

THE  
FEDERAL RESERVE ACT

THE  
NATIONAL-BANK ACT

AND

All Other Federal Laws Relating to Banking, with  
Complete Indexes and References



1812—1914

THE NATIONAL CITY BANK  
OF NEW YORK

# THE NATIONAL CITY BANK

of New York

Original Charter Dated 1812

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CAPITAL FULLY PAID . . . . .	\$25,000,000
SURPLUS AND UNDIVIDED PROFITS . .	\$33,000,000

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F. A. VANDERLIP, President.

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WILLIAM REED, Assistant Cashier.  
T. A. REYNOLDS, Assistant Cashier.  
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E. P. CURRIER, Sec'y to the President.  
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FRANK A. VANDERLIP, President.

## INTRODUCTORY.

THIS volume is presented in recognition of the necessity for a complete and convenient exposition of the Federal Statutes on banking and currency.

It contains no comment on the law; but is arranged with a view to easy access through reference notes at the foot of paragraphs, to all the Federal law there is on the subject of banking and currency.

It is the purpose of the City Bank to be as useful as possible to bankers in connection with the installation of the new banking system. It will endeavor to keep fully informed on the subject and to make this information at once available.

In this volume the Federal Reserve Act has been indexed by subjects, and also alphabetically. In the subject index the general subjects treated of in the Act are brought together in the order of their relative importance, as, for example, everything relating to the Organization Committee is presented under that head; the same treatment is given the Federal Reserve Board, and so on.

The paragraph numbers and the headings inserted throughout the Act are not a part of the law, but are inserted for more ready reference.

The index to the National Bank Act and other statutes is the same as that prepared under the direction of the Comptroller of the Currency.

Copies of this volume will be furnished without cost upon application to

THE NATIONAL CITY BANK OF NEW YORK.

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## SUBJECT INDEX TO FEDERAL RESERVE ACT.

This index to The Federal Reserve Act is arranged by subjects in the order in which they are of natural sequence in the formation of the Federal Reserve System. Under each general head will be found references to everything in the Act relating to that subject.

For convenience of reference the paragraphs of the Act have been numbered consecutively and references are made to these numbers.

### Abbreviations.

Organization Committee--Means The Reserve Bank Organization Committee.  
Reserve Board--The Federal Reserve Board.  
Reserve Bank--Federal Reserve Bank.  
Member Bank--Any bank which has become a member of a Federal Reserve Bank.  
Reserve District--Federal Reserve District.  
Reserve City--Federal Reserve City.  
Reserve Notes--Federal Reserve Notes.

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Upon the establishment of not less than 8 nor more than 12 districts and selection of a reserve city in each, the Comptroller shall forward to national and other banks in each district resolutions subscribing for stock, to be adopted by boards of directors of applying banks. When the minimum capital of \$4,000,000 has been subscribed for in a district, the Committee or Board shall designate five banks applying for membership in a district to execute the certificate of organization of a reserve bank, and upon the filing of this certificate with the Comptroller, the reserve bank shall become a body corporate..... 16, 17, 18, 19

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## FEDERAL RESERVE ACT.

An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the "Federal Reserve Act."*

### DEFINITIONS.

1. Wherever the word "bank" is used in this Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this Act shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this Act. The term "board" shall be held to mean Federal Reserve Board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

### ORGANIZATION COMMITTEE—FEDERAL RESERVE DISTRICTS.

2. SEC. 2. As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business, and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by number. A majority of the organization committee shall constitute a quorum, with authority to act.

### ORGANIZATION OF RESERVE BANKS.

3. Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal reserve banks shall be severally located. The said committee shall supervise the organization in each of the cities designated of a

Federal reserve bank, which shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago."

**NATIONAL BANKS REQUIRED AND STATE BANKS AND TRUST COMPANIES AUTHORIZED TO ACCEPT ACT.**

4. Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this Act, its acceptance of the terms and provisions hereof. When the organization committee shall have designated the cities in which Federal reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the organization committee, to subscribe to the capital stock of such Federal reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Federal Reserve Board, one-sixth within three months, and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board. said payments to be in gold or gold certificates.

**RESPONSIBILITY OF SHAREHOLDERS.**

5. The shareholders of every Federal reserve bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof, in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this Act.

**PENALTY FOR FAILURE TO ACCEPT ACT.**

6. Any national bank failing to signify its acceptance of the terms of this Act within the sixty days aforesaid, shall cease to act as a reserve agent, upon thirty days' notice, to be given within the discretion of the said organization committee or of the Federal Reserve Board.

7. Should any national banking association in the United States now organized fail within one year after the passage of this Act to become a member bank or fail to comply with any of the provisions of this Act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank Act, or under the provisions of this Act, shall be thereby forfeited. Any noncompliance with or violation of this Act, shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located, under direction of the Federal Reserve Board, by the Comptroller of the Currency in his own name before the association shall be declared dissolved. In cases of such noncompliance or violation, other than the failure to become a member bank under the provisions of this Act, every director who participated in or assented to the same shall be held liable in his personal or individual capacity

for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation.

8. Such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have been previously incurred.

#### PUBLIC SUBSCRIPTION TO STOCK.

9. Should the subscriptions by banks to the stock of said Federal reserve banks or any one or more of them be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee may, under conditions and regulations to be prescribed by it, offer to public subscription at par such an amount of stock in said Federal reserve banks, or any one or more of them, as said committee shall determine, subject to the same conditions as to payment and stock liability as provided for member banks.

#### AMOUNT OF STOCK PRIVATELY HELD LIMITED.

10. No individual, copartnership, or corporation other than a member bank of its district shall be permitted to subscribe for or to hold at any time more than \$25,000 par value of stock in any Federal Reserve bank. Such stocks shall be known as public stock and may be transferred on the books of the Federal reserve bank by the chairman of the board of directors of such bank.

#### GOVERNMENT STOCK.

11. Should the total subscriptions by banks and the public to the stock of said Federal reserve banks, or any one or more of them, be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee shall allot to the United States such an amount of said stock as said committee shall determine. Said United States stock shall be paid for at par out of any money in the Treasury not otherwise appropriated, and shall be held by the Secretary of the Treasury and disposed of for the benefit of the United States in such manner, at such times and at such price, not less than par, as the Secretary of the Treasury shall determine.

#### VOTING POWER.

12. Stock not held by member banks shall not be entitled to voting power.

#### STOCK TRANSFERS.

13. The Federal Reserve Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

#### CAPITAL REQUIREMENTS—RESERVE CITIES—APPROPRIATION FOR ORGANIZATION.

14. No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. The organization of reserve districts and Federal reserve cities shall not be construed as changing the present status of reserve cities and central reserve cities, except in so far as this Act changes the amount of reserves that may be carried with approved reserve agents located therein. The organization committee shall have power to appoint such assistants and incur such

expenses in carrying out the provisions of this Act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United States upon voucher approved by the Secretary of the Treasury, and the sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

#### BRANCH RESERVE BANKS.

15. SEC. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors, under rules and regulations approved by the Federal Reserve Board. Directors of branch banks shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

#### STOCK SUBSCRIPTION RESOLUTION.

16. SEC. 4. When the organization committee shall have established Federal reserve districts as provided in section two of this Act, a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal reserve bank organizing in that district in accordance with the provisions of this Act.

#### INCORPORATION OF RESERVE BANKS.

17. When the minimum amount of capital stock prescribed by this Act for the organization of any Federal reserve bank shall have been subscribed and allotted, the organization committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state the name of such Federal reserve bank, the territorial extent of the district over which the operations of such Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank, executing such certificate, and of all banks which have subscribed to the capital stock of such Federal reserve bank and the number of shares subscribed by each, and the fact that the certificate is made to enable those banks executing the same, and all banks