  
 10 the following: “and shall include in the case of obligations  
 11 of a corporation all obligations of all subsidiaries thereof in  
 12 which such corporation owns or controls a majority  
 13 interest.”

14        ~~(b)~~ The amendment made by this section shall not  
 15 apply to such obligations of subsidiaries held by such asso-  
 16 ciation on the date this section takes effect.

17        SEC. 207. Section 5211 of the Revised Statutes, as  
 18 amended ~~(U.S.C., title 12, sec. 161; Supp. VI, title 12,~~  
 19 ~~sec. 161),~~ is amended by adding at the end thereof the  
 20 following new paragraph:

21        “Each national banking association shall obtain from  
 22 each of its affiliates other than member banks and furnish  
 23 to the Comptroller of the Currency not less than three  
 24 reports during each year, in such form as the Comptroller  
 25 may prescribe, verified by the oath or affirmation of the

1 president or such other officer as may be designated by the  
2 board of directors of such affiliate to verify such reports,  
3 disclosing the information hereinafter provided for as of  
4 dates identical with those for which the Comptroller shall  
5 during such year require the reports of the conditions of the  
6 association. For the purpose of this section the term  
7 'affiliate' shall include holding company affiliates as well  
8 as other affiliates. Each such report of an affiliate shall  
9 be transmitted to the Comptroller at the same time as the  
10 corresponding report of the association, except that the  
11 Comptroller may, in his discretion, extend such time for  
12 good cause shown. Each such report shall contain such  
13 information as in the judgment of the Comptroller of the  
14 Currency shall be necessary to disclose fully the relations  
15 between such affiliate and such bank and to enable the  
16 Comptroller to inform himself as to the effect of such rela-  
17 tions upon the affairs of such bank. The reports of such  
18 affiliates shall be published by the association under the same  
19 conditions as govern its own condition reports. The Comp-  
20 troller shall also have power to call for additional reports  
21 with respect to any such affiliate whenever in his judgment  
22 the same are necessary in order to obtain a full and com-  
23 plete knowledge of the conditions of the association with  
24 which it is affiliated. Such additional reports shall be  
25 transmitted to the Comptroller of the Currency in such form

1 as he may prescribe. Any such affiliated bank which fails  
2 to obtain and furnish any report required under this section  
3 shall be subject to a penalty of \$100 for each day during  
4 which such failure continues."

5       SEC. 208 (a) The first paragraph of section 5240 of  
6 The Revised Statutes, as amended (U.S.C., title 12,  
7 sec. 481), is amended by inserting before the period  
8 at the end thereof a colon and the following proviso:  
9 "*Provided*, That in making the examination of any  
10 national bank the examiners shall include such an exam-  
11 ination of the affairs of all its affiliates other than member  
12 banks as shall be necessary to disclose fully the relations be-  
13 tween such bank and such affiliates and the effect of such  
14 relations upon the affairs of such bank; and in the event of  
15 the refusal to give any information required in the course  
16 of the examination of any such affiliate, or in the event of the  
17 refusal to permit such examination, all the rights, privileges,  
18 and franchises of the bank shall be subject to forfeiture in  
19 accordance with section 2 of the Federal Reserve Act, as  
20 amended. The Comptroller of the Currency shall have  
21 power, and he is hereby authorized, to publish the report  
22 of his examination of any national banking association or  
23 affiliate which shall not within one hundred and twenty  
24 days after notification of the recommendations or suggestions  
25 of the Comptroller, based on said examination, have com-

1   plied with the same to his satisfaction. Ninety days' notice  
2   prior to such publicity shall be given to the bank or  
3   affiliate."

4       (b) Section 5240 of the Revised Statutes, as amended  
5   (U.S.C., title 12, sec. 481), is further amended by adding  
6   after the first paragraph thereof the following new  
7   paragraph:

8       " The examiner making the examination of any affiliate  
9   of a national bank shall have power to make a thorough  
10   examination of all the affairs of the affiliate, and in doing  
11   so he shall have power to administer oaths and to examine  
12   any of the officers, directors, employees, and agents thereof  
13   under oath and to make a report of his findings to the  
14   Comptroller of the Currency. The expense of examinations  
15   of such affiliates may be assessed by the Comptroller of the  
16   Currency upon the affiliates examined in proportion to assets  
17   or resources held by the affiliates upon the dates of examina-  
18   tion of the various affiliates. If any such affiliate shall  
19   refuse to pay such expenses or shall fail to do so within  
20   sixty days after the date of such assessment, then such  
21   expenses may be assessed against the affiliated national bank  
22   and, when so assessed, shall be paid by such national bank:  
23   *Provided, however, That, if the affiliation is with two or*  
24   *more national banks, such expenses may be assessed against,*  
25   *and collected from, any or all of such national banks in such*



1 proportions as the Comptroller of the Currency may  
 2 prescribe. If any affiliate of a national bank shall refuse to  
 3 permit an examiner to make an examination of the affiliate  
 4 or shall refuse to give any information required in the course  
 5 of any such examination, the national bank with which it is  
 6 affiliated shall be subject to a penalty of not more than \$100  
 7 for each day that any such refusal shall continue. Such pen-  
 8 alty may be assessed by the Comptroller of the Currency and  
 9 collected in the same manner as expenses of examinations."

### 10 TITLE III

#### 11 FEDERAL DEPOSIT INSURANCE CORPORATION

12 SECTION 301. (a) There is hereby created a Federal  
 13 Deposit Insurance Corporation (hereinafter referred to as  
 14 the "Corporation"), whose duty it shall be to purchase,  
 15 hold, and liquidate as hereinafter provided, the assets of  
 16 national banks which have been closed by action of the  
 17 Comptroller of the Currency, or by vote of their directors,  
 18 and the assets of State member banks, and to make loans to  
 19 State banks and trust companies as hereinafter provided,  
 20 which have been closed by action of the appropriate State  
 21 authorities, or by vote of their directors.

22 (b) The management of the Corporation shall be  
 23 vested in a board of directors, consisting of five members,  
 24 one of whom shall be the Comptroller of the Currency, one

1 a member of the Federal Reserve Board designated by the  
2 Board for the purpose, and three citizens of the United  
3 States appointed by the President, by and with the advice  
4 and consent of the Senate, who shall hold their offices dur-  
5 ing a term of six years. Not more than two of the ap-  
6 pointive members of the board shall be members of the  
7 same political party. The terms of the appointive members  
8 first appointed shall be for two, four, and six years, as desig-  
9 nated by the President. The appointive members of the  
10 board shall receive compensation at the rate of \$10,000  
11 per annum, payable monthly out of the funds of the Cor-  
12 poration, but no other member of the board shall receive  
13 additional compensation for service as a member.

14 (c) There is hereby authorized to be appropriated, out  
15 of any money in the Treasury not otherwise appropriated,  
16 the sum of \$150,000,000; which shall be available for pay-  
17 ment by the Secretary of the Treasury for capital stock of  
18 the Corporation in an equal amount, which shall be sub-  
19 scribed for by him on behalf of the United States. Pay-  
20 ments upon such subscription shall be subject to call in whole  
21 or in part by the board of directors of the Corporation. Such  
22 stock shall be in addition to the amount of capital stock  
23 required to be subscribed for by Federal Reserve banks and  
24 member and nonmember banks as hereinafter provided  
25 and the United States shall be entitled to the payment of divi-

1   dends on such stock to the same extent as member and  
2   nonmember banks are entitled to such payment on the  
3   class A stock of the Corporation held by them. Receipts  
4   for payments by the United States for or on account of  
5   such stock shall be issued by the Corporation to the Seere-  
6   tary of the Treasury and shall be evidence of the stock  
7   ownership of the United States.

8       ~~(d)~~ The capital stock of the Corporation shall be  
9   divided into shares of \$100 each. Certificates of stock of  
10   the Corporation shall be of two classes, class A and class B.  
11   Class A stock shall be held by member and nonmember  
12   banks only and they shall be entitled to payment of divi-  
13   dends out of net earnings at the rate of 6 per centum per  
14   annum on the capital stock paid in by them, which divi-  
15   dends shall be cumulative, or to the extent of 30 per  
16   centum of such net earnings in any one year, whichever  
17   amount shall be the greater, but such stock shall have no  
18   vote at meetings of stockholders. Class B stock shall be  
19   held by Federal Reserve banks only and shall not be  
20   entitled to the payment of dividends. Every Federal  
21   Reserve bank shall subscribe to shares of class B stock in  
22   the Corporation to an amount equal to one half of the  
23   surplus of such bank on January 1, 1933, and its subscrip-  
24   tions shall be accompanied by a certified check payable to  
25   the Corporation in an amount equal to one half of such

1 subscription. The remainder of such subscription shall be  
2 subject to call from time to time by the board of directors  
3 upon ninety days' notice

4 (e) Every member bank shall subscribe to the class A  
5 capital stock of the Corporation in an amount equal to one  
6 half of 1 per centum of its total net outstanding time  
7 and demand deposits on January 1, 1933, as computed in  
8 accordance with regulations of the Federal Reserve Board  
9 governing the computation of reserves. One half of such  
10 subscription shall be paid in full within ninety days after  
11 receipt of notice from the chairman of the board of directors  
12 of the Corporation, and the remainder of such subscription  
13 shall be subject to call from time to time by the board  
14 of directors of the Corporation.

15 (f) The amount of the outstanding class A stock  
16 of the Corporation held by member banks shall be  
17 annually adjusted as hereinafter provided as of the last  
18 preceding call date as member banks increase their time  
19 and demand deposits or as additional banks become mem-  
20 bers, or subscribe to the stock of the Corporation, and such  
21 stock may be decreased in amount as member banks reduce  
22 their time and demand deposits or cease to be members.  
23 Shares of the capital stock of the Corporation owned by  
24 member banks shall not be transferred or hypothecated.  
25 When a member bank increases its time and demand

1 deposits, it shall, at the beginning of each calendar year,  
2 subscribe for an additional amount of capital stock of the  
3 Corporation equal to one half of 1 per centum of such  
4 increase in deposits. One half of the amount of such addi-  
5 tional stock shall be paid for at the time of the subscription  
6 therefor and the balance shall be subject to call by the board  
7 of directors of the Corporation. A bank admitted to mem-  
8 bership in the Federal Reserve System at any time after the  
9 organization of the Corporation shall be required to sub-  
10 scribe for an amount of class A capital stock equal to one  
11 half of 1 per centum of the time and demand deposits of the  
12 applicant bank as of the date of such admission, paying  
13 therefor its par value plus one half of 1 per centum a month  
14 from the period of the last dividend on the class A stock of  
15 the Corporation. When a member bank reduces its time  
16 and demand deposits it shall surrender, not later than the  
17 1st day of January thereafter, a proportionate amount of  
18 its holdings in the capital stock of the Corporation, and  
19 when a member bank voluntarily liquidates it shall surrender  
20 all its holdings of the capital stock of the Corporation and  
21 be released from its stock subscription not previously called.  
22 The shares so surrendered shall be canceled and the member  
23 bank shall receive in payment therefor, under regulations  
24 to be prescribed by the Board, a sum equal to its cash-paid  
25 subscriptions on the shares surrendered and its proportionate

1 share of dividends not to exceed one half of 1 per centum  
2 a month, from the period of the last dividend on such stock,  
3 less any liability of such member bank to the Corporation.

4       SEC. 302. (a) Any State bank or trust company,  
5 not a member bank of the Federal Reserve System, with  
6 the approval of the State authority having supervision of  
7 such bank or trust company and certification to the Corpo-  
8 ration by such authority that such bank or trust company  
9 is in solvent condition, after examination by, and approval  
10 of, the Corporation, shall be entitled to the privileges of  
11 this title upon agreeing to comply with this title and upon  
12 subscribing to the same amount of stock as would be required  
13 if such bank or trust company became a member bank.  
14 The Corporation is authorized to prescribe rules and regu-  
15 lations for the further examination of such bank or trust  
16 company and fix the compensation of examiners employed  
17 for such examination. All the provisions of subsections (c)  
18 and (f) of section 301 and of section 303 shall apply to such  
19 State bank or trust company and to its holding of such stock  
20 as if it were a member bank. If at any time the board of  
21 directors of the Corporation is of opinion that any such State  
22 bank or trust company has failed to comply with the provi-  
23 sions of this title applicable to such State bank or trust com-  
24 pany or that the continued participation by any such State  
25 bank or trust company is detrimental to the safe and econom-

1    ical carrying out of the duties of the Corporation under this  
 2    title; the board shall give notice thereof to such State bank or  
 3    trust company and, after hearing, the board may by order  
 4    require the withdrawal of such State bank or trust company  
 5    from participation in the benefits of this title, which order shall  
 6    become effective at such time; not less than thirty days after  
 7    the issuance thereof, as the board may fix, and the Corpora-  
 8    tion shall pay to such State bank or trust company the  
 9    amount paid for stock held by it (and its stock shall be  
 10    retired and canceled)-.

11        ~~(b)~~ In case any State bank or trust company, not  
 12    a member of the Federal Reserve System, is prohibited by  
 13    State law, or by the State authority, from complying with  
 14    the requirement of subscribing for stock in the Corporation  
 15    pursuant to subsection ~~(a)~~ of this section, it shall be entitled  
 16    to the privileges of this title upon complying with the other  
 17    requirements of such subsection, and upon making a deposit  
 18    in lawful money with the Corporation equal to the face  
 19    amount of stock which it would be required to subscribe for  
 20    if it became a member bank. The Corporation shall pay  
 21    interest on any such deposit to the bank or trust company  
 22    making such deposit at a rate equal to the rate of the divi-  
 23    dend paid on stock of member banks. Such deposit shall  
 24    be adjusted in like manner as holdings of stock in the Corpo-  
 25    ration by member banks are adjusted under subsection ~~(f)~~

1 of section 301. Upon insolvency of the State bank or trust  
2 company making the deposit, such deposit and accrued inter-  
3 est thereon shall be applied in the same manner as cash-  
4 paid subscriptions and dividends are applied under section  
5 303. The provisions of the last sentence of subsection (a)-  
6 of this section shall apply to any bank or trust company  
7 making such deposit, except that in lieu of payments by the  
8 Corporation to the bank or trust company of amounts paid  
9 for stock the Corporation shall return to such bank or trust  
10 company the amount of the deposit.

11 SEC. 303. If any member bank shall be declared in-  
12 solvent, the stock held by it in the Corporation shall be  
13 canceled, without impairment of the liability of such bank,  
14 and all cash-paid subscriptions on such stock, with its pro-  
15 portionate share of dividends not to exceed one half of 1  
16 per centum per month from the period of last dividend on  
17 such stock shall be first applied to all debts of the insolvent  
18 bank or the receiver thereof to the Corporation, and the bal-  
19 ance, if any, shall be paid to the receiver of the insolvent  
20 bank.

21 SEC. 304. Upon the appointment of all the appointive  
22 members of the board of the Corporation, the Corporation  
23 shall become a body corporate and as such shall have  
24 power—



1       First. To adopt and use a corporate seal.

2       Second. To have succession until dissolved by an Act  
3 of Congress.

4       Third. To make contracts.

5       Fourth. To sue and be sued, complain and defend, in  
6 any court of law or equity, State or Federal.

7       Fifth. To appoint by its board of directors such officers  
8 and employees as are not otherwise provided for in this  
9 section, to define their duties, fix their compensation,  
10 require bonds of them and fix the penalty thereof, and to  
11 dismiss at pleasure such officers or employees. Nothing in  
12 this or any other Act shall be construed to prevent the  
13 appointment and compensation, as an officer or employee  
14 of the Corporation, of any officer or employee of the United  
15 States in any board, commission, independent establishment,  
16 or executive department thereof.

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

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

1        SEC. 305. The board of directors shall administer the  
2        affairs of the Corporation fairly and impartially and without  
3        discrimination. The board of directors of the Corporation  
4        shall determine and prescribe the manner in which its obli-  
5        gations shall be incurred and its expenses allowed and paid.  
6        The Corporation shall be entitled to the free use of the  
7        United States mails in the same manner as the executive  
8        departments of the Government. The Corporation with  
9        the consent of any Federal Reserve bank or of any board,  
10       commission, independent establishment, or executive depart-  
11       ment of the Government, including any field service thereof,  
12       may avail itself of the use of information, services, and  
13       facilities thereof in carrying out the provisions of this section.

14       SEC. 306. (a) The Corporation shall insure the time  
15       and demand deposits of all member banks which are class A  
16       stockholders of the Corporation as hereinafter prescribed.  
17       Notwithstanding any other provision of law, whenever any  
18       national bank which is a class A stockholder of the Corpora-  
19       tion shall have been closed by action of its board of directors  
20       or by the Comptroller of the Currency, as the case may be,  
21       on account of inability to meet the demands of its depositors,  
22       the Comptroller of the Currency shall appoint the Corpo-  
23       ration receiver for such bank. As soon as possible there-  
24       after the Corporation shall organize a new national bank  
25       to assume the insured deposit liabilities of such closed bank,

1 to receive new deposits and otherwise to perform tempo-  
2 rarily the functions provided for it in this paragraph. For  
3 the purposes of this subsection, the term insured deposit  
4 liability shall mean with respect to the owner of any claim  
5 arising out of a deposit liability of such closed bank the  
6 following percentages of the net amount due to such  
7 owner by such closed bank on account of deposit lia-  
8 bilities: 100 per centum of the amount by which such  
9 net amount does not exceed \$10,000; and 75 per centum  
10 of the amount, if any, by which such net amount exceeds  
11 \$10,000 but does not exceed \$50,000; and 50 per centum  
12 of the amount, if any, by which such net amount exceeds  
13 \$50,000: *Provided*, That, in determining the amount due  
14 to such owner for the purpose of fixing such percentage,  
15 there shall be added together all net amounts due to such  
16 owner in the same capacity or the same right, on account  
17 of deposits, regardless of whether such deposits be main-  
18 tained in his name or in the names of others for his benefit.  
19 For the purposes of this subsection, the term 'insured de-  
20 posit liabilities' shall mean the aggregate amount of all  
21 such insured deposit liabilities of such closed bank. The  
22 Corporation shall determine as expeditiously as possible the  
23 net amounts due to depositors of the closed bank and shall  
24 make available to the new bank an amount equal to the  
25 insured deposit liabilities of such closed bank, whereupon

1 such new bank shall assume the insured deposit liability of  
2 such closed bank to each of its depositors, and the Corpora-  
3 tion shall be subrogated to all rights against the closed bank  
4 of the owners of such deposits and shall be entitled to receive  
5 the same dividends from the proceeds of the assets of such  
6 closed bank as would have been payable to each such deposi-  
7 tor until such dividends shall equal the insured deposit liabil-  
8 ity to such depositor assumed by the new bank, whereupon  
9 all further dividends shall be payable to such depositor. Of  
10 the amount thus made available by the Corporation to the  
11 new bank, such portion shall be paid to it in cash as may be  
12 necessary to enable it to meet immediate cash demands and  
13 the remainder shall be credited to it on the books of the Cor-  
14 poration subject to withdrawal on demand and shall bear  
15 interest at the rate of 3 per centum per annum until with-  
16 drawn. The new bank may, with the approval of the Cor-  
17 poration, accept new deposits, which, together with all  
18 amounts made available to the new bank by the Corporation,  
19 shall be kept on hand in cash, invested in direct obligations  
20 of the United States, or deposited with the Corporation or  
21 with a Federal Reserve bank. Such new bank shall main-  
22 tain on deposit with the Federal Reserve bank of its district  
23 the reserves required by law of member banks but shall not  
24 be required to subscribe for stock of the Federal Reserve  
25 bank until its own capital stock has been subscribed

1 and paid for in the manner hereinafter provided. The  
2 articles of association and organization certificate of such  
3 new bank may be executed by such representatives of the  
4 Corporation as it may designate; the new bank shall not  
5 be required to have any directors at the time of its organiza-  
6 tion, but shall be managed by an executive officer to be desig-  
7 nated by the Corporation; and no capital stock need be paid  
8 in by the Corporation; but in other respects such bank shall  
9 be organized in accordance with the existing provisions of  
10 law relating to the organization of national banks; and,  
11 until the requisite amount of capital stock for such bank has  
12 been subscribed and paid for in the manner hereinafter pro-  
13 vided, such bank shall transact no business except that  
14 authorized by this subsection and such business as may be  
15 incidental to its organization. When in the judgment of the  
16 Corporation it is desirable to do so, the Corporation shall  
17 offer capital stock of the new bank for sale on such terms and  
18 conditions as the Corporation shall deem advisable, in an  
19 amount sufficient in the opinion of the Corporation to make  
20 possible the conduct of the business of the new bank on a  
21 sound basis, but in no event less than that required by section  
22 5158 of the Revised Statutes, as amended, for the organiza-  
23 tion of a national bank in the place where such new bank is  
24 located, giving the stockholders of the closed bank the first  
25 opportunity to purchase such stock. Upon proof that an

1 adequate amount of capital stock of the new bank has been  
2 subscribed and paid for in cash by subscribers satisfactory  
3 to the Comptroller of the Currency; he shall issue to such  
4 bank a certificate of authority to commence business and  
5 thereafter it shall be managed by directors elected by its own  
6 shareholders and may exercise all of the powers granted by  
7 law to national banking associations. If an adequate amount  
8 of capital for such new bank is not subscribed and paid in,  
9 the Corporation may offer to transfer its business to any  
10 other banking institution in the same place which will take  
11 over its assets, assume its liabilities, and pay to the Corpora-  
12 tion for such business such amount as the Corporation may  
13 deem adequate. Unless the capital stock of the new bank is  
14 sold or its assets acquired and its liabilities assumed by  
15 another banking institution, in the manner herein prescribed,  
16 within two years from the date of its organization, the Cor-  
17 poration shall place the new bank in voluntary liquidation  
18 and wind up its affairs. The Corporation shall open on its  
19 books a deposit insurance account and, as soon as possible  
20 after taking possession of any closed national bank, the Cor-  
21 poration shall make an estimate of the amount which will  
22 be available from all sources for application in satisfaction  
23 of the portion of the claims of depositors to which it has been  
24 subrogated and shall debit to such deposit insurance account  
25 the excess, if any, of the amount made available by the Cor-

1   poration to the new bank for depositors over and above the  
2   amount of such estimate. It shall be the duty of the Corpo-  
3   ration to realize as rapidly as possible upon the assets of such  
4   closed bank, having due regard to the condition of credit in  
5   the district in which such closed bank is located; to enforce  
6   the individual liability of the stockholders and directors  
7   thereof; and to wind up the affairs of such closed bank in  
8   conformity with the provisions of law relating to the liquida-  
9   tion of closed national banks, except as herein otherwise pro-  
10   vided, retaining for its own account such portion of the  
11   amount realized from such liquidation as it shall be entitled  
12   to receive on account of its subrogation to the claims of  
13   depositors and paying to depositors and other creditors the  
14   amount available for distribution to them, after deducting  
15   therefrom their share of the costs of the liquidation of the  
16   closed bank. If the total amount realized by the Corpora-  
17   tion on account of its subrogation to the claims of depositors  
18   be less than the amount of the estimate hereinabove provided  
19   for, the deposit insurance account shall be charged with the  
20   deficiency and, if the total amount so realized shall exceed  
21   the amount of such estimate, such account shall be credited  
22   with such excess. With respect to such closed national  
23   banks, the Corporation shall have all the rights, powers, and  
24   privileges now possessed by or hereafter given receivers of  
25   insolvent national banks and shall be subject to the obliga-

1 tions and penalties not inconsistent with the provisions of  
2 this paragraph to which such receivers are now or may  
3 hereafter become subject.

4       Whenever any State member bank which is a class A  
5 stockholder of the Corporation shall have been closed by  
6 action of its board of directors or by the appropriate State  
7 authority, as the case may be, on account of inability to  
8 meet the demands of its depositors, the Corporation shall  
9 accept appointment as receiver thereof, if such appointment  
10 be tendered by the appropriate State authority and be  
11 authorized or permitted by State law. Thereupon the Cor-  
12 poration shall organize a new national bank, in accordance  
13 with the provisions of this subsection, to assume the insured  
14 deposit liabilities of such closed State bank, to receive new  
15 deposits and otherwise to perform temporarily the functions  
16 provided for in this subsection. Upon satisfactory recogni-  
17 tion of the right of the Corporation to receive dividends on  
18 the same basis as in the case of a closed national bank under  
19 this subsection, such recognition being accorded by State  
20 law, by allowance of claims by the appropriate State  
21 authority, by assignment of claims by depositors, or by any  
22 other effective method, the Corporation shall make available  
23 to such new national bank, in the manner prescribed by this  
24 subsection, an amount equal to the insured deposit liabilities  
25 of such closed State bank; and the Corporation and such new



1 national bank shall perform all of the functions and duties  
 2 and shall have all the rights and privileges with respect to  
 3 such State bank and the depositors thereof which are pre-  
 4 scribed by this subsection with respect to closed national  
 5 banks holding class A stock in the Corporation: *Provided,*  
 6 That the rights of depositors and other creditors of such State  
 7 bank shall be determined in accordance with the applicable  
 8 provisions of State law: *And provided further,* That, with  
 9 respect to such State bank, the Corporation shall possess the  
 10 powers and privileges provided by State law with respect to  
 11 a receiver of such State bank, except insofar as the same  
 12 are in conflict with the provisions of this subsection.

13 Whenever any State member bank which is a class A  
 14 stockholder of the Corporation shall have been closed by action  
 15 of its board of directors or by the appropriate State authority,  
 16 as the case may be, on account of inability to meet the demands  
 17 of its depositors, and the applicable State law does not permit  
 18 the appointment of the Corporation as receiver of such bank,  
 19 the Corporation shall organize a new national bank, in  
 20 accordance with the provisions of this subsection, to assume  
 21 the insured deposit liabilities of such closed State bank, to  
 22 receive new deposits, and otherwise to perform temporarily  
 23 the functions provided for in this subsection. Upon satis-  
 24 factory recognition of the right of the Corporation to receive

1 dividends on the same basis as in the case of a closed national  
2 bank under this subsection, such recognition being accorded  
3 by State law, by allowance of claims by the appropriate  
4 State authority, by assignment of claims by depositors, or  
5 by any other effective method, the Corporation shall make  
6 available to such new bank, in accordance with the pro-  
7 visions of this subsection, the amount of insured deposit  
8 liabilities as to which such recognition has been accorded;  
9 and such new bank shall assume such insured deposit liabili-  
10 ties and shall in other respects comply with the provisions  
11 of this subsection respecting new banks organized to assume  
12 insured deposit liabilities of closed national banks. Insofar  
13 as possible in view of the applicable provisions of State law,  
14 the Corporation shall proceed with respect to the receiver of  
15 such closed bank and with respect to the new bank organized  
16 to assume its insured deposit liabilities in the manner pre-  
17 scribed by this subsection with respect to closed national  
18 banks and new banks organized to assume their insured  
19 deposit liabilities, except that the Corporation shall have  
20 none of the powers, duties, or responsibilities of a receiver  
21 with respect to the winding up of the affairs of such closed  
22 State bank. The Corporation, in its discretion, however,  
23 may purchase and liquidate any or all of the assets of such  
24 bank.

1       Whenever the net debit balance of the deposit insur-  
2       ance account of the Corporation shall equal or exceed one  
3       fourth of 1 per centum of the total deposit liabilities of all  
4       class A stockholders as of the date of the last preceding call  
5       report, the Corporation shall levy upon such stockholders  
6       an assessment equal to one fourth of 1 per centum of their  
7       total deposit liabilities and shall credit the amount collected  
8       from such assessment to such deposit insurance account. No  
9       bank which is a holder of class A stock shall pay any divi-  
10      dends until all assessments levied upon it by the Corporation  
11      shall have been paid in full; and any director or officer of  
12      any such bank who participates in the declaration or pay-  
13      ment of any such dividend may, upon conviction, be fined  
14      not more than \$1,000, or imprisoned for not more than one  
15      year, or both.

16      The term "receiver" as used in this section shall  
17      mean a receiver, liquidating agent, or conservator of a  
18      national bank, and a receiver, liquidating agent, conserva-  
19      tor, commission, person, or other agency charged by State  
20      law with the responsibility and the duty of winding up the  
21      affairs of an insolvent State member bank.

22      For the purposes of this section only, the term  
23      "national bank" shall include all national banking associa-  
24      tions and all banks, banking associations, trust companies,

1 savings banks, and other banking institutions located in the  
2 District of Columbia which are members of the Federal  
3 Reserve System; and the term 'State member bank' shall  
4 include all State banks, banking associations, trust compa-  
5 nies, savings banks, and other banking institutions organized  
6 under the laws of any State, which are members of the  
7 Federal Reserve System.

8 In any determination of the insured deposit liabilities  
9 of any closed bank or of the total deposit liabilities of any  
10 bank which is a holder of class A stock of the Corporation,  
11 for the purposes of this subsection, there shall be excluded  
12 the amounts of all deposits of such bank which are payable  
13 only at an office thereof located in a foreign country.

14 The Corporation may make such rules, regulations,  
15 and contracts as it may deem necessary in order to carry  
16 out the provisions of this section.

17 Money of the Corporation not otherwise employed  
18 shall be invested in securities of the Government of the  
19 United States, except that for temporary periods, in the  
20 discretion of the board of directors, funds of the Corporation  
21 may be deposited in any Federal Reserve bank or with the  
22 Treasurer of the United States. When designated for that  
23 purpose by the Secretary of the Treasury, the Corporation  
24 shall be a depository of public moneys, except receipts from  
25 customs, under such regulations as may be prescribed by

1 the said Secretary, and may also be employed as a financial  
2 agent of the Government. It shall perform all such reason-  
3 able duties as depositary of public moneys and financial  
4 agent of the Government as may be required of it.

5       (b) Nothing herein contained shall be construed to  
6 prevent the Corporation from making loans to national  
7 banks closed by action of the Comptroller of the Currency,  
8 or by vote of their directors, or to State banks closed by  
9 action of the appropriate State authorities, or by vote of  
10 their directors, or from entering into negotiations to secure  
11 the reopening of such banks.

12       (c) Receivers or liquidators of State banks which  
13 are now or may hereafter become insolvent or suspended  
14 shall be entitled to offer the assets of such banks for sale  
15 to the Corporation or as security for loans from the Cor-  
16 poration, upon receiving permission from the appropriate  
17 State authority in accordance with express provision of  
18 State law in the case of State banks, or from the Comp-  
19 troller of the Currency in the case of national banks. The  
20 proceeds of every such sale or loan shall be utilized for the  
21 same purposes and in the same manner as other funds real-  
22 ized from the liquidation of the assets of such banks. The  
23 Comptroller of the Currency may, in his discretion, pay  
24 dividends on proved claims at any time after the expiration  
25 of the period of advertisement made pursuant to section 5235

1 of the Revised Statutes, and no liability shall attach to the  
2 Comptroller of the Currency or to the receiver of any  
3 national bank by reason of any such payment for failure to  
4 pay dividends to a claimant whose claim is not proved at  
5 the time of any such payment.

6 (d) The Corporation is authorized and empowered  
7 to issue and to have outstanding at any one time in an  
8 amount aggregating not more than three times the amount  
9 of its capital, its notes, debentures, bonds, or other such obli-  
10 gations, to be redeemable at the option of the Corporation  
11 before maturity in such manner as may be stipulated in  
12 such obligations, and to bear such rate or rates of interest,  
13 and to mature at such time or times as may be determined  
14 by the Corporation: *Provided*, That the Corporation may  
15 sell on a discount basis short-term obligations payable at  
16 maturity without interest. The notes, debentures, bonds,  
17 and other such obligations of the Corporation may be  
18 secured by assets of the Corporation in such manner as  
19 shall be prescribed by its board of directors. Such obliga-  
20 tions may be offered for sale at such price or prices as the  
21 Corporation may determine.

22 (e) All notes, debentures, bonds, or other such obli-  
23 gations issued by the Corporation shall be exempt, both  
24 as to principal and interest, from all taxation (except estate  
25 and inheritance taxes) now or hereafter imposed by the

1 United States, by any Territory, dependency, or possession  
2 thereof, or by any State, county, municipality, or local taxing  
3 authority. The Corporation, including its franchise, its capi-  
4 tal, reserves, and surplus, and its income, shall be exempt  
5 from all taxation now or hereafter imposed by the United  
6 States, by any Territory, dependency, or possession thereof,  
7 or by any State, county, municipality, or local taxing author-  
8 ity, except that any real property of the Corporation shall be  
9 subject to State, Territorial, county, municipal, or local tax-  
10 ation to the same extent according to its value as other real  
11 property is taxed.

12 (f) In order that the Corporation may be supplied  
13 with such forms of notes, debentures, bonds, or other  
14 such obligations as it may need for issuance under this Act,  
15 the Secretary of the Treasury is authorized to prepare such  
16 forms as shall be suitable and approved by the Corporation,  
17 to be held in the Treasury subject to delivery, upon order  
18 of the Corporation. The engraved plates, dies, bed pieces,  
19 and other material executed in connection therewith shall  
20 remain in the custody of the Secretary of the Treasury.  
21 The Corporation shall reimburse the Secretary of the Treas-  
22 ury for any expenses incurred in the preparation, custody,  
23 and delivery of such notes, debentures, bonds, or other such  
24 obligations.

1       ~~(g)~~ The Corporation shall annually make a report of  
2 its operations to the Congress as soon as practicable after  
3 the 1st day of January in each year.

4       ~~(h)~~ Whoever, for the purpose of obtaining any loan  
5 from the Corporation, or any extension or renewal thereof,  
6 or the acceptance, release, or substitution of security therefor,  
7 or for the purpose of inducing the Corporation to purchase  
8 any assets, or for the purpose of influencing in any way  
9 the action of the Corporation under this section, makes any  
10 statement, knowing it to be false, or willfully overvalues any  
11 security, shall be punished by a fine of not more than \$5,000,  
12 or by imprisonment for not more than two years, or both.

13       ~~(i)~~ Whoever ~~(1)~~ falsely makes, forges, or counter-  
14 feits any obligation or coupon, in imitation of or purporting  
15 to be an obligation or coupon issued by the Corporation, or  
16 ~~(2)~~ passes, utters, or publishes, or attempts to pass, utter,  
17 or publish, any false, forged, or counterfeited obligation or  
18 coupon purporting to have been issued by the Corporation,  
19 knowing the same to be false, forged, or counterfeited, or  
20 ~~(3)~~ falsely alters any obligation or coupon issued or pur-  
21 porting to have been issued by the Corporation, or ~~(4)~~  
22 passes, utters, or publishes, or attempts to pass, utter, or  
23 publish, as true, any falsely altered or spurious obligation  
24 or coupon, issued or purporting to have been issued by the  
25 Corporation, knowing the same to be falsely altered or



1 spurious, shall be punished by a fine of not more than  
2 \$10,000, or by imprisonment for not more than five years,  
3 or both.

4       (j) Whoever, being connected in any capacity with  
5 the Corporation, ~~(1)~~ embezzles, abstracts, purloins, or  
6 willfully misapplies any moneys, funds, securities, or other  
7 things of value, whether belonging to it or pledged, or  
8 otherwise intrusted to it, or ~~(2)~~ with intent to defraud the  
9 Corporation or any other body, politic or corporate, or any  
10 individual, or to deceive any officer, auditor, or exam-  
11 iner of the Corporation, makes any false entry in any  
12 book, report, or statement of or to the Corporation, or  
13 without being duly authorized draws any order or issues,  
14 puts forth, or assigns any note, debenture, bond, or other  
15 such obligation, or draft, bill of exchange, mortgage, judg-  
16 ment, or decree thereof, shall be punished by a fine of not  
17 more than \$10,000, or by imprisonment for not more than  
18 five years, or both.

19       (k) No individual, association, partnership, or corpo-  
20 ration shall use the words "Federal Bank Deposit Insurance  
21 Corporation", or a combination of any three of these five  
22 words, as the name or a part thereof under which he or it  
23 shall do business. No individual, association, partnership,  
24 or corporation shall advertise or otherwise represent falsely  
25 by any device whatsoever that his or its deposit liabilities

1 are insured or in anywise guaranteed by the Federal Bank  
2 Deposit Insurance Corporation, or by the Government  
3 of the United States, or by any instrumentality thereof;  
4 and no class A stockholder of the Federal Bank Deposit  
5 Insurance Corporation shall advertise or otherwise repre-  
6 sent falsely by any device whatsoever to extent to which  
7 or the manner in which its deposit liabilities are insured  
8 by the Federal Bank Deposit Insurance Corporation.  
9 Every individual, partnership, association, or corporations  
10 violating this subdivision shall be punished by a fine of not  
11 exceeding \$1,000, or by imprisonment not exceeding one  
12 year, or both.

13       ~~(l)~~ The provisions of sections 112, 113, 114, 115,  
14 116, and 117 of the Criminal Code of the United States  
15 ~~(U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive)~~, in-  
16 sofar as applicable, are extended to apply to contracts or  
17 agreements with the Corporation under this section, which for  
18 the purposes hereof shall be held to include loans, advances,  
19 extensions, and renewals thereof, and acceptances, releases,  
20 and substitutions of security therefor, purchases or sales of  
21 assets, and all contracts and agreements pertaining to the  
22 same.

23       ~~(m)~~ The Secret Service Division of the Treasury  
24 Department is authorized to detect, arrest, and deliver into  
25 the custody of the United States marshal having jurisdiction

1 any person committing any of the offenses punishable under  
2 this section."

3 SEC. 307. No member bank of the Federal Reserve  
4 System shall, after the date of enactment of this Act, and no  
5 State bank or trust company, not a member bank, shall,  
6 after it has become entitled to participation in the benefits  
7 of this title, pay interest at a greater rate than 3 per centum  
8 per annum with respect to any time deposit (as defined in  
9 section 19 of the Federal Reserve Act, as amended) made  
10 in such bank.

11 SEC. 308. Section 9 of the Act entitled "An Act to  
12 establish postal savings depositories for depositing savings at  
13 interest with the security of the Government for repayment  
14 thereof, and for other purposes", approved June 25, 1910,  
15 as amended (U.S.C., title 39, sec. 759), is amended by  
16 striking out the period at the end thereof and inserting in  
17 lieu thereof a colon and the following: "*Provided*, That no  
18 such security shall be required in case of such part of the  
19 deposits as are insured under title III of the Banking Act  
20 of 1933.

21 SEC. 309. A national bank, reserve bank, or other mem-  
22 ber bank as defined by section 1 of title I of this Act, or any  
23 bank or trust company whose deposits are guaranteed in any  
24 respect under the provisions of this title, or any employee of  
25 any such bank, shall not either directly or indirectly act as

1 an agent or broker for any partnership, association, or cor-  
2 poration engaged in the business of writing or selling any  
3 form of insurance. Any individual, partnership, association,  
4 or corporation violating this section of this Act shall be guilty  
5 of a misdemeanor and shall be punished by a fine not ex-  
6 ceeding \$1,000 or imprisonment not exceeding one year,  
7 or both.

8 SEC. 310. Terms used in this title shall have the mean-  
9 ing assigned to such terms under the Federal Reserve Act, as  
10 amended (U.S.C., title 12, ch. 3; Supp. VI, title 12, ch. 3).

11 SEC. 311. The foregoing provisions of this title shall  
12 take effect at such time as the President by proclamation  
13 declares that such surveys have been made as he finds nec-  
14 essary for the proper execution of such provisions, but in no  
15 event shall such provisions take effect later than one year  
16 after the enactment of this Act.

17 SEC. 312. The right to alter, amend, or repeal this Act  
18 is hereby expressly reserved. If any provision of this Act,  
19 or the application thereof to any person or circumstances,  
20 is held invalid, the remainder of the Act, and the appli-  
21 cation of such provision to other persons or circumstances,  
22 shall not be affected thereby.

23 *That the short title of this Act shall be the " Banking Act*  
24 *of 1933."*

1        *SEC. 2. As used in this Act and in any provision of*  
2        *law amended by this Act—*

3        (a) *The terms “banks”, “national bank”, “national*  
4        *banking association”, “member bank”, “board”, “dis-*  
5        *trict”, and “reserve bank” shall have the meanings assigned*  
6        *to them in section 1 of the Federal Reserve Act, as amended.*

7        (b) *Except where otherwise specifically provided, the*  
8        *term “affiliate” shall include any corporation, business trust,*  
9        *association, or other similar organization—*

10        (1) *Of which a member bank, directly or indirectly,*  
11        *owns or controls either a majority of the voting shares or more*  
12        *than 50 per centum of the number of shares voted for the*  
13        *election of its directors, trustees, or other persons exercising*  
14        *similar functions at the preceding election, or controls in any*  
15        *manner the election of a majority of its directors, trustees, or*  
16        *other persons exercising similar functions; or*

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

1       (3) *Of which a majority of its directors, trustees, or*  
 2 *other persons exercising similar functions are directors of any*  
 3 *one member bank.*

4       (c) *The term "holding company affiliate" shall include*  
 5 *any corporation, business trust, association, or other similar*  
 6 *organization—*

7       (1) *Which owns or controls, directly or indirectly,*  
 8 *either a majority of the shares of capital stock of a member*  
 9 *bank or more than 50 per centum of the number of shares*  
 10 *voted for the election of directors of any one bank at the*  
 11 *preceding election, or controls in any manner the election*  
 12 *of a majority of the directors of any one bank; or*

13       (2) *For the benefit of whose shareholders or members*  
 14 *all or substantially all the capital stock of a member bank*  
 15 *is held by trustees.*

16       SEC. 3 (a) *The fourth paragraph after paragraph*  
 17 *"Eighth" of section 4 of the Federal Reserve Act, as*  
 18 *amended, is amended to read as follows:*

19       *"Said board of directors shall administer the affairs*  
 20 *of said bank fairly and impartially and without discrimina-*  
 21 *tion in favor of or against any member bank or banks and*  
 22 *may, subject to the provisions of law and the orders of*  
 23 *the Federal Reserve Board, extend to each member bank*  
 24 *such discounts, advancements, and accommodations as may*  
 25 *be safely and reasonably made with due regard for the*

1 *claims and demands of other member banks, the mainte-*  
2 *nance of sound credit conditions, and the accommodation of*  
3 *commerce, industry, and agriculture. The Federal Reserve*  
4 *Board may prescribe regulations further defining within the*  
5 *limitations of this Act the conditions under which discounts,*  
6 *advancements, and the accommodations may be extended to*  
7 *member banks. Each Federal reserve bank shall keep*  
8 *itself informed of the general character and amount of the*  
9 *loans and investments of its member banks with a view to*  
10 *ascertaining whether undue use is being made of bank credit*  
11 *for the speculative carrying of or trading in securities, real*  
12 *estate, or commodities, or for any other purpose inconsis-*  
13 *ent with the maintenance of sound credit conditions; and,*  
14 *in determining whether to grant or refuse advances, redis-*  
15 *counts or other credit accommodations, the Federal reserve*  
16 *bank shall give consideration to such information. The*  
17 *chairman of the Federal reserve bank shall report to the*  
18 *Federal Reserve Board any such undue use of bank credit*  
19 *by any member bank, together with his recommendation.*  
20 *Whenever, in the judgment of the Federal Reserve Board,*  
21 *any member bank is making such undue use of bank credit,*  
22 *the Board may, in its discretion, after reasonable notice and*  
23 *an opportunity for a hearing, suspend such bank from the use*  
24 *of the credit facilities of the Federal Reserve System and*

1    *may terminate such suspension or may renew it from time*  
2    *to time.”*

3            *(b) The paragraph of section 4 of the Federal Reserve*  
4    *Act, as amended, which commences with the words “The*  
5    *Federal Reserve Board shall classify” is amended by insert-*  
6    *ing before the period at the end thereof a colon and the*  
7    *following: “Provided, That whenever any two or more*  
8    *member banks within the same Federal Reserve district are*  
9    *affiliated with the same holding company affiliate, participa-*  
10    *tion by such member banks in any such nomination or*  
11    *election shall be confined to one of such banks, which may*  
12    *be designated for the purpose by such holding company*  
13    *affiliate.”*

14            *SEC. 4. The first paragraph of section 7 of the Federal*  
15    *Reserve Act, as amended, is amended, effective July 1,*  
16    *1932, to read as follows:*

17            *“After all necessary expenses of a Federal Reserve bank*  
18    *shall have been paid or provided for, the stockholders shall*  
19    *be entitled to receive an annual dividend of 6 per centum on*  
20    *the paid-in capital stock, which dividend shall be cumulative.*  
21    *After the aforesaid dividend claims have been fully met,*  
22    *the net earnings shall be paid into the surplus fund of the*  
23    *Federal Reserve bank.”*

24            *SEC. 5. (a) The first paragraph of section 9 of the*  
25    *Federal Reserve Act, as amended, is amended by inserting*



1 immediately after the words "United States" a comma  
 2 and the following: "including Morris Plan banks and  
 3 other incorporated banking institutions engaged in similar  
 4 business."

5 (b) The second paragraph of section 9 of the Fed-  
 6 eral Reserve Act, as amended, is amended by adding  
 7 at the end thereof the following: "Provided, however, That  
 8 nothing herein contained shall prevent any State member  
 9 bank from establishing and operating branches in the United  
 10 States or any dependency or insular possession thereof or in  
 11 any foreign country, on the same terms and conditions and  
 12 subject to the same limitations and restrictions as are appli-  
 13 cable to the establishment of branches by national banks."

14 (c) Section 9 of the Federal Reserve Act, as amended,  
 15 is further amended by adding at the end thereof the following  
 16 new paragraphs:

17 "Any mutual savings bank having no capital stock (and  
 18 any other banking institution the capital of which consists of  
 19 weekly or other time deposits which are segregated from all  
 20 other deposits and are regarded as capital stock for the pur-  
 21 poses of taxation and the declaration of dividends), but  
 22 having surplus and undivided profits not less than the amount  
 23 of capital required for the organization of a national bank  
 24 in the same place, may apply for and be admitted to member-

1    *ship in the Federal Reserve System in the same manner and*  
2    *subject to the same provisions of law as State banks and trust*  
3    *companies, except that such savings bank shall subscribe for*  
4    *capital stock of the Federal Reserve bank in an amount equal*  
5    *to six-tenths of 1 per centum of its total deposit liabilities as*  
6    *shown by the most recent report of examination of such*  
7    *savings bank preceding its admission to membership. There-*  
8    *after such subscription shall be adjusted semiannually on the*  
9    *same percentage basis in accordance with rules and regula-*  
10    *tions prescribed by the Federal Reserve Board. If any*  
11    *mutual savings bank applying for membership is not per-*  
12    *mitted by the laws under which it was organized to purchase*  
13    *stock in a Federal reserve bank, it shall, upon admission to*  
14    *the system, deposit with the Federal reserve bank an amount*  
15    *equal to the amount which it would have been required to*  
16    *pay in on account of a subscription to capital stock. There-*  
17    *after such deposit shall be adjusted semiannually in the same*  
18    *manner as subscriptions for stock. Such deposit shall be*  
19    *subject to the same conditions with respect to repayment as*  
20    *amounts paid upon subscriptions to capital stock by other*  
21    *member banks and the Federal reserve bank shall pay inter-*  
22    *est thereon at the same rate as dividends are actually paid*  
23    *on outstanding shares of stock of such Federal reserve bank.*  
24    *If the laws under which such savings bank was organized be*  
25    *amended so as to authorize mutual savings banks to subscribe*

1 *for Federal reserve bank stock such savings bank shall there-*  
2 *upon subscribe for the appropriate amount of stock in the*  
3 *Federal reserve bank, and the deposit hereinbefore provided*  
4 *for in lieu of payment upon capital stock shall be applied*  
5 *upon such subscription. If the laws under which such sav-*  
6 *ings bank was organized be not amended at the next session*  
7 *of the legislature following the admission of such savings*  
8 *bank to membership so as to authorize mutual savings banks*  
9 *to purchase Federal reserve bank stock, or if such laws be so*  
10 *amended and such bank fail within six months thereafter to*  
11 *purchase such stock, all of its rights and privileges as a*  
12 *member bank shall be forfeited and its membership in the*  
13 *Federal Reserve System shall be terminated in the manner*  
14 *prescribed elsewhere in this section with respect to State*  
15 *banks and trust companies. Each mutual savings bank shall*  
16 *comply with all the provisions of law applicable to State*  
17 *member banks and trust companies, with the regulations of*  
18 *the Federal Reserve Board and with the conditions of*  
19 *membership prescribed for such savings bank at the time of*  
20 *admission to membership, except as otherwise hereinbefore*  
21 *provided with respect to capital stock.*

22       *“ Each bank admitted to membership under this section*  
23 *shall obtain from each of its affiliates other than member*  
24 *banks and furnish to the Federal reserve bank of its district*  
25 *and to the Federal Reserve Board not less than three reports*

1 during each year. Such reports shall be in such form as  
2 the Federal Reserve Board may prescribe, shall be verified  
3 by the oath or affirmation of the president or such other  
4 officer as may be designated by the board of directors of such  
5 affiliate to verify such reports, and shall disclose the infor-  
6 mation hereinafter provided for as of dates identical  
7 with those fixed by the Federal Reserve Board for  
8 reports of the condition of the affiliated member bank.  
9 Each such report of an affiliate shall be transmitted as  
10 herein provided at the same time as the corresponding  
11 report of the affiliated member bank, except that the Fed-  
12 eral Reserve Board may, in its discretion, extend such time  
13 for good cause shown. Each such report shall contain such  
14 information as in the judgment of the Federal Reserve  
15 Board shall be necessary to disclose fully the relations between  
16 such affiliate and such bank and to enable the Board to inform  
17 itself as to the effect of such relations upon the affairs of such  
18 bank. The reports of such affiliates shall be published by the  
19 bank under the same conditions as govern its own condition  
20 reports.

21 "Any such affiliated member bank may be required to  
22 obtain from any such affiliate such additional reports as in  
23 the opinion of its Federal reserve bank or the Federal Reserve  
24 Board may be necessary in order to obtain a full and  
25 complete knowledge of the condition of the affiliated member

1   *bank. Such additional reports shall be transmitted to the*  
2   *Federal reserve bank and the Federal Reserve Board and*  
3   *shall be in such form as the Federal Reserve Board may*  
4   *prescribe.*

5       *“Any such affiliated member bank which fails to*  
6   *obtain from any of its affiliates and furnish any report*  
7   *provided for by the two preceding paragraphs of this section*  
8   *shall be subject to a penalty of \$100 for each day during*  
9   *which such failure continues, which, by direction of the*  
10   *Federal Reserve Board, may be collected, by suit or other-*  
11   *wise, by the Federal reserve bank of the district in which*  
12   *such member bank is located. For the purposes of this*  
13   *paragraph and the two preceding paragraphs of this section,*  
14   *the term ‘affiliate’ shall include holding company affiliates*  
15   *as well as other affiliates.*

16       *“State member banks shall be subject to the same*  
17   *limitations and conditions with respect to the purchasing,*  
18   *selling, underwriting, and holding of investment securities*  
19   *and stock as are applicable in the case of national banks*  
20   *under paragraph ‘Seventh’ of section 5136 of the Revised*  
21   *Statutes, as amended.*

22       *“After one year from the date of the enactment of*  
23   *the Banking Act of 1933, no certificate representing the*  
24   *stock of any State member bank shall represent the stock*  
25   *of any other corporation, except a member bank or a corpo-*

1    *ration existing on the date this paragraph takes effect en-*  
2    *gaged solely in holding the bank premises of such State*  
3    *member bank, nor shall the ownership, sale, or transfer of*  
4    *any certificate representing the stock of any such bank be*  
5    *conditioned in any manner whatsoever upon the ownership,*  
6    *sale, or transfer of a certificate representing the stock of any*  
7    *other corporation, except a member bank.*

8        *“ Each State member bank affiliated with a holding*  
9    *company affiliate shall obtain from such holding company*  
10   *affiliate, within such time as the Federal Reserve Board shall*  
11   *prescribe, an agreement that such holding company affiliate*  
12   *shall be subject to the same conditions and limitations as are*  
13   *applicable under section 5144 of the Revised Statutes, as*  
14   *amended, in the case of holding company affiliates of national*  
15   *banks. A copy of each such agreement shall be filed with*  
16   *the Federal Reserve Board. Upon the failure of a State*  
17   *member bank affiliated with a holding company affiliate to*  
18   *obtain such an agreement within the time so prescribed, the*  
19   *Federal Reserve Board shall require such bank to surrender*  
20   *its stock in the Federal reserve bank and to forfeit all rights*  
21   *and privileges of membership in the Federal Reserve System*  
22   *as provided in this section. Whenever the Federal Reserve*  
23   *Board shall have revoked the voting permit of any such*  
24   *holding company affiliate, the Federal Reserve Board may,*

1 in its discretion, require any or all State member banks  
2 affiliated with such holding company affiliate to surrender  
3 their stock in the Federal reserve bank and to forfeit all  
4 rights and privileges of membership in the Federal Reserve  
5 System as provided in this section.

6 “In connection with examinations of State member  
7 banks, examiners selected or approved by the Federal  
8 Reserve Board shall make such examinations of the affairs  
9 of all affiliates of such banks as shall be necessary to disclose  
10 fully the relations between such banks and their affiliates  
11 and the effect of such relations upon the affairs of such banks.  
12 The expense of examination of affiliates of any State member  
13 bank may, in the discretion of the Federal Reserve Board,  
14 be assessed against such bank and, when so assessed, shall  
15 be paid by such bank. In the event of the refusal to give  
16 any information requested in the course of the examination  
17 of any such affiliate, or in the event of the refusal to permit  
18 such examination, or in the event of the refusal to pay  
19 any expense so assessed, the Federal Reserve Board may,  
20 in its discretion, require any or all State member banks  
21 affiliated with such affiliate to surrender their stock in the  
22 Federal reserve bank and to forfeit all rights and privileges  
23 of membership in the Federal Reserve System, as provided  
24 in this section.”

1        *SEC. 6. (a) The second paragraph of section 10 of*  
2        *the Federal Reserve Act, as amended, is amended to read*  
3        *as follows:*

4        *“The Secretary of the Treasury and the Comp-*  
5        *troller of the Currency shall be ineligible during the*  
6        *time they are in office and for two years thereafter to*  
7        *hold any office, position, or employment in any member*  
8        *bank. The appointive members of the Federal Reserve*  
9        *Board shall be ineligible during the time they are in office*  
10       *and for two years thereafter to hold any office, position, or*  
11       *employment in any member bank, except that this restric-*  
12       *tion shall not apply to a member who has served the full*  
13       *term for which he was appointed. Upon the expiration of*  
14       *the term of any appointive member of the Federal Reserve*  
15       *Board in office when this paragraph as amended takes effect,*  
16       *the President shall fix the term of the successor to such*  
17       *member at not to exceed twelve years, as designated by the*  
18       *President at the time of nomination, but in such manner as*  
19       *to provide for the expiration of the term of not more than one*  
20       *appointive member in any two-year period, and thereafter*  
21       *each appointive member shall hold office for a term of twelve*  
22       *years from the expiration of the term of his predecessor. Of*  
23       *the six persons thus appointed, one shall be designated by*  
24       *the President as governor and one as vice governor of the*  
25       *Federal Reserve Board. The governor of the Federal*



1 *Reserve Board, subject to its supervision, shall be its active*  
2 *executive officer. Each member of the Federal Reserve*  
3 *Board shall within fifteen days after notice of appointment*  
4 *make and subscribe to the oath of office.”*

5 *(b) The fourth paragraph of section 10 of the Federal*  
6 *Reserve Act, as amended, is amended to read as follows:*

7 *“ The principal offices of the Board shall be in the Dis-*  
8 *trict of Columbia. At meetings of the Board the Secretary*  
9 *of the Treasury shall preside as chairman, and, in his*  
10 *absence, the governor shall preside. In the absence of*  
11 *both the Secretary of the Treasury and the governor the*  
12 *vice governor shall preside. In the absence of the Secre-*  
13 *tary of the Treasury, the governor, and the vice governor*  
14 *the Board shall elect a member to act as chairman pro*  
15 *tempore. The Board shall determine and prescribe the*  
16 *manner in which its obligations shall be incurred and*  
17 *its disbursements and expenses allowed and paid, and may*  
18 *leave on deposit in the Federal Reserve banks the proceeds of*  
19 *assessments levied upon them to defray its estimated expenses*  
20 *and the salaries of its members and employees, whose employ-*  
21 *ment, compensation, leave, and expenses shall be governed*  
22 *solely by the provisions of this Act, specific amendments*  
23 *thereof, and rules and regulations of the Board not inconsis-*  
24 *ent therewith; and funds derived from such assessments shall*  
25 *not be construed to be Government funds or appropriated*

1    *moneys. No member of the Federal Reserve Board shall be*  
2    *an officer or director of any bank, banking institution, trust*  
3    *company, or Federal Reserve bank or hold stock in any bank,*  
4    *banking institution, or trust company; and before entering*  
5    *upon his duties as a member of the Federal Reserve Board he*  
6    *shall certify under oath that he has complied with this require-*  
7    *ment, and such certification shall be filed with the secretary of*  
8    *the Board. Whenever a vacancy shall occur, other than by*  
9    *expiration of term, among the six members of the Federal*  
10    *Reserve Board appointed by the President as above provided,*  
11    *a successor shall be appointed by the President, by and with*  
12    *the advice and consent of the Senate, to fill such vacancy,*  
13    *and when appointed he shall hold office for the unexpired*  
14    *term of his predecessor.”*

15        *SEC. 7. Paragraph (m) of section 11 of the Federal*  
16    *Reserve Act, as amended, is amended to read as follows:*

17        *“(m) Upon the affirmative vote of not less than six*  
18    *of its members the Federal Reserve Board shall have power*  
19    *to fix from time to time for each Federal reserve district the*  
20    *percentage of individual bank capital and surplus which may*  
21    *be represented by loans secured by stock or bond collateral*  
22    *made by member banks within such district, but no such loan*  
23    *shall be made by any such bank to any person in an amount*  
24    *in excess of 10 per centum of the unimpaired capital and*  
25    *surplus of such bank. Any percentage so fixed by the Fed-*

1 eral Reserve Board shall be subject to change from time to  
 2 time upon ten days' notice, and it shall be the duty of the  
 3 Board to establish such percentages with a view to prevent-  
 4 ing the undue use of bank loans for the speculative carrying  
 5 of securities. The Federal Reserve Board shall have power  
 6 to direct any member bank to refrain from further increase  
 7 of its loans secured by stock or bond collateral for any period  
 8 up to one year under penalty of suspension of all rediscount  
 9 privileges at Federal reserve banks."

10 SEC. 8. The Federal Reserve Act, as amended, is  
 11 amended by inserting between sections 12 and 13 thereof  
 12 the following new sections:

13 "SEC. 12A. (a) There is hereby created a Federal  
 14 Open Market Committee (hereinafter referred to as the  
 15 'committee'), which shall consist of as many members as  
 16 there are Federal reserve districts. Each Federal reserve  
 17 bank by its board of directors shall annually select one  
 18 member of said committee. The meetings of said com-  
 19 mittee shall be held at Washington, District of Columbia,  
 20 at least four times each year, upon the call of the governor  
 21 of the Federal Reserve Board or at the request of any  
 22 three members of the committee, and, in the discretion of  
 23 the Board, may be attended by the members of the Board.

24 "(b) No Federal reserve bank shall engage in open-  
 25 market operations under section 14 of this Act except in

1 *accordance with regulations adopted by the Federal Reserve*  
2 *Board. The Board shall consider, adopt, and transmit to*  
3 *the committee and to the several Federal reserve banks*  
4 *regulations relating to the open-market transactions of such*  
5 *banks and the relations of the Federal Reserve System with*  
6 *foreign central or other foreign banks.*

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

13       “(d) *If any Federal reserve bank shall decide not to*  
14 *participate in open-market operations recommended and ap-*  
15 *proved as provided in paragraph (b) hereof, it shall file*  
16 *with the chairman of the committee within thirty days a*  
17 *notice of its decision, and transmit a copy thereof to the*  
18 *Federal Reserve Board.*

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

1 *by action of the appropriate State authorities, or by vote*  
2 *of their directors; and on and after July 1, 1934, to insure,*  
3 *as hereinafter provided, the time and demand deposits of*  
4 *all member banks which shall have become class A stock-*  
5 *holders of the Corporation.*

6       *“ (b) The management of the Corporation shall be*  
7 *vested in a board of directors consisting of five members,*  
8 *one of whom shall be the Comptroller of the Currency, one*  
9 *a member of the Federal Reserve Board designated by the*  
10 *Board for the purpose, and three selected annually by the*  
11 *governors of the twelve Federal reserve banks under such*  
12 *procedure as may be prescribed by the Federal Reserve*  
13 *Board. No member of such board of directors shall receive*  
14 *any additional compensation for his services as such member.*

15       *\* (c) There is hereby authorized to be appropriated,*  
16 *out of any money in the Treasury not otherwise appropriated,*  
17 *the sum of \$150,000,000, which shall be available*  
18 *for payment by the Secretary of the Treasury for capital*  
19 *stock of the Corporation in an equal amount, which shall*  
20 *be subscribed for by him on behalf of the United States.*  
21 *Payments upon such subscription shall be subject to call in*  
22 *whole or in part by the board of directors of the Corporation.*  
23 *Such stock shall be in addition to the amount of capital stock*  
24 *required to be subscribed for by Federal reserve banks and*  
25 *member banks as hereinafter provided, and the United States*

1 shall be entitled to the payment of dividends on such stock  
2 to the same extent as member banks are entitled to such pay-  
3 ment on the class A stock of the Corporation held by them.  
4 Receipts for payments by the United States for or on account  
5 of such stock shall be issued by the Corporation to the Secre-  
6 tary of the Treasury and shall be evidence of the stock  
7 ownership of the United States.

8       “(d) The capital stock of the Corporation shall be  
9 divided into shares of \$100 each. Certificates of stock of  
10 the Corporation shall be of two classes—class A and class B.  
11 Class A stock shall be held by member banks only and they  
12 shall be entitled to payment of dividends out of net earnings  
13 at the rate of 6 per centum per annum on the capital stock  
14 paid in by them, which dividends shall be cumulative, or  
15 to the extent of 30 per centum of such net earnings in any  
16 one year, whichever amount shall be the greater, but such  
17 stock shall have no vote at meetings of stockholders. Class  
18 B stock shall be held by Federal reserve banks only and  
19 shall not be entitled to the payment of dividends. Every  
20 Federal reserve bank shall subscribe to shares of class B  
21 stock in the Corporation to an amount equal to one half  
22 of the surplus of such bank on January 1, 1933, and its  
23 subscriptions shall be accompanied by a certified check pay-  
24 able to the Corporation in an amount equal to one half of  
25 such subscription. The remainder of such subscription shall

1 be subject to call from time to time by the board of directors  
2 upon ninety days' notice.

3       “(e) Every bank which is or which becomes a member  
4 of the Federal Reserve System on or before July 1, 1934,  
5 shall take all steps necessary to enable it to become a class  
6 A stockholder of the Corporation on or before July 1, 1934;  
7 and thereafter no State bank shall be admitted to member-  
8 ship in the Federal Reserve System until it becomes a  
9 class A stockholder of the Corporation, no national bank  
10 in the continental United States shall be granted a certificate  
11 by the Comptroller of the Currency authorizing it to com-  
12 mence the business of banking until it becomes a member  
13 of the Federal Reserve System and a class A stockholder  
14 of the Corporation, and no national bank in the continental  
15 United States for which a receiver or conservator has been  
16 appointed shall be permitted to resume the transaction of  
17 its banking business until it becomes a class A stockholder  
18 of the Corporation. Every member bank shall apply to  
19 the Corporation for class A stock of the Corporation in an  
20 amount equal to one half of 1 per centum of its total deposit  
21 liabilities as computed in accordance with regulations pre-  
22 scribed by the Federal Reserve Board; except that in the  
23 case of a member bank organized after the date this sec-  
24 tion takes effect, the amount of such class A stock applied  
25 for by such member bank during the first twelve months

1 after its organization shall equal 5 per centum of its  
2 paid-up capital and surplus, and beginning after the expi-  
3 ration of such twelve months' period the amount of such  
4 class A stock of such member bank shall be adjusted  
5 annually in the same manner as in the case of other  
6 member banks. Upon receipt of such application the  
7 Corporation shall request the Federal Reserve Board, in  
8 the case of a member State bank, or the Comptroller of the  
9 Currency, in the case of a national bank, to certify upon  
10 the basis of a thorough examination of such bank whether or  
11 not the assets of the applying bank are unquestionably ade-  
12 quate to enable it to meet all of its liabilities to depositors  
13 and other creditors; and the Federal Reserve Board or  
14 the Comptroller of the Currency shall make such certification  
15 as soon as practicable. If such certification be in the affirm-  
16 ative, the Corporation shall grant such application and the  
17 applying bank shall pay one half of its subscription in full  
18 and shall thereupon become a class A stockholder of the  
19 Corporation: Provided, That no member bank shall be  
20 required to make such payment or shall become a class A  
21 stockholder of the Corporation before July 1, 1934. The  
22 remainder of such subscription shall be subject to call from  
23 time to time by the board of directors of the Corporation.  
24 If such certification be in the negative, the Corporation shall  
25 deny such application. If any national bank shall not have



1   *become a class A stockholder of the Corporation on or before*  
2   *July 1, 1934, the Comptroller of the Currency shall appoint*  
3   *a receiver or conservator therefor in accordance with the pro-*  
4   *visions of existing law. If any State member bank shall*  
5   *not have become a class A stockholder of the Corporation*  
6   *on or before July 1, 1934, the Federal Reserve Board shall*  
7   *terminate its membership in the Federal Reserve System in*  
8   *accordance with the provisions of section 9 of this Act.*

9       “(f) *Any State bank or trust company which has ap-*  
10   *plied for membership in the Federal Reserve System or for*  
11   *conversion into a national banking association may, with the*  
12   *consent of the Corporation, obtain the benefits of this sec-*  
13   *tion, pending action on such application, by subscribing and*  
14   *paying for the same amount of stock of the Corporation as*  
15   *it would be required to subscribe and pay for upon becom-*  
16   *ing a member bank. Thereupon the provisions of this sec-*  
17   *tion applicable to member banks shall be applicable to such*  
18   *State bank or trust company to the same extent as if it*  
19   *were already a member bank: Provided, That if the appli-*  
20   *cation of such State bank or trust company for membership*  
21   *in the Federal Reserve System or for conversion into a*  
22   *national banking association be approved and it shall not*  
23   *complete its membership in the Federal Reserve System or*  
24   *its conversion into a national banking association within a*

1 reasonable time, or if such application shall be disapproved,  
2 then the amount paid by such bank or trust company on  
3 account of its subscription to the capital stock of the Corpo-  
4 ration shall be repaid to it and it shall no longer be subject  
5 to the provisions or entitled to the privileges of this section.

6 “(g) If any mutual savings bank which hereafter be-  
7 comes a member of the Federal Reserve System is not per-  
8 mitted by the laws under which it was organized to purchase  
9 stock in the Corporation, it shall apply to the Corporation  
10 for admission to the benefits of this section and, if such  
11 application be granted after appropriate certification in  
12 accordance with this section, it shall deposit with the Cor-  
13 poration an amount equal to the amount which it would have  
14 been required to pay in on account of a subscription to  
15 capital stock of the Corporation. Thereafter such deposit  
16 shall be adjusted in the same manner as subscriptions for  
17 stock by class A stockholders. Such deposit shall be subject  
18 to the same conditions with respect to repayment as amounts  
19 paid on subscriptions to class A stock by other member banks  
20 and the Corporation shall pay interest thereon at the same  
21 rate as dividends are actually paid on outstanding shares  
22 of class A stock. As long as such deposit is maintained  
23 with the Corporation,\* such mutual savings bank shall, for  
24 the purposes of this section, be deemed to be a class A stock-  
25 holder of the Corporation. If the laws under which such

1 *savings bank was organized be amended so as to authorize*  
2 *mutual savings banks to subscribe for class A stock of the*  
3 *Corporation, such savings bank shall within six months*  
4 *thereafter subscribe for an appropriate amount of such*  
5 *class A stock and the deposit hereinafter provided for in lieu*  
6 *of payment upon class A stock shall be applied upon such*  
7 *subscription. If the law under which such savings bank*  
8 *was organized be not amended at the next session of the*  
9 *legislature following the admission of such savings bank*  
10 *to the benefits of this section so as to authorize mutual savings*  
11 *banks to purchase class A stock, or, if the law be so amended*  
12 *and such bank shall fail within six months thereafter to*  
13 *purchase such class A stock, the deposit previously made*  
14 *with the Corporation shall be returned to such savings bank*  
15 *and it shall no longer be entitled to the benefits of this section,*  
16 *unless it shall have been closed in the meantime on account*  
17 *of inability to meet the demands of its depositors.*

18       “(h) *The amount of the outstanding class A stock*  
19 *of the Corporation held by member banks shall be annually*  
20 *adjusted as hereinafter provided as of the last preceding*  
21 *call date as member banks increase their time and demand*  
22 *deposits or as additional banks become members or sub-*  
23 *scribe to the stock of the Corporation, and such stock may be*  
24 *decreased in amount as member banks reduce their time*  
25 *and demand deposits or cease to be members. Shares of*

1 the capital stock of the Corporation owned by member  
2 banks shall not be transferred or hypothecated. When a  
3 member bank increases its time and demand deposits it  
4 shall, at the beginning of each calendar year, subscribe  
5 for an additional amount of capital stock of the Corporation  
6 equal to one half of 1 per centum of such increase in de-  
7 posits. One half of the amount of such additional stock shall  
8 be paid for at the time of the subscription therefor, and the  
9 balance shall be subject to call by the board of directors of  
10 the Corporation. A bank organized on or before the date  
11 this section takes effect and admitted to membership in the  
12 Federal Reserve System at any time after the organization  
13 of the Corporation shall be required to subscribe for an  
14 amount of class A capital stock equal to one half of 1 per  
15 centum of the time and demand deposits of the appli-  
16 cant bank as of the date of such admission, paying there-  
17 for its par value plus one half of 1 per centum a month  
18 from the period of the last dividend on the class A stock  
19 of the Corporation. When a member bank reduces its  
20 time and demand deposits it shall surrender, not later  
21 than the 1st day of January thereafter, a proportionate  
22 amount of its holdings in the capital stock of the Corporation,  
23 and when a member bank voluntarily liquidates it shall sur-  
24 render all its holdings of the capital stock of the Corporation  
25 and be released from its stock subscription not previously

1   *called. The shares so surrendered shall be canceled and*  
 2   *the member bank shall receive in payment therefor, under*  
 3   *regulations to be prescribed by the Federal Reserve Board,*  
 4   *a sum equal to its cash-paid subscriptions on the shares*  
 5   *surrendered and its proportionate share of dividends not to*  
 6   *exceed one half of 1 per centum a month, from the period*  
 7   *of the last dividend on such stock, less any liability of such*  
 8   *member bank to the Corporation.*

9       *“(i) If any member bank shall be declared insolvent,*  
 10   *or shall cease to be a member bank, the stock held by it in*  
 11   *the Corporation shall be canceled, without impairment of the*  
 12   *liability of such bank, and all cash-paid subscriptions on such*  
 13   *stock, with its proportionate share of dividends not to exceed*  
 14   *one half of 1 per centum per month from the period of last*  
 15   *dividend on such stock shall be first applied to all debts of the*  
 16   *insolvent bank or the receiver thereof to the Corporation, and*  
 17   *the balance, if any, shall be paid to the receiver of the insolvent*  
 18   *bank.*

19       *“(j) Upon the date of enactment of the Banking Act of*  
 20   *1933, the Corporation shall become a body corporate and as*  
 21   *such shall have power—*

22       *“First. To adopt and use a corporate seal.*

23       *“Second. To have succession until dissolved by an Act*  
 24   *of Congress.*

25       *“Third. To make contracts.*

1       *“Fourth. To sue and be sued, complain and defend, in*  
2       *any court of law or equity, State or Federal.*

3       *“Fifth. To appoint by its board of directors such officers*  
4       *and employees as are not otherwise provided for in this*  
5       *section, to define their duties, fix their compensation,*  
6       *require bonds of them and fix the penalty thereof, and to*  
7       *dismiss at pleasure such officers or employees. Nothing in*  
8       *this or any other Act shall be construed to prevent the*  
9       *appointment and compensation as an officer or employee*  
10       *of the Corporation of any officer or employee of the United*  
11       *States in any board, commission, independent establishment,*  
12       *or executive department thereof.*

13       *“Sixth. To prescribe by its board of directors, bylaws*  
14       *not inconsistent with law, regulating the manner in which*  
15       *its general business may be conducted, and the privileges*  
16       *granted to it by law may be exercised and enjoyed.*

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

21       *“(k) The board of directors shall administer the*  
22       *affairs of the Corporation fairly and impartially and without*  
23       *discrimination in favor of or against any member bank or*  
24       *banks and may, subject to the provisions of law, extend to*  
25       *each national bank which is closed by action of the Comp-*

1 troller of the Currency, or by vote of its directors, and to  
2 each State member bank which is closed by action of the  
3 appropriate State authorities, or by vote of its directors, such  
4 accommodations as may be safely and reasonably made  
5 with due regard for the claims and demands of other mem-  
6 ber banks. The board of directors of the Corporation shall  
7 determine and prescribe the manner in which its obligations  
8 shall be incurred and its expenses allowed and paid. The  
9 Corporation shall be entitled to the free use of the United  
10 States mails in the same manner as the executive depart-  
11 ments of the Government. The Corporation with the con-  
12 sent of any Federal reserve bank or of any board, commis-  
13 sion, independent establishment, or executive department  
14 of the Government, including any field service thereof, may  
15 avail itself of the use of information, services, and facilities  
16 thereof in carrying out the provisions of this section.

17       “(1) Effective on and after July 1, 1934 (thus afford-  
18 ing ample time for examination and preparation), the  
19 Corporation shall insure the time and demand deposits of  
20 all member banks which are class A stockholders of the  
21 Corporation as hereinafter prescribed. Notwithstanding  
22 any other provision of law, whenever any national bank  
23 which is a class A stockholder of the Corporation shall  
24 have been closed by action of its board of directors or by  
25 the Comptroller of the Currency, as the case may be, or

1 account of inability to meet the demands of its depositors,  
2 the Comptroller of the Currency shall appoint the Corpo-  
3 ration receiver for such bank. As soon as possible there-  
4 after the Corporation shall organize a new national bank  
5 to assume the insured deposit liabilities of such closed bank,  
6 to receive new deposits and otherwise to perform tempo-  
7 rarily the functions provided for it in this paragraph. For  
8 the purposes of this subsection, the term 'insured deposit  
9 liability' shall mean with respect to the owner of any claim  
10 arising out of a deposit liability of such closed bank the  
11 following percentages of the net amount due to such  
12 owner by such closed bank on account of deposit lia-  
13 bilities: 100 per centum of such net amount not exceeding  
14 \$10,000; and 75 per centum of the amount, if any, by which  
15 such net amount exceeds \$10,000 but does not exceed \$50,000;  
16 and 50 per centum of the amount, if any, by which such net  
17 amount exceeds \$50,000: Provided, That, in determining the  
18 amount due to such owner for the purpose of fixing such per-  
19 centage, there shall be added together all net amounts due to  
20 such owner in the same capacity or the same right, on account  
21 of deposits, regardless of whether such deposits be main-  
22 tained in his name or in the names of others for his benefit.  
23 For the purposes of this subsection, the term 'insured de-  
24 posit liabilities' shall mean the aggregate amount of all  
25 such insured deposit liabilities of such closed bank. The



1 Corporation shall determine as expeditiously as possible the  
2 net amounts due to depositors of the closed bank and shall  
3 make available to the new bank an amount equal to the  
4 insured deposit liabilities of such closed bank, whereupon  
5 such new bank shall assume the insured deposit liability of  
6 such closed bank to each of its depositors, and the Corpora-  
7 tion shall be subrogated to all rights against the closed bank  
8 of the owners of such deposits and shall be entitled to receive  
9 the same dividends from the proceeds of the assets of such  
10 closed bank as would have been payable to each such deposi-  
11 tor until such dividends shall equal the insured deposit liabil-  
12 ity to such depositor assumed by the new bank, whereupon  
13 all further dividends shall be payable to such depositor. Of  
14 the amount thus made available by the Corporation to the  
15 new bank, such portion shall be paid to it in cash as may be  
16 necessary to enable it to meet immediate cash demands and  
17 the remainder shall be credited to it on the books of the Cor-  
18 poration subject to withdrawal on demand and shall bear  
19 interest at the rate of 3 per centum per annum until with-  
20 drawn. The new bank may, with the approval of the Cor-  
21 poration, accept new deposits, which, together with all  
22 amounts made available to the new bank by the Corporation,  
23 shall be kept on hand in cash, invested in direct obligations  
24 of the United States, or deposited with the Corporation or  
25 with a Federal Reserve bank. Such new bank shall main-

1   tain on deposit with the Federal Reserve bank of its district  
2   the reserves required by law of member banks but shall not  
3   be required to subscribe for stock of the Federal Re-  
4   serve bank until its own capital stock has been subscribed  
5   and paid for in the manner hereinafter provided. The  
6   articles of association and organization certificate of such  
7   new bank may be executed by such representatives of the  
8   Corporation as it may designate; the new bank shall not  
9   be required to have any directors at the time of its organiza-  
10   tion, but shall be managed by an executive officer to be desig-  
11   nated by the Corporation; and no capital stock need be paid  
12   in by the Corporation; but in other respects such bank shall  
13   be organized in accordance with the existing provisions of  
14   law relating to the organization of national banks; and,  
15   until the requisite amount of capital stock for such bank has  
16   been subscribed and paid for in the manner hereinafter pro-  
17   vided, such bank shall transact no business except that  
18   authorized by this subsection and such business as may be  
19   incidental to its organization. When in the judgment of the  
20   Corporation it is desirable to do so, the Corporation shall  
21   offer capital stock of the new bank for sale on such terms and  
22   conditions as the Corporation shall deem advisable, in an  
23   amount sufficient in the opinion of the Corporation to make  
24   possible the conduct of the business of the new bank on a  
25   sound basis, but in no event less than that required by section

1 5138 of the Revised Statutes, as amended, for the organiza-  
2 tion of a national bank in the place where such new bank is  
3 located, giving the stockholders of the closed bank the first  
4 opportunity to purchase such stock. Upon proof that an  
5 adequate amount of capital stock of the new bank has been  
6 subscribed and paid for in cash by subscribers satisfactory  
7 to the Comptroller of the Currency, he shall issue to such  
8 bank a certificate of authority to commence business and  
9 thereafter it shall be managed by directors elected by its own  
10 shareholders and may exercise all of the powers granted by  
11 law to national banking associations. If an adequate amount  
12 of capital for such new bank is not subscribed and paid in,  
13 the Corporation may offer to transfer its business to any  
14 other banking institution in the same place which will take  
15 over its assets, assume its liabilities, and pay to the Corpora-  
16 tion for such business such amount as the Corporation may  
17 deem adequate. Unless the capital stock of the new bank is  
18 sold or its assets acquired and its liabilities assumed by  
19 another banking institution, in the manner herein prescribed,  
20 within two years from the date of its organization, the Cor-  
21 poration shall place the new bank in voluntary liquidation  
22 and wind up its affairs. The Corporation shall open on its  
23 books a deposit insurance account and, as soon as possible  
24 after taking possession of any closed national bank, the Cor-  
25 poration shall make an estimate of the amount which will

1 *be available from all sources for application in satisfaction*  
2 *of the portion of the claims of depositors to which it has been*  
3 *subrogated and shall debit to such deposit insurance account*  
4 *the excess, if any, of the amount made available by the Cor-*  
5 *poration to the new bank for depositors over and above the*  
6 *amount of such estimate. It shall be the duty of the Corpo-*  
7 *ration to realize as rapidly as possible upon the assets of such*  
8 *closed bank, having due regard to the condition of credit in*  
9 *the district in which such closed bank is located; to enforce*  
10 *the individual liability of the stockholders and directors*  
11 *thereof; and to wind up the affairs of such closed bank in*  
12 *conformity with the provisions of law relating to the liquida-*  
13 *tion of closed national banks, except as herein otherwise pro-*  
14 *vided, retaining for its own account such portion of the*  
15 *amount realized from such liquidation as it shall be entitled*  
16 *to receive on account of its subrogation to the claims of de-*  
17 *positors and paying to depositors and other creditors the*  
18 *amount available for distribution to them, after deducting*  
19 *therefrom their share of the costs of the liquidation of the*  
20 *closed bank. If the total amount realized by the Corpora-*  
21 *tion on account of its subrogation to the claims of depositors*  
22 *be less than the amount of the estimate hereinabove provided*  
23 *for, the deposit insurance account shall be charged with the*  
24 *deficiency and, if the total amount so realized shall exceed*  
25 *the amount of such estimate, such account shall be credited*

1 *with such excess. With respect to such closed national banks,*  
2 *the Corporation shall have all the rights, powers, and privi-*  
3 *leges now possessed by or hereafter given receivers of insol-*  
4 *vent national banks and shall be subject to the obligations and*  
5 *penalties not inconsistent with the provisions of this para-*  
6 *graph to which such receivers are now or may hereafter*  
7 *become subject.*

8       *“ Whenever any State member bank which is a class A*  
9 *stockholder of the Corporation shall have been closed by*  
10 *action of its board of directors or by the appropriate State*  
11 *authority, as the case may be, on account of inability to*  
12 *meet the demands of its depositors, the Corporation shall*  
13 *accept appointment as receiver thereof, if such appointment*  
14 *be tendered by the appropriate State authority and be au-*  
15 *thorized or permitted by State law. Thereupon the Cor-*  
16 *poration shall organize a new national bank, in accordance*  
17 *with the provisions of this subsection, to assume the insured*  
18 *deposit liabilities of such closed State bank, to receive new*  
19 *deposits and otherwise to perform temporarily the functions*  
20 *provided for in this subsection. Upon satisfactory recogni-*  
21 *tion of the right of the Corporation to receive dividends on*  
22 *the same basis as in the case of a closed national bank under*  
23 *this subsection, such recognition being accorded by State*  
24 *law, by allowance of claims by the appropriate State au-*  
25 *thority, by assignment of claims by depositors, or by any*

1    *other effective method, the Corporation shall make available*  
2    *to such new national bank, in the manner prescribed by this*  
3    *subsection, an amount equal to the insured deposit liabilities*  
4    *of such closed State bank; and the Corporation and such new*  
5    *national bank shall perform all of the functions and duties*  
6    *and shall have all the rights and privileges with respect to*  
7    *such State bank and the depositors thereof which are pre-*  
8    *scribed by this subsection with respect to closed national banks*  
9    *holding class A stock in the Corporation: Provided, That*  
10    *the rights of depositors and other creditors of such State bank*  
11    *shall be determined in accordance with the applicable pro-*  
12    *visions of State law: And provided further, That, with*  
13    *respect to such State bank, the Corporation shall possess the*  
14    *powers and privileges provided by State law with respect to*  
15    *a receiver of such State bank, except insofar as the same*  
16    *are in conflict with the provisions of this subsection.*

17        *“ Whenever any State member bank which is a class A*  
18    *stockholder of the Corporation shall have been closed by action*  
19    *of its board of directors or by the appropriate State authority,*  
20    *as the case may be, on account of inability to meet the demands*  
21    *of its depositors, and the applicable State law does not permit*  
22    *the appointment of the Corporation as receiver of such bank,*  
23    *the Corporation shall organize a new national bank, in*  
24    *accordance with the provisions of this subsection, to assume*  
25    *the insured deposit liabilities of such closed State bank, to*

1 receive new deposits, and otherwise to perform temporarily  
2 the functions provided for in this subsection. Upon satis-  
3 factory recognition of the right of the Corporation to receive  
4 dividends on the same basis as in the case of a closed national  
5 bank under this subsection, such recognition being accorded  
6 by State law, by allowance of claims by the appropriate  
7 State authority, by assignment of claims by depositors, or  
8 by any other effective method, the Corporation shall make  
9 available to such new bank, in accordance with the pro-  
10 visions of this subsection, the amount of insured deposit  
11 liabilities as to which such recognition has been accorded;  
12 and such new bank shall assume such insured deposit liabili-  
13 ties and shall in other respects comply with the provisions  
14 of this subsection respecting new banks organized to assume  
15 insured deposit liabilities of closed national banks. Insofar  
16 as possible in view of the applicable provisions of State law,  
17 the Corporation shall proceed with respect to the receiver of  
18 such closed bank and with respect to the new bank organized  
19 to assume its insured deposit liabilities in the manner pre-  
20 scribed by this subsection with respect to closed national  
21 banks and new banks organized to assume their insured  
22 deposit liabilities, except that the Corporation shall have  
23 none of the powers, duties, or responsibilities of a receiver  
24 with respect to the winding up of the affairs of such closed  
25 State bank. The Corporation, in its discretion, however,

1    *may purchase and liquidate any or all of the assets of such*  
2    *bank.*

3            *“ Whenever the net debit balance of the deposit insur-*  
4    *ance account of the Corporation shall equal or exceed one*  
5    *fourth of 1 per centum of the total deposit liabilities of all*  
6    *class A stockholders as of the date of the last preceding call*  
7    *report, the Corporation shall levy upon such stockholders*  
8    *an assessment equal to one fourth of 1 per centum of their*  
9    *total deposit liabilities and shall credit the amount collected*  
10   *from such assessment to such deposit insurance account. No*  
11   *bank which is a holder of class A stock shall pay any divi-*  
12   *dends until all assessments levied upon it by the Corporation*  
13   *shall have been paid in full; and any director or officer of*  
14   *any such bank who participates in the declaration or pay-*  
15   *ment of any such dividend may, upon conviction, be fined*  
16   *not more than \$1,000, or imprisoned for not more than one*  
17   *year, or both.*

18            *“ The term ‘ receiver ’ as used in this section shall mean*  
19   *a receiver, liquidating agent, or conservator of a national*  
20   *bank, and a receiver, liquidating agent, conservator, commis-*  
21   *sion, person, or other agency charged by State law with the*  
22   *responsibility and the duty of winding up the affairs of an*  
23   *insolvent State member bank.*

24            *“ For the purposes of this section only, the term*  
25   *‘ national bank ’ shall include all national banking associa-*



1    *tions and all banks, banking associations, trust companies,*  
2    *savings banks, and other banking institutions located in the*  
3    *District of Columbia which are members of the Federal*  
4    *Reserve System; and the term ‘State member bank’ shall*  
5    *include all State banks, banking associations, trust compa-*  
6    *nies, savings banks, and other banking institutions organized*  
7    *under the laws of any State, which are members of the*  
8    *Federal Reserve System.*

9        *“ In any determination of the insured deposit liabilities*  
10    *of any closed bank or of the total deposit liabilities of any*  
11    *bank which is a holder of class A stock of the Corporation,*  
12    *for the purposes of this subsection, there shall be excluded*  
13    *the amounts of all deposits of such bank which are payable*  
14    *only at an office thereof located in a foreign country.*

15        *“ The Corporation may make such rules, regulations,*  
16    *and contracts as it may deem necessary in order to carry out*  
17    *the provisions of this section.*

18        *“ Money of the Corporation not otherwise employed*  
19    *shall be invested in securities of the Government of the United*  
20    *States, except that for temporary periods, in the discretion of*  
21    *the board of directors, funds of the Corporation may be*  
22    *deposited in any Federal reserve bank or with the Treasurer*  
23    *of the United States. When designated for that purpose by*  
24    *the Secretary of the Treasury, the Corporation shall be a*

1 *depository of public moneys, except receipts from customs,*  
2 *under such regulations as may be prescribed by the said*  
3 *Secretary, and may also be employed as a financial agent*  
4 *of the Government. It shall perform all such reasonable*  
5 *duties as depository of public moneys and financial agent of*  
6 *the Government as may be required of it.*

7       “(m) *Nothing herein contained shall be construed to*  
8 *prevent the Corporation from making loans to national banks*  
9 *closed by action of the Comptroller of the Currency, or by*  
10 *vote of their directors, or to State member banks closed by*  
11 *action of the appropriate State authorities, or by vote of*  
12 *their directors, or from entering into negotiations to secure*  
13 *the reopening of such banks.*

14       “(n) *Receivers or liquidators of member banks which*  
15 *are now or may hereafter become insolvent or suspended*  
16 *shall be entitled to offer the assets of such banks for sale to*  
17 *the Corporation or as security for loans from the Corpora-*  
18 *tion, upon receiving permission from the appropriate State*  
19 *authority in accordance with express provisions of State*  
20 *law in the case of State member banks, or from the Comp-*  
21 *troller of the Currency in the case of national banks. The*  
22 *proceeds of every such sale or loan shall be utilized for the*  
23 *same purposes and in the same manner as other funds real-*  
24 *ized from the liquidation of the assets of such banks. The*  
25 *Comptroller of the Currency may, in his discretion, pay*

1 dividends on proved claims at any time after the expiration  
2 of the period of advertisement made pursuant to section 5235  
3 of the Revised Statutes, and no liability shall attach to the  
4 Comptroller of the Currency or to the receiver of any  
5 national bank by reason of any such payment for failure to  
6 pay dividends to a claimant whose claim is not proved at  
7 the time of any such payment.

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

24       “(p) All notes, debentures, bonds, or other such obli-  
25 gations issued by the Corporation shall be exempt, both

1 *as to principal and interest, from all taxation (except estate*  
2 *and inheritance taxes) now or hereafter imposed by the*  
3 *United States, by any Territory, dependency, or possession*  
4 *thereof, or by any State, county, municipality, or local taxing*  
5 *authority. The Corporation, including its franchise, its capi-*  
6 *tal, reserves, and surplus, and its income, shall be exempt*  
7 *from all taxation now or hereafter imposed by the United*  
8 *States, by any Territory, dependency, or possession thereof,*  
9 *or by any State, county, municipality, or local taxing author-*  
10 *ity, except that any real property of the Corporation shall be*  
11 *subject to State, Territorial, county, municipal or local*  
12 *taxation to the same extent according to its value as other*  
13 *real property is taxed.*

14       “(q) *In order that the Corporation may be supplied*  
15 *with such forms of notes, debentures, bonds, or other such*  
16 *obligations as it may need for issuance under this Act, the*  
17 *Secretary of the Treasury is authorized to prepare such*  
18 *forms as shall be suitable and approved by the Corporation,*  
19 *to be held in the Treasury subject to delivery, upon order*  
20 *of the Corporation. The engraved plates, dies, bed pieces,*  
21 *and other material executed in connection therewith shall*  
22 *remain in the custody of the Secretary of the Treasury.*  
23 *The Corporation shall reimburse the Secretary of the Treas-*  
24 *ury for any expenses incurred in the preparation, custody,*

1   *and delivery of such notes, debentures, bonds, or other such*  
2   *obligations.*

3       “(r) *The Corporation shall annually make a report*  
4   *of its operations to the Congress as soon as practicable*  
5   *after the 1st day of January in each year.*

6       “(s) *Whoever, for the purpose of obtaining any loan*  
7   *from the Corporation, or any extension or renewal*  
8   *thereof, or the acceptance, release, or substitution of security*  
9   *therefor, or for the purpose of inducing the Corporation to*  
10   *purchase any assets, or for the purpose of influencing in any*  
11   *way the action of the Corporation under this section, makes*  
12   *any statement, knowing it to be false, or willfully overvalues*  
13   *any security, shall be punished by a fine of not more than*  
14   *\$5,000, or by imprisonment for not more than two years, or*  
15   *both.*

16       “(t) *Whoever (1) falsely makes, forges, or counter-*  
17   *feits any obligation or coupon, in imitation of or pur-*  
18   *porting to be an obligation or coupon issued by the Cor-*  
19   *poration, or (2) passes, utters, or publishes, or attempts*  
20   *to pass, utter, or publish, any false, forged, or counterfeited*  
21   *obligation or coupon purporting to have been issued by the*  
22   *Corporation, knowing the same to be false, forged, or coun-*  
23   *terfeited, or (3) falsely alters any obligation or coupon*  
24   *issued or purporting to have been issued by the Corporation,*  
25   *or (4) passes, utters, or publishes, or attempts to pass, utter,*

1 or publish, as true, any falsely altered or spurious obligation  
2 or coupon, issued or purporting to have been issued by the  
3 Corporation, knowing the same to be falsely altered or  
4 spurious, shall be punished by a fine of not more than  
5 \$10,000, or by imprisonment for not more than five years,  
6 or both.

7 “(u) Whoever, being connected in any capacity with  
8 the Corporation, (1) embezzles, abstracts, purloins, or  
9 willfully misapplies any moneys, funds, securities, or other  
10 things of value, whether belonging to it or pledged, or  
11 otherwise intrusted to it, or (2) with intent to defraud the  
12 Corporation or any other body, politic or corporate, or  
13 any individual, or to deceive any officer, auditor, or exam-  
14 iner of the Corporation, makes any false entry in any  
15 book, report, or statement of or to the Corporation, or  
16 without being duly authorized draws any order or issues,  
17 puts forth, or assigns any note, debenture, bond, or other  
18 such obligation, or draft, bill of exchange, mortgage, judg-  
19 ment, or decree thereof, shall be punished by a fine of not  
20 more than \$10,000, or by imprisonment for not more than  
21 five years, or both.

22 “(v) No individual, association, partnership, or corpo-  
23 ration shall use the words ‘Federal Bank Deposit Insurance  
24 Corporation’, or a combination of any three of these five  
25 words, as the name or a part thereof under which he or it

1 shall do business. No individual, association, partnership,  
2 or Corporation shall advertise or otherwise represent falsely  
3 by any device whatsoever that his or its deposit liabilities  
4 are insured or in anywise guaranteed by the Federal  
5 Bank Deposit Insurance Corporation, or by the Govern-  
6 ment of the United States, or by any instrumentality thereof;  
7 and no class A stockholder of the Federal Bank Deposit  
8 Insurance Corporation shall advertise or otherwise repre-  
9 sent falsely by any device whatsoever the extent to which  
10 or the manner in which its deposit liabilities are insured  
11 by the Federal Bank Deposit Insurance Corporation.  
12 Every individual, partnership, association, or corporation  
13 violating this subdivision shall be punished by a fine of not  
14 exceeding \$1,000, or by imprisonment not exceeding one  
15 year, or both.

16       “(w) The provisions of sections 112, 113, 114, 115,  
17 116, and 117 of the Criminal Code of the United States  
18 (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), in  
19 so far as applicable, are extended to apply to contracts or  
20 agreements with the Corporation under this section, which for  
21 the purposes hereof shall be held to include loans, advances,  
22 extensions, and renewals thereof, and acceptances, releases,  
23 and substitutions of security therefor, purchases or sales of  
24 assets, and all contracts and agreements pertaining to the  
25 same.

1       “(x) *The Secret Service Division of the Treasury*  
2       *Department is authorized to detect, arrest, and deliver*  
3       *into the custody of the United States marshal having*  
4       *jurisdiction any person committing any of the offenses*  
5       *punishable under this section.*

6       “*SEC. 12C. (a) There is hereby created a Temporary*  
7       *Federal Bank Deposit Insurance Fund (hereinafter referred*  
8       *to as the ‘Fund’), which shall become operative on July*  
9       *1, 1933, and whose duty it shall be to insure deposits as*  
10       *hereinafter provided until July 1, 1934.*

11       “(b) *Each member bank licensed before July 1, 1933,*  
12       *by the Secretary of the Treasury, pursuant to the authority*  
13       *vested in him by the proclamation of the President issued*  
14       *March 10, 1933, shall, on or before July 1, 1933, become*  
15       *a member of the Fund; each member bank so licensed after*  
16       *such date, and each State bank or trust company which*  
17       *becomes a member of the Federal Reserve System after*  
18       *such date, shall, upon being so licensed or so admitted to*  
19       *membership, become a member of the Fund; and any State*  
20       *bank or trust company and/or mutual savings bank which*  
21       *is not a member of the Federal Reserve System may, upon*  
22       *application therefor, become a member of the Fund on or*  
23       *before January 1, 1934, if such application is accompanied*  
24       *by a certificate of the State banking authority that such*  
25       *State bank or trust company or mutual savings bank is, on*



1 *the date of such application, solvent with respect to its*  
2 *unrestricted deposits.*

3       “(c) *The Fund shall insure the amounts owed to each*  
4 *of the depositors of each of its members, but not to exceed*  
5 *\$2,500 in the case of any one depositor; but the provisions*  
6 *of this section shall not apply to any impounded deposit or*  
7 *any impounded portion thereof. Any restrictions heretofore*  
8 *or hereafter proclaimed by the Secretary of the Treasury*  
9 *shall not render a deposit ineligible for insurance.*

10       “(d) *Each member of the Fund which shall become*  
11 *a member on or before July 1, 1933, shall file with the*  
12 *Fund on or before such date, a certified statement under*  
13 *oath showing the number of its depositors and the total*  
14 *amount of its deposits as of June 15, 1933, which are*  
15 *eligible for insurance under this section, together with a*  
16 *certified check in an amount equal to one half of 1 per*  
17 *centum of the total amount of the deposits so certified;*  
18 *and each member bank, State bank, and trust company*  
19 *which shall become a member of the Fund after July 1,*  
20 *1933, shall at the time of its admission to membership file*  
21 *with the Fund such a statement showing the number of its*  
22 *depositors and the total amount of its deposits as of the*  
23 *fifteenth day of the month preceding the month in which*  
24 *it was so admitted, which are eligible for insurance under*  
25 *this section, together with a certified check in an amount*

1 equal to one half of 1 per centum of the total amount of  
2 the deposits so certified. A similar statement shall be filed  
3 by each such member on January 1, 1934, showing the  
4 number of its depositors and the total amount of its deposits  
5 as of December 15, 1933, which are eligible for such in-  
6 surance, together with a certified check in an amount equal  
7 to one half of 1 per centum of the increase, if any, in the  
8 total amount of such deposits since the date covered by the  
9 statement filed upon its admission to membership in the  
10 Fund.

11 “(e) If at any time prior to July 1, 1934, the Fund  
12 requires additional funds with which to meet its obligations  
13 under this section, each member of the Fund shall be sub-  
14 ject to one additional assessment only in an amount not  
15 exceeding the total amount theretofore paid to the Fund by  
16 such member.

17 “(f) During the period that deposits are insured under  
18 this section, no member of the Fund shall pay interest at a  
19 rate in excess of  $2\frac{1}{2}$  per centum per annum on the amount  
20 of any of its deposits so insured.

21 “(g) Whenever any member of the Fund shall have  
22 been closed by the appropriate legal authorities, the Fund  
23 shall pay to the depositors of such member as soon as possible  
24 thereafter the amount of their deposits on the date of such  
25 closing which are insured under this section. After such

1 *payment the Fund shall be subrogated to all rights against*  
2 *the closed bank of the owners of such insured deposits and*  
3 *shall be entitled to receive the same dividends from the*  
4 *proceeds of the assets of such closed bank as would have*  
5 *been payable to each such depositor with respect to his*  
6 *insured deposit.*

7       “(h) *In the event that the Fund shall be unable to pay*  
8 *any of its obligations, when due, the Secretary of the Treas-*  
9 *ury shall pay the amount thereof, which is hereby authorized*  
10 *to be appropriated out of any money in the Treasury not*  
11 *otherwise appropriated. If any such advances are made*  
12 *by the Secretary of the Treasury, they shall be subsequently*  
13 *reimbursed to the Treasury by the Federal Bank Deposit*  
14 *Insurance Corporation by means of a special annual assess-*  
15 *ment on the members of the Fund of one fourth of 1 per*  
16 *centum of the total insured deposits of such members on*  
17 *January 1, 1934, which the Corporation is hereby author-*  
18 *ized to collect until such time as such advances shall have*  
19 *been fully reimbursed, but no such assessment shall be made*  
20 *after the expiration of ten years after July 1, 1934.*

21       “(i) *In the event that the Fund shall pay all of its*  
22 *obligations without recourse to the provisions of subsection*  
23 *(h) of this section, any balance remaining in the Fund*  
24 *on July 1, 1934, shall be transferred to the Federal Bank*

1   *Deposit Insurance Corporation and credited to its deposit*  
2   *insurance account.*

3       “(j) *The Fund shall be a body corporate with power*  
4   *to adopt and use a corporate seal; to make contracts; to sue*  
5   *and be sued, complain and defend in any court of law or*  
6   *equity, State or Federal; to appoint by its board of directors,*  
7   *which shall consist of the members of the Federal Reserve*  
8   *Board, such officers and employees as may be necessary*  
9   *to carry out the powers granted to the Fund by this sec-*  
10   *tion, to define their duties, fix their compensation, require*  
11   *bonds of them and fix the penalty thereof, and to dismiss*  
12   *at pleasure such officers or employees; to prescribe by its*  
13   *board of directors bylaws, not inconsistent with law, regu-*  
14   *lating the manner in which its general business may be con-*  
15   *ducted and the privileges granted to it by law may be exer-*  
16   *cised and enjoyed; and to exercise by its board of directors,*  
17   *or duly authorized officers or agents, all powers specifically*  
18   *granted by this section and such incidental powers as shall*  
19   *be necessary to carry out the powers so granted. No mem-*  
20   *ber of the board of directors of the Fund shall receive any*  
21   *additional compensation for his services as such member.*

22       “(k) *There is hereby authorized to be appropriated,*  
23   *out of any money in the Treasury not otherwise appro-*  
24   *priated, the sum of \$10,000,000, which shall be made im-*

1 *mediately available to the Fund for the purpose of paying*  
2 *any of its expenses or obligations.*

3       “(l) *All functions of the Fund shall cease on July 1,*  
4 *1934; except that it may proceed to collect any liquidating*  
5 *dividends to which it may be entitled under subsection (g)*  
6 *of this section. The net proceeds of all such collections*  
7 *after July 1, 1934, shall be paid to the Federal Bank Deposit*  
8 *Insurance Corporation for credit to its deposit insurance*  
9 *account, unless there is a balance due the Treasury under*  
10 *subsection (h) of this section, in which event such collec-*  
11 *tions shall first be paid into the Treasury to the extent of*  
12 *such balance.”*

13       *SEC. 9. (a) The eighth paragraph of section 13 of the*  
14 *Federal Reserve Act, as amended, is amended to read as*  
15 *follows:*

16       *“Any Federal reserve bank may make advances for*  
17 *periods not exceeding fifteen days to its member banks on*  
18 *their promissory notes secured by the deposit or pledge of*  
19 *bonds, notes, certificates of indebtedness, or Treasury*  
20 *bills of the United States, or by the deposit or pledge of*  
21 *debentures or other such obligations of Federal inter-*  
22 *mediate credit banks which are eligible for purchase by*  
23 *Federal reserve banks under section 13 (a) of this Act; and*  
24 *any Federal reserve bank may make advances for periods*  
25 *not exceeding ninety days to its member banks on their*

1 promissory notes secured by such notes, drafts, bills of ex-  
2 change, or bankers' acceptances as are eligible for rediscount  
3 or for purchase by Federal reserve banks under the provi-  
4 sions of this Act. All such advances shall be made at rates  
5 to be established by such Federal reserve banks, subject to  
6 the review and determination of the Federal Reserve Board.  
7 If any member bank to which any such advance has been  
8 made shall, during the life or continuance of such advance,  
9 and despite an official warning of the reserve bank of the  
10 district or of the Federal Reserve Board to the contrary,  
11 increase its outstanding loans secured by collateral in the  
12 form of stocks, bonds, debentures, or other such obligations,  
13 or loans made to members of any organized stock exchange,  
14 investment house, or dealer in securities, upon any obliga-  
15 tion, note, or bill, secured or unsecured, for the purpose of  
16 purchasing and/or carrying stocks, bonds, or other invest-  
17 ment securities (except obligations of the United States)  
18 such advance shall be deemed immediately due and payable,  
19 and such member bank shall be ineligible as a borrower at  
20 the reserve bank of the district under the provisions of this  
21 paragraph for such period as the Federal Reserve Board  
22 shall determine: Provided, That no temporary carrying or  
23 clearance loans made solely for the purpose of facilitating  
24 the purchase or delivery of securities offered for public sub-

1 *scription shall be included in the loans referred to in this*  
2 *paragraph.”*

3 *(b) The paragraph of section 13 of the Federal*  
4 *Reserve Act, as amended, beginning “That in addition to*  
5 *the powers now vested in national banking associations” is*  
6 *amended (effective six months hence) to read as follows:*

7 *“Any national banking association located and doing*  
8 *business in any place the population of which does not exceed*  
9 *five thousand inhabitants, as shown by the last preceding*  
10 *decennial census, may, under such rules and regulations as*  
11 *may be prescribed by the Comptroller of the Currency, act*  
12 *as the broker or agent for others in making or procuring*  
13 *loans on real estate located within one hundred miles of the*  
14 *place in which such association is located, receiving for such*  
15 *services a reasonable fee or commission; but no such asso-*  
16 *ciation shall in any case guarantee either the principal or*  
17 *interest of any such loan.”*

18 *SEC. 10. Section 14 of the Federal Reserve Act, as*  
19 *amended, is amended by adding at the end thereof the*  
20 *following new paragraph:*

21 *“(g) The Federal Reserve Board shall exercise special*  
22 *supervision over all relationships and transactions of any*  
23 *kind entered into by any Federal reserve bank with any*  
24 *foreign bank or banker, or with any group of foreign banks*  
25 *or bankers, and all such relationships and transactions shall*

1 be subject to such regulations, conditions, and limitations as  
2 the Board may prescribe. No officer or other representa-  
3 tive of any Federal reserve bank shall conduct negotiations  
4 of any kind with the officers or representatives of any  
5 foreign bank or banker without first obtaining the permis-  
6 sion of the Federal Reserve Board. The Federal Reserve  
7 Board shall have the right, in its discretion, to be represented  
8 in any conference or negotiations by such representative or  
9 representatives as the Board may designate. A full report  
10 of all conferences or negotiations, and all understandings or  
11 agreements arrived at or transactions agreed upon, and all  
12 other material facts appertaining to such conferences or  
13 negotiations, shall be filed with the Federal Reserve Board  
14 in writing by a duly authorized officer of each Federal reserve  
15 bank which shall have participated in such conferences or  
16 negotiations.”

17 SEC. 11. (a) Section 19 of the Federal Reserve  
18 Act, as amended, is amended by inserting after the sixth  
19 paragraph thereof the following new paragraph:

20 “No member bank shall act as the medium or agent of  
21 any nonbanking corporation, partnership, association, busi-  
22 ness trust, or individual in making loans on the security of  
23 stocks, bonds, and other investment securities to brokers or  
24 dealers in stocks, bonds, and other investment securities.  
25 Every violation of this provision by any member bank shall



1 *be punishable by a fine of not more than \$100 per day dur-*  
2 *ing the continuance of such violation; and such fine may be*  
3 *collected, by suit or otherwise, by the Federal reserve bank*  
4 *of the district in which such member bank is located.”*

5 *(b) Such section 19 of the Federal Reserve Act, as*  
6 *amended, is further amended by adding at the end thereof*  
7 *the following new paragraphs:*

8 *“No member bank shall, directly or indirectly by any*  
9 *device whatsoever, pay any interest on any deposit which is*  
10 *payable on demand: Provided, That nothing herein contained*  
11 *shall be construed as prohibiting the payment of interest in*  
12 *accordance with the terms of any certificate of deposit or*  
13 *other contract heretofore entered into in good faith which*  
14 *is in force on the date of the enactment of this paragraph;*  
15 *but no such certificate of deposit or other contract shall be*  
16 *renewed or extended unless it shall be modified to conform*  
17 *to this paragraph, and every member bank shall take such*  
18 *action as may be necessary to conform to this paragraph*  
19 *as soon as possible consistently with its contractual obliga-*  
20 *tions: Provided, however, That this paragraph shall not*  
21 *apply to any deposit of such bank which is payable only at*  
22 *an office thereof located in a foreign country.*

23 *“The Federal Reserve Board shall from time to time*  
24 *limit by regulation the rate of interest which may be paid*

1 *by member banks on time deposits, and may prescribe differ-*  
 2 *ent rates for such payment on time and savings deposits*  
 3 *having different maturities or subject to different conditions*  
 4 *respecting withdrawal or repayment. No member bank*  
 5 *shall pay any time deposit before its maturity, or waive any*  
 6 *requirement of notice before payment of any savings deposit*  
 7 *except as to all saving deposits having the same requirement."*

8       (c) Section 8 of the Act entitled "An Act to estab-  
 9 *lish postal savings depositories for depositing savings at*  
 10 *interest with the security of the Government for repayment*  
 11 *thereof, and for other purposes", approved June 25, 1910,*  
 12 *as amended, is amended by striking out the first sentence*  
 13 *thereof and inserting in lieu thereof the following: "Any*  
 14 *depositor may withdraw the whole or any part of the funds*  
 15 *deposited to his or her credit with the accrued interest only*  
 16 *on notice given sixty days in advance and under such regu-*  
 17 *lations as the Postmaster General may prescribe; but with-*  
 18 *drawal of any part of such funds may be made upon demand,*  
 19 *but no interest shall be paid on any funds so withdrawn:*  
 20 *Provided, That Postal Savings depositories may deposit*  
 21 *funds in member banks on time under regulations to be*  
 22 *prescribed by the Postmaster General."*

23       SEC. 12. Section 22 of the Federal Reserve Act, as  
 24 *amended, is further amended by adding at the end thereof*  
 25 *the following new paragraph:*

1       “(g) No executive officer of any member bank shall  
2 borrow from or otherwise become indebted to any member  
3 bank of which he is an executive officer, and no member  
4 bank shall make any loan or extend credit in any other man-  
5 ner to any of its own executive officers. If any executive  
6 officer of any member bank borrow from or if he be or become  
7 indebted to any bank other than a member bank of which  
8 he is an executive officer, he shall make a written report to  
9 the chairman of the board of directors of the member bank  
10 of which he is an executive officer, stating the date and amount  
11 of such loan or indebtedness, the security therefor, and the  
12 purpose for which the proceeds have been or are to be used.  
13 Any executive officer of any member bank violating the pro-  
14 visions of this paragraph shall be deemed guilty of a misde-  
15 meanor and shall be imprisoned not exceeding one year, or  
16 fined not more than \$5,000, or both; and any member bank  
17 violating the provisions of this paragraph shall be fined not  
18 more than \$10,000, and may be fined a further sum equal  
19 to the amount so loaned or credit so extended.”

20       SEC. 13. The Federal Reserve Act, as amended, is  
21 amended by inserting between sections 23 and 24 thereof  
22 the following new section:

23       “SEC. 23A. No member bank shall (1) make any loan  
24 or any extension of credit to, or purchase securities under  
25 repurchase agreement from, any of its affiliates, or (2) invest

1 any of its funds in the capital stock, bonds, debentures, or  
2 other such obligations of any such affiliate, or (3) accept the  
3 capital stock, bonds, debentures, or other such obligations of  
4 any such affiliate as collateral security for advances made  
5 to any person, partnership, association, or corporation, if, in  
6 the case of any such affiliate, the aggregate amount of such  
7 loans, extensions of credit, repurchase agreements, invest-  
8 ments, and advances against such collateral security will  
9 exceed 10 per centum of the capital stock and surplus of  
10 such member bank, or if, in the case of all such affiliates,  
11 the aggregate amount of such loans, extensions of credits,  
12 repurchase agreements, investments, and advances against  
13 such collateral security will exceed 20 per centum of the  
14 capital stock and surplus of such member bank.

15 “ Within the foregoing limitations, each loan or exten-  
16 sion of credit of any kind or character to an affiliate shall be  
17 secured by collateral in the form of stocks, bonds, debentures,  
18 or other such obligations having a market value at the time  
19 of making the loan or extension of credit of at least 20 per  
20 centum more than the amount of the loan or extension of  
21 credit, or of at least 10 per centum more than the amount of  
22 the loan or extension of credit if it is secured by obligations  
23 of any State, or of any political subdivision or agency  
24 thereof: Provided, That the provisions of this paragraph  
25 shall not apply to loans or extensions of credit secured by

1 obligations of the United States Government, the Federal  
2 intermediate credit banks, or the Federal land banks, or by  
3 such notes, drafts, bills of exchange, or bankers' acceptances  
4 as are eligible for rediscount or for purchase by Federal  
5 Reserve banks. A loan or extension of credit to a director  
6 officer, clerk, or other employee or any representative of  
7 any such affiliate shall be deemed a loan to the affiliate to  
8 the extent that the proceeds of such loan are used for the  
9 benefit of, or transferred to, the affiliate.

10 "For the purposes of this section the term 'affiliate'  
11 shall include holding company affiliates as well as other  
12 affiliates, and the provisions of this section shall not apply  
13 to any affiliate (1) engaged solely in holding the bank  
14 premises of the member bank with which it is affiliated,  
15 (2) engaged solely in conducting a safe-deposit business or  
16 the business of an agricultural credit corporation or livestock  
17 loan company, (3) in the capital stock of which a national  
18 banking association is authorized to invest pursuant to  
19 section 25 of the Federal Reserve Act, as amended,  
20 or (4) organized under section 25 (a) of the Federal  
21 Reserve Act, as amended; but as to any such affiliate, mem-  
22 ber banks shall continue to be subject to other provisions of  
23 law applicable to loans by such banks and investments by  
24 such banks in stocks, bonds, debentures, or other such  
25 obligations."

1       *SEC. 14. The Federal Reserve Act, as amended, is*  
2       *amended by inserting between section 24 and section 25*  
3       *thereof the following new section:*

4       *“ SEC. 24A. Hereafter no national bank, without the*  
5       *approval of the Comptroller of the Currency, and no State*  
6       *member bank, without the approval of the Federal Reserve*  
7       *Board, shall (1) invest in bank premises, or in the stock,*  
8       *bonds, debentures, or other such obligations of any corpora-*  
9       *tion holding the premises of such bank or (2) make loans*  
10      *to or upon the security of the stock of any such corporation,*  
11      *if the aggregate of all such investments and loans will exceed*  
12      *the amount of the capital stock of such bank.”*

13      *SEC. 15. The Federal Reserve Act, as amended, is*  
14      *further amended by inserting after section 25 (a) thereof*  
15      *the following new section:*

16      *“ SEC. 25. (b) Notwithstanding any other provision*  
17      *of law all suits of a civil nature at common law or in equity*  
18      *to which any corporation organized under the laws of the*  
19      *United States shall be a party, arising out of transactions*  
20      *involving international or foreign banking, or banking in*  
21      *a dependency or insular possession of the United States,*  
22      *or out of other international or foreign financial operations,*  
23      *either directly or through the agency, ownership, or control*  
24      *of branches or local institutions in dependencies or insular*  
25      *possessions of the United States or in foreign countries,*

1 shall be deemed to arise under the laws of the United States,  
2 and the district courts of the United States shall have  
3 original jurisdiction of all such suits; and any defendant in  
4 any such suit may, at any time before the trial thereof,  
5 remove such suits from a State court into the district court  
6 of the United States for the proper district by following the  
7 procedure for the removal of causes otherwise provided by  
8 law.

9 “Notwithstanding any other provision of law, all suits  
10 of a civil nature at common law or in equity to which any  
11 Federal Reserve bank shall be a party shall be deemed to  
12 arise under the laws of the United States, and the district  
13 courts of the United States shall have original jurisdiction  
14 of all such suits; and any Federal Reserve bank which is a  
15 defendant in any such suit may, at any time before the trial  
16 thereof, remove such suit from a State court into the district  
17 court of the United States for the proper district by following  
18 the procedure for the removal of causes otherwise provided  
19 by law. No attachment or execution shall be issued against  
20 any Federal Reserve bank or its property before final judg-  
21 ment in any suit, action, or proceeding in any State, county,  
22 municipal, or United States court.”

23 SEC. 16. Paragraph “Seventh” of section 5136 of  
24 the Revised Statutes, as amended, is amended to read as  
25 follows:

1       *“Seventh. To exercise by its board of directors or*  
2 *duly authorized officers or agents, subject to law, all such*  
3 *incidental powers as shall be necessary to carry on the busi-*  
4 *ness of banking; by discounting and negotiating promissory*  
5 *notes, drafts, bills of exchange, and other evidences of debt;*  
6 *by receiving deposits; by buying and selling exchange, coin,*  
7 *and bullion; by loaning money on personal security; and*  
8 *by obtaining, issuing, and circulating notes according to*  
9 *the provisions of this title; and generally by engaging in all*  
10 *forms of banking business and undertaking all types of*  
11 *banking transactions that may, by the laws of the State*  
12 *in which such bank is situated, be permitted to banks of*  
13 *deposit and discount organized and incorporated under the*  
14 *laws of such State, except in so far as they may be for-*  
15 *bidden by the provisions of any Act of Congress. The busi-*  
16 *ness of dealing in investment securities by the association shall*  
17 *be limited to purchasing and selling such securities without*  
18 *recourse, solely upon the order, and for the account of,*  
19 *customers, and in no case for its own account, and the asso-*  
20 *ciation shall not underwrite any issue of securities: Pro-*  
21 *vided, That the association may purchase for its own account*  
22 *investment securities under such limitations and restrictions*  
23 *as the Comptroller of the Currency may by regulation pre-*  
24 *scribe, but in no event (1) shall the total amount of any*  
25 *issue of investment securities of any one obligor or maker*



1 purchased after this section as amended takes effect and held  
2 by the association for its own account exceed at any time 10  
3 per centum of the total amount of such issue outstanding, but  
4 this limitation shall not apply to any such issue the total  
5 amount of which does not exceed \$100,000 and does not  
6 exceed 50 per centum of the capital of the association, nor  
7 (2) shall the total amount of the investment securities of  
8 any one obligor or maker purchased after this section as  
9 amended takes effect and held by the association for its own  
10 account exceed at any time 15 per centum of the amount of  
11 the capital stock of the association actually paid in and un-  
12 impaired and 25 per centum of its unimpaired surplus fund.  
13 As used in this section the term 'investment securities'  
14 shall mean marketable obligations evidencing indebtedness  
15 of any person, copartnership, association, or corporation in  
16 the form of bonds, notes and/or debentures commonly  
17 known as investment securities under such further definition  
18 of the term 'investment securities' as may by regulation  
19 be prescribed by the Comptroller of the Currency. Except  
20 as hereinafter provided or otherwise permitted by law, noth-  
21 ing herein contained shall authorize the purchase by the asso-  
22 ciation of any shares of stock of any corporation. The limi-  
23 tations herein contained as to investment securities shall not  
24 apply to obligations of the United States, or obligations of  
25 any State or of any political subdivision thereof, or obliga-

1    *tions issued under authority of the Federal Farm Loan Act,*  
 2    *as amended: Provided, That in carrying on the business*  
 3    *commonly known as the safe-deposit business the associa-*  
 4    *tion shall not invest in the capital stock of a corporation*  
 5    *organized under the law of any State to conduct a safe-*  
 6    *deposit business in an amount in excess of 15 per centum*  
 7    *of the capital stock of the association actually paid in and*  
 8    *unimpaired and 15 per centum of its unimpaired surplus."*

9        *The restrictions of this section as to dealing in invest-*  
 10    *ment securities shall take effect one year after the date of*  
 11    *the approval of this Act.*

12        *SEC. 17. (a) Section 5138 of the Revised Statutes,*  
 13    *as amended, is amended to read as follows:*

14        *" SEC. 5138. After this section as amended takes effect,*  
 15    *no national banking association shall be organized with a less*  
 16    *capital than \$100,000, except that such associations with a*  
 17    *capital of not less than \$50,000 may be organized in any*  
 18    *place the population of which does not exceed six thousand*  
 19    *inhabitants. No such association shall be organized in a*  
 20    *city the population of which exceeds fifty thousand persons*  
 21    *with a capital of less than \$200,000, except that in the out-*  
 22    *lying districts of such a city where the State laws permit the*  
 23    *organization of State banks with a capital of \$100,000 or*  
 24    *less, national banking associations now organized or here-*

1 *after organized may, with the approval of the Comptroller of*  
2 *the Currency, have a capital of not less than \$100,000."*

3 *(b) The tenth paragraph of section 9 of the Federal*  
4 *Reserve Act, as amended, is amended to read as follows:*

5 *"No applying bank shall be admitted to membership*  
6 *in a Federal reserve bank unless it possesses a paid-up unim-*  
7 *paired capital sufficient to entitle it to become a national*  
8 *banking association in the place where it is situated under*  
9 *the provisions of the National Bank Act, as amended: Pro-*  
10 *vided, That this paragraph shall not apply to State banks*  
11 *and trust companies organized prior to the date this para-*  
12 *graph as amended takes effect and having a capital of not*  
13 *less than \$25,000."*

14 *SEC. 18. Section 5139 of the Revised Statutes, as*  
15 *amended, is amended by adding at the end thereof the fol-*  
16 *lowing new paragraph:*

17 *"After one year from the date of the enactment of*  
18 *the Banking Act of 1933, no certificate representing the*  
19 *stock of any such association shall represent the stock of*  
20 *any other corporation, except a member bank or a corpora-*  
21 *tion existing on the date this paragraph takes effect engaged*  
22 *solely in holding the bank premises of such association, nor*  
23 *shall the ownership, sale, or transfer of any certificate repre-*  
24 *senting the stock of any such association be conditioned in*

1 *any manner whatsoever upon the ownership, sale, or transfer*  
2 *of a certificate representing the stock of any other corpora-*  
3 *tion, except a member bank.”*

4 *SEC. 19. Section 5144 of the Revised Statutes, as*  
5 *amended, is amended to read as follows:*

6 *“ SEC. 5144. In all elections of directors, each share-*  
7 *holder shall have the right to vote the number of shares owned*  
8 *by him for as many persons as there are directors to be elected,*  
9 *or to cumulate such shares and give one candidate as many*  
10 *votes as the number of directors multiplied by the number of*  
11 *his shares shall equal, or to distribute them on the same prin-*  
12 *ciple among as many candidates as he shall think fit; and*  
13 *in deciding all other questions at meetings of shareholders,*  
14 *each shareholder shall be entitled to one vote on each share*  
15 *of stock held by him; except (1) that shares of its own stock*  
16 *held by a national bank as sole trustee shall not be voted, and*  
17 *shares of its own stock held by a national bank and one*  
18 *or more persons as trustees may be voted by such other*  
19 *person or persons, as trustees, in the same manner as if he*  
20 *or they were the sole trustee, and (2) shares controlled*  
21 *by any holding company affiliate of a national bank shall*  
22 *not be voted unless such holding company affiliate shall*  
23 *have first obtained a voting permit as hereinafter provided,*  
24 *which permit is in force at the time such shares are voted.*  
25 *Shareholders may vote by proxies duly authorized in*

1 *writing; but no officer, clerk, teller, or bookkeeper of such*  
2 *bank shall act as proxy; and no shareholder whose liability*  
3 *is past due and unpaid shall be allowed to vote.*

4       *“For the purposes of this section shares shall be*  
5 *deemed to be controlled by a holding company affiliate if*  
6 *they are owned or controlled directly or indirectly by such*  
7 *holding company affiliate, or held by any trustee for the*  
8 *benefit of the shareholders or members thereof.*

9       *“Any such holding company affiliate may make appli-*  
10 *cation to the Federal Reserve Board for a voting permit*  
11 *entitling it to cast one vote at all elections of directors and*  
12 *in deciding all questions at meetings of shareholders of such*  
13 *bank on each share of stock controlled by it or authoriz-*  
14 *ing the trustee or trustees holding the stock for its benefit*  
15 *or for the benefit of its shareholders so to vote the same.*  
16 *The Federal Reserve Board may, in its discretion, grant or*  
17 *withhold such permit as the public interest may require.*  
18 *In acting upon such application, the Board shall consider*  
19 *the financial condition of the applicant, the general character*  
20 *of its management, and the probable effect of the granting*  
21 *of such permit upon the affairs of such bank, but no such*  
22 *permit shall be granted except upon the following conditions:*

23       *“(a) Every such holding company affiliate shall, in*  
24 *making the application for such permit, agree (1) to*  
25 *receive, on dates identical with those fixed for the examina-*

1    *tion of banks with which it is affiliated, examiners duly*  
2    *authorized to examine such banks, who shall make such*  
3    *examinations of such holding company affiliate as shall be*  
4    *necessary to disclose fully the relations between such banks*  
5    *and such holding company affiliate and the effect of such*  
6    *relations upon the affairs of such banks, such examinations*  
7    *to be at the expense of the holding company affiliate so*  
8    *examined; (2) that the reports of such examiners shall*  
9    *contain such information as shall be necessary to disclose*  
10    *fully the relations between such affiliate and such banks*  
11    *and the effect of such relations upon the affairs of such*  
12    *banks; (3) that such examiners may examine each bank*  
13    *owned or controlled by the holding company affiliate, both*  
14    *individually and in conjunction with other banks owned or*  
15    *controlled by such holding company affiliate; and (4) that*  
16    *publication of individual or consolidated statements of con-*  
17    *dition of such banks may be required;*

18        *“ (b) After five years after the enactment of the*  
19    *Banking Act of 1933, every such holding company affiliate*  
20    *(1) shall possess, and shall continue to possess during*  
21    *the life of such permit, free and clear of any lien, pledge,*  
22    *or hypothecation of any nature, readily marketable assets*  
23    *other than bank stock in an amount not less than 12 per*  
24    *centum of the aggregate par value of all bank stocks con-*  
25    *trolled by such holding company affiliate, which amount*

1 shall be increased by not less than 2 per centum per annum of  
2 such aggregate par value until such assets shall amount to 25  
3 per centum of the aggregate par value of such bank stocks;  
4 and (2) shall reinvest in readily marketable assets other than  
5 bank stock all net earnings over and above 6 per centum  
6 per annum on the book value of its own shares outstanding  
7 until such assets shall amount to such 25 per centum of the  
8 aggregate par value of all bank stocks controlled by it;

9       “(c) Notwithstanding the foregoing provisions of this  
10 section, after five years after the enactment of the Bank-  
11 ing Act of 1933, (1) any such holding company affiliate  
12 the shareholders or members of which shall be indi-  
13 vidually and severally liable in proportion to the number  
14 of shares of such holding company affiliate held by them  
15 respectively, in addition to amounts invested therein, for  
16 all statutory liability imposed on such holding company  
17 affiliate by reason of its control of shares of stock of banks,  
18 shall be required only to establish and maintain out of net  
19 earnings over and above 6 per centum per annum on the  
20 book value of its own shares outstanding a reserve of readily  
21 marketable assets in an amount of not less than 12 per centum  
22 of the aggregate par value of bank stocks controlled by it,  
23 and (2) the assets required by this section to be possessed  
24 by such holding company affiliate may be used by it for  
25 replacement of capital in banks affiliated with it and for

1 *losses incurred in such banks, but any deficiency in such*  
2 *assets resulting from such use shall be made up within such*  
3 *period as the Federal Reserve Board may by regulation*  
4 *prescribe;*

5       “(d) *Every officer, director, agent, and employee of*  
6 *every such holding company affiliate shall be subject to the*  
7 *same penalties for false entries in any book, report, or state-*  
8 *ment of such holding company affiliate as are applicable to*  
9 *officers, directors, agents, and employees of member banks*  
10 *under section 5209 of the Revised Statutes, as amended;*  
11 *and*

12       “(e) *Every such holding company affiliate shall, in its*  
13 *application for such voting permit, (1) show that it does not*  
14 *own, control, or have any interest in, and is not participating*  
15 *in the management or direction of, any corporation, business*  
16 *trust, association, or other similar organization formed for*  
17 *the purpose of, or engaged principally in, the issue, flota-*  
18 *tion, underwriting, public sale, or distribution, at wholesale*  
19 *or retail or through syndicate participation, of stocks, bonds,*  
20 *debentures, notes, or other securities of any sort (herein-*  
21 *after referred to as ‘securities company’); (2) agree that*  
22 *during the period that the permit remains in force it will*  
23 *not acquire any ownership, control, or interest in any such*  
24 *securities company or participate in the management or*  
25 *direction thereof; (3) agree that if, at the time of filing*



1 *the application for such permit, it owns, controls, or has an*  
2 *interest in, or is participating in the management or direc-*  
3 *tion of, any such securities company, it will, within five*  
4 *years after the filing of such application, divest itself of its*  
5 *ownership, control, and interest in such securities company*  
6 *and will cease participating in the management or direction*  
7 *thereof, and will not thereafter, during the period that the*  
8 *permit remains in force, acquire any further ownership,*  
9 *control, or interest in any such securities company or par-*  
10 *ticipate in the management or direction thereof; and (4)*  
11 *agree that thenceforth it will declare dividends only out of*  
12 *actual net earnings.*

13       *“ If at any time it shall appear to the Federal Reserve*  
14 *Board that any holding company affiliate has violated any*  
15 *of the provisions of the Banking Act of 1933 or of any*  
16 *agreement made pursuant to this section, the Federal Re-*  
17 *serve Board may, in its discretion, revoke any such voting*  
18 *permit after giving sixty days' notice by registered mail of*  
19 *its intention to the holding company affiliate and affording*  
20 *it an opportunity to be heard. Whenever the Federal Re-*  
21 *serve Board shall have revoked any such voting permit, no*  
22 *national bank whose stock is controlled by the holding com-*  
23 *pany affiliate whose permit is so revoked shall receive depos-*  
24 *its of public moneys of the United States, nor shall any such*

1 national bank pay any further dividend to such holding com-  
2 pany affiliate upon any shares of such bank controlled by  
3 such holding company affiliate.

4 “ Whenever the Federal Reserve Board shall have re-  
5 voked any voting permit as hereinbefore provided, the  
6 rights, privileges, and franchises of any or all national banks  
7 the stock of which is controlled by such holding company  
8 affiliate shall, in the discretion of the Federal Reserve Board,  
9 be subject to forfeiture in accordance with section 2 of the  
10 Federal Reserve Act, as amended.”

11 SEC. 20. After one year from the date of the enact-  
12 ment of this Act, no member bank shall be affiliated in any  
13 manner described in section 2 (b) hereof with any corpo-  
14 ration, association, business trust, or other similar organiza-  
15 tion engaged principally in the issue, flotation, underwriting,  
16 public sale, or distribution at wholesale or retail or through  
17 syndicate participation of stocks, bonds, debentures, notes,  
18 or other securities.

19 For every violation of this section the member bank  
20 involved shall be subject to a penalty not exceeding \$1,000  
21 per day for each day during which such violation continues.  
22 Such penalty may be assessed by the Federal Reserve Board,  
23 in its discretion, and, when so assessed, may be collected by  
24 the Federal reserve bank by suit or otherwise.

1        *If any such violation shall continue for six calendar*  
2 *months after the member bank shall have been warned by*  
3 *the Federal Reserve Board to discontinue the same, (a) in*  
4 *the case of a national bank, all the rights, privileges, and*  
5 *franchises granted to it under the National Bank Act may*  
6 *be forfeited in the manner prescribed in section 2 of the Fed-*  
7 *eral Reserve Act, as amended, or, (b) in the case of a State*  
8 *member bank, all of its rights and privileges of membership*  
9 *in the Federal Reserve System may be forfeited in the*  
10 *manner prescribed in section 9 of the Federal Reserve Act,*  
11 *as amended.*

12        *SEC. 21. (a) After the expiration of one year after*  
13 *the date of enactment of this Act it shall be unlawful—*

14        *(1) For any person, firm, corporation, association,*  
15 *business trust, or other similar organization, engaged in the*  
16 *business of issuing, underwriting, selling, or distributing, at*  
17 *wholesale or retail, or through syndicate participation, stocks,*  
18 *bonds, debentures, notes, or other securities, to engage at the*  
19 *same time to any extent whatever in the business of receiv-*  
20 *ing deposits subject to check or to repayment upon presenta-*  
21 *tion of a passbook, certificate of deposit, or other evidence*  
22 *of debt, or upon request of the depositor; or*

23        *(2) For any person, firm, corporation, association,*  
24 *business trust, or other similar organization, other than a*  
25 *banking institution or private banker subject to examination*

1    *and regulation under State or Federal law, to engage to*  
2    *any extent whatever in the business of receiving deposits*  
3    *subject to check or to repayment upon presentation of a*  
4    *passbook, certificate of deposit, or other evidence of debt,*  
5    *or upon request of the depositor, unless such person, firm,*  
6    *corporation, association, business trust, or other similar*  
7    *organization shall submit to periodic examination by the*  
8    *Comptroller of the Currency or by the Federal Reserve bank*  
9    *of the district and shall make and publish periodic reports*  
10    *of its condition, exhibiting in detail its resources and liabili-*  
11    *ties, such examination and reports to be made and published*  
12    *at the same times and in the same manner and with like*  
13    *effect and penalties as are now provided by law in respect*  
14    *of national banking associations transacting business in the*  
15    *same locality.*

16        *(b) Whoever shall willfully violate any of the pro-*  
17    *visions of this section shall upon conviction be fined not more*  
18    *than \$5,000 or imprisoned not more than five years, or both,*  
19    *and any officer, director, employee, or agent of any person,*  
20    *firm, corporation, association, business trust, or other similar*  
21    *organization who knowingly participates in any such vio-*  
22    *lation shall be punished by a like fine or imprisonment or*  
23    *both.*

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

1       “(c) A national banking association may with the  
2 approval of the Comptroller of the Currency establish and  
3 operate new branches within the limits of the city, town,  
4 or village, or at any point within the State in which said  
5 association is situated, if such establishment and operation  
6 are at the time expressly authorized to State banks by the  
7 law of the State in question and subject to the restrictions as  
8 to location imposed by the law of the State on State banks.  
9 No such association shall establish a branch outside of the  
10 city, town, or village in which it is situated unless it has a  
11 paid-in and unimpaired capital stock of not less than  
12 \$500,000: Provided, That in States with a population of  
13 less than one million, and which have no cities located therein  
14 with a population exceeding one hundred thousand, the  
15 capital shall be not less than \$250,000: Provided, That in  
16 States with a population of less than one-half million, and  
17 which have no cities located therein with a population exceed-  
18 ing fifty thousand, the capital shall not be less than  
19 \$100,000.”

20       Paragraph (d) of section 5155 of the Revised Statutes,  
21 as amended, is amended to read as follows:

22       “(d) The aggregate capital of every national banking  
23 association and its branches shall at no time be less than the  
24 aggregate minimum capital required by law for the estab-  
25 lishment of an equal number of national banking associations

1 *situated in the various places where such association and*  
2 *its branches are situated."*

3       *SEC. 23. (a) Sections 1 and 3 of the Act entitled*  
4 *"An Act to provide for the consolidation of national banking*  
5 *associations", approved November 7, 1918, as amended, are*  
6 *amended by striking out the words "county, city, town, or*  
7 *village" wherever they occur in each such section, and*  
8 *inserting in lieu thereof the words "State, county, city,*  
9 *town, or village."*

10       *(b) Section 3 of such Act of November 7, 1918, as*  
11 *amended, is further amended by striking out the second*  
12 *sentence thereof and inserting in lieu thereof the following:*  
13 *"The capital stock of such consolidated association shall*  
14 *not be less than that required under existing law for the*  
15 *organization of a national banking association in the place*  
16 *in which such consolidated association is located. Upon*  
17 *such a consolidation, or upon a consolidation of two or more*  
18 *national banking associations under section 1 of this Act,*  
19 *the corporate existence of each of the constituent banks and*  
20 *national banking associations participating in such consoli-*  
21 *dation shall be merged into and continued in the consoli-*  
22 *dated national banking association and the consolidated*  
23 *association shall be deemed to be the same corporation as*  
24 *each of the constituent institutions. All the rights, fran-*  
25 *chises, and interests of each of such constituent banks and*

1 national banking associations in and to every species of  
2 property, real, personal, and mixed, and choses in action  
3 thereto belonging, shall be deemed to be transferred to and  
4 vested in such consolidated national banking association  
5 without any deed or other transfer; and such consolidated  
6 national banking association, by virtue of such consolidation  
7 and without any order or other action on the part of any  
8 court or otherwise, shall hold and enjoy the same and all  
9 rights of property, franchises, and interests, including ap-  
10 pointments, designations, and nominations and all other  
11 rights and interests as trustee, executor, administrator,  
12 registrar of stocks and bonds, guardian of estates, assignee,  
13 receiver, committee of estates of lunatics and in every other  
14 fiduciary capacity, in the same manner and to the same extent  
15 as such rights, franchises, and interests were held or en-  
16 joyed by any such constituent institution at the time of such  
17 consolidation: Provided, however, That where any such  
18 constituent institution at the time of such consolidation was  
19 acting under appointment of any court as trustee, executor,  
20 administrator, registrar of stocks and bonds, guardian of  
21 estates, assignee, receiver, committee of estates of lunatics  
22 or in any other fiduciary capacity, the consolidated national  
23 banking association shall be subject to removal by a court  
24 of competent jurisdiction in the same manner and to the  
25 same extent as was such constituent corporation prior to

1 *the consolidation, and nothing herein contained shall be con-*  
2 *strued to impair in any manner the right of any court to*  
3 *remove such a consolidated national banking association and*  
4 *to appoint in lieu thereof a substitute trustee, executor, or*  
5 *other fiduciary, except that such right shall not be exercised*  
6 *in such a manner as to discriminate against national bank-*  
7 *ing associations, nor shall any such consolidated association*  
8 *be removed solely because of the fact that it is a national*  
9 *banking association.”*

10       *SEC. 24. The first two sentences of section 5197 of the*  
11 *Revised Statutes are amended to read as follows:*

12       *“Any association may take, receive, reserve, and charge*  
13 *on any loan or discount made, or upon any notes, bills of*  
14 *exchange, or other evidences of debt, interest at the rate*  
15 *allowed by the laws of the State, Territory, or District where*  
16 *the bank is located, or at a rate of 1 per centum in excess*  
17 *of the discount rate on ninety-day commercial paper in effect*  
18 *at the Federal Reserve bank in the Federal Reserve district*  
19 *where the bank is located, whichever may be the greater,*  
20 *and no more, except that where by the laws of any State*  
21 *a different rate is limited for banks organized under State*  
22 *laws, the rate so limited shall be allowed for associations*  
23 *organized or existing in any such State under this title.*  
24 *When no rate is fixed by the laws of the State, or Territory,*  
25 *or District, the bank may take, receive, reserve, or charge a*



1 rate not exceeding 7 per centum, or 1 per centum in excess  
2 of the discount rate on ninety-day commercial paper in  
3 effect at the Federal Reserve bank in the Federal Reserve  
4 district where the bank is located, whichever may be the  
5 greater, and such interest may be taken in advance, reckon-  
6 ing the days for which the note, bill, or other evidence of  
7 debt has to run."

8       *SEC. 25. (a) The second sentence of the first para-*  
9 *graph of section 5200 of the Revised Statutes, as amended,*  
10 *is amended by inserting before the period at the end thereof*  
11 *the following: "and shall include in the case of obligations*  
12 *of a corporation all obligations of all subsidiaries thereof in*  
13 *which such corporation owns or controls a majority*  
14 *interest."*

15       *(b) The amendment made by this section shall not*  
16 *apply to such obligations of subsidiaries held by such asso-*  
17 *ciation on the date this section takes effect.*

18       *SEC. 26. Section 5211 of the Revised Statutes, as*  
19 *amended, is amended by adding at the end thereof the fol-*  
20 *lowing new paragraph:*

21       *"Each national banking association shall obtain from*  
22 *each of its affiliates other than member banks and furnish*  
23 *to the Comptroller of the Currency not less than three*  
24 *reports during each year, in such form as the Comptroller*  
25 *may prescribe, verified by the oath or affirmation of the*

1 president or such other officer as may be designated by the  
2 board of directors of such affiliate to verify such reports,  
3 disclosing the information hereinafter provided for as of  
4 dates identical with those for which the Comptroller shall  
5 during such year require the reports of the condition of the  
6 association. For the purpose of this section the term  
7 'affiliate' shall include holding company affiliates as well  
8 as other affiliates. Each such report of an affiliate shall  
9 be transmitted to the Comptroller at the same time as the  
10 corresponding report of the association, except that the  
11 Comptroller may, in his discretion, extend such time for  
12 good cause shown. Each such report shall contain such  
13 information as in the judgment of the Comptroller of the  
14 Currency shall be necessary to disclose fully the relations  
15 between such affiliate and such bank and to enable the  
16 Comptroller to inform himself as to the effect of such rela-  
17 tions upon the affairs of such bank. The reports of such  
18 affiliates shall be published by the association under the same  
19 conditions as govern its own condition reports. The Com-  
20 ptroller shall also have power to call for additional reports  
21 with respect to any such affiliate whenever in his judgment  
22 the same are necessary in order to obtain a full and com-  
23 plete knowledge of the conditions of the association with  
24 which it is affiliated. Such additional reports shall be  
25 transmitted to the Comptroller of the Currency in such form

1 as he may prescribe. Any such affiliated bank which fails  
2 to obtain and furnish any report required under this section  
3 shall be subject to a penalty of \$100 for each day during  
4 which such failure continues.”

5 SEC. 27. (a) The first paragraph of section 5240 of  
6 the Revised Statutes, as amended, is amended by inserting  
7 before the period at the end thereof a colon and the following  
8 proviso: “ Provided, That in making the examination of  
9 any national bank the examiners shall include such an exam-  
10 ination of the affairs of all its affiliates other than member  
11 banks as shall be necessary to disclose fully the relations be-  
12 tween such bank and such affiliates and the effect of such  
13 relations upon the affairs of such bank; and in the event of  
14 the refusal to give any information required in the course  
15 of the examination of any such affiliate, or in the event of the  
16 refusal to permit such examination, all the rights, privileges,  
17 and franchises of the bank shall be subject to forfeiture in  
18 accordance with section 2 of the Federal Reserve Act, as  
19 amended. The Comptroller of the Currency shall have  
20 power, and he is hereby authorized, to publish the report  
21 of his examination of any national banking association or  
22 affiliate which shall not within one hundred and twenty  
23 days after notification of the recommendations or suggestions  
24 of the Comptroller, based on said examination, have com-  
25 plied with the same to his satisfaction. Ninety days’ notice

1 prior to such publicity shall be given to the bank or  
2 affiliate.”

3 (b) Section 5240 of the Revised Statutes, as amended,  
4 is further amended by adding after the first paragraph  
5 thereof the following new paragraph:

6 “The examiner making the examination of any affiliate  
7 of a national bank shall have power to make a thorough  
8 examination of all the affairs of the affiliate, and in doing  
9 so he shall have power to administer oaths and to examine  
10 any of the officers, directors, employees, and agents thereof  
11 under oath and to make a report of his findings to the  
12 Comptroller of the Currency. The expense of examinations  
13 of such affiliates may be assessed by the Comptroller of the  
14 Currency upon the affiliates examined in proportion to assets  
15 or resources held by the affiliates upon the dates of examina-  
16 tion of the various affiliates. If any such affiliate shall  
17 refuse to pay such expenses or shall fail to do so within  
18 sixty days after the date of such assessment, then such  
19 expenses may be assessed against the affiliated national bank  
20 and, when so assessed, shall be paid by such national bank:  
21 Provided, however, That, if the affiliation is with two or  
22 more national banks, such expenses may be assessed against,  
23 and collected from, any or all of such national banks in such  
24 proportions as the Comptroller of the Currency may  
25 prescribe. If any affiliate of a national bank shall refuse

1 to permit an examiner to make an examination of the affiliate  
2 or shall refuse to give any information required in the course  
3 of any such examination, the national bank with which it is  
4 affiliated shall be subject to a penalty of not more than \$100  
5 for each day that any such refusal shall continue. Such pen-  
6 alty may be assessed by the Comptroller of the Currency and  
7 collected in the same manner as expenses of examinations.”

8       SEC. 28. In any case in which, in the opinion of the  
9 Comptroller of the Currency, it would be to the advantage  
10 of the depositors and unsecured creditors of any national  
11 banking association whose business has been closed, for such  
12 association to resume business upon the retention by the  
13 association, for a reasonable period to be prescribed by the  
14 Comptroller, of all or any part of its deposits, the Comp-  
15 troller is authorized, in his discretion, to permit the associa-  
16 tion to resume business if depositors and unsecured creditors  
17 of the association representing at least 85 per centum of its  
18 total deposit and unsecured credit liabilities consent in writing  
19 to such retention of deposits. Nothing in this section shall  
20 be construed to affect in any manner any powers of the  
21 Comptroller under the provisions of law in force on the date  
22 of enactment of this Act with respect to the reorganization  
23 of national banking associations.

24       SEC. 29. Whenever, in the opinion of the Comp-  
25 troller of the Currency, any director or officer of a national

1 bank, or of a bank or trust company doing business in the  
2 District of Columbia, or whenever, in the opinion of a Fed-  
3 eral Reserve agent, any director or officer of a State member  
4 bank in his district shall have continued to violate any law  
5 relating to such bank or trust company or shall have con-  
6 tinued unsafe or unsound practices in conducting the business  
7 of such bank or trust company, after having been warned  
8 by the Comptroller of the Currency or the Federal Reserve  
9 agent, as the case may be, to discontinue such violations  
10 of law or such unsafe or unsound practices, the Comptroller  
11 of the Currency or the Federal Reserve agent, as the case  
12 may be, may certify the facts to the Federal Reserve Board.  
13 In any such case the Federal Reserve Board may cause  
14 notice to be served upon such director or officer to appear  
15 before such Board to show cause why he should not be  
16 removed from office. A copy of such order shall be sent to  
17 each director of the bank affected, by registered mail. If  
18 after granting the accused director or officer a reasonable  
19 opportunity to be heard, the Federal Reserve Board finds  
20 that he has continued to violate any law relating to such  
21 bank or trust company or has continued unsafe or unsound  
22 practices in conducting the business of such bank or trust  
23 company after having been warned by the Comptroller of  
24 the Currency or the Federal Reserve agent to discontinue  
25 such violation of law or such unsafe or unsound practices,

1 the Federal Reserve Board, in its discretion, may order that  
2 such director or officer be removed from office. A copy of  
3 such order shall be served upon such director or officer.  
4 A copy of such order shall also be served upon the bank of  
5 which he is a director or officer, whereupon such director or  
6 officer shall cease to be a director or officer of such bank:  
7 Provided, That such order and the findings of fact upon  
8 which it is based shall not be made public or disclosed to  
9 anyone except the director or officer involved and the direc-  
10 tors of the bank involved, otherwise than in connection with  
11 proceedings for a violation of this section. Any such director  
12 or officer removed from office as herein provided who there-  
13 after participates in any manner in the management of such  
14 bank shall be fined not more than \$5,000, or imprisoned for  
15 not more than five years, or both, in the discretion of the  
16 court.

17 SEC. 30. After one year from the date of enactment of  
18 this Act, notwithstanding any other provision of law, the  
19 board of directors, board of trustees, or other similar gov-  
20 erning body of every national banking association and of  
21 every State bank or trust company which is a member of the  
22 Federal Reserve System shall consist of not less than five  
23 nor more than twenty-five members; and every director,  
24 trustee, or other member of the governing body of a national  
25 banking association, State bank, or trust company, which

1   *has a paid-in and unimpaired capital in excess of \$50,000*  
2   *shall be the bona fide owner in his own right of shares of*  
3   *stock of such banking association, State bank or trust com-*  
4   *pany having a par value in the aggregate of not less than*  
5   *\$2,000. If any national banking association violates the*  
6   *provisions of this section and continues such violation after*  
7   *thirty days' notice from the Comptroller of the Currency,*  
8   *the said Comptroller may appoint a receiver or conservator*  
9   *therefor, in accordance with the provisions of existing law.*  
10   *If any State bank or trust company which is a member of*  
11   *the Federal Reserve System violates the provisions of this*  
12   *section and continues such violation after thirty days' notice*  
13   *from the Federal Reserve Board, it shall be subject to the*  
14   *forfeiture of its membership in the Federal Reserve System*  
15   *in accordance with the provisions of section 9 of the Federal*  
16   *Reserve Act, as amended.*

17       *SEC. 31. From and after January 1, 1934, no officer*  
18   *or director of any member bank shall be an officer, director,*  
19   *or manager of any corporation, partnership, or unincorpo-*  
20   *rated association engaged primarily in the business of pur-*  
21   *chasing, selling, or negotiating securities, and no member*  
22   *bank shall perform the functions of a correspondent bank*  
23   *on behalf of any such individual, partnership, corporation,*  
24   *or unincorporated association; and no such individual, part-*  
25   *nership, corporation, or unincorporated association shall*



1 perform the functions of a correspondent for any member  
 2 bank or hold on deposit any funds on behalf of any member  
 3 bank, unless in any such case there is a permit therefor  
 4 issued by the Federal Reserve Board; and the Board is  
 5 authorized to issue such permit if in its judgment it is not  
 6 incompatible with the public interest, and to revoke any  
 7 such permit whenever it finds after reasonable notice and  
 8 opportunity to be heard, that the public interest requires  
 9 such revocation.

10       *SEC. 32. The Act entitled "An Act to supplement*  
 11 *existing laws against unlawful restraints and monopolies,*  
 12 *and for other purposes", approved October 15, 1914, as*  
 13 *amended, is hereby amended by adding after section 8*  
 14 *thereof the following new section:*

15       *"SEC. 8A. That from and after the 1st day of Janu-*  
 16 *ary 1934, no director, officer, or employee of any bank,*  
 17 *banking association, or trust company, organized or operat-*  
 18 *ing under the laws of the United States shall be at the same*  
 19 *time a director, officer, or employee of a corporation or a*  
 20 *member of a partnership organized for any purpose what-*  
 21 *soever which shall make loans secured by stock or bond*  
 22 *collateral to any individual, association, partnership, or*  
 23 *corporation other than its own subsidiaries."*

24       *SEC. 33. Nothing in this Act shall be construed to*  
 25 *prohibit a national banking association from holding stock in*

1 *a corporation organized by such association to liquidate a part*  
2 *of its assets pursuant to the direction of the Comptroller of the*  
3 *Currency.*

4 *SEC. 34. The right to alter, amend, or repeal this*  
5 *Act is hereby expressly reserved. If any provision of*  
6 *this Act, or the application thereof to any person or cir-*  
7 *cumstances, is held invalid, the remainder of the Act, and the*  
8 *application of such provision to other persons or circum-*  
9 *stances, shall not be affected thereby.*

Passed the House of Representatives May 23, 1933.

Attest:

SOUTH TRIMBLE,

*Clerk.*

Passed the Senate amended May 15 (calendar day,  
May 25), 1933.

Attest:

EDWIN A. HALSEY,

*Secretary.*

73<sup>d</sup> CONGRESS }  
1<sup>ST</sup> Session } **H. R. 5661**

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## **A BILL**

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

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IN THE HOUSE OF REPRESENTATIVES

MAY 26, 1933

Ordered to be printed with the amendment of the  
Senate numbered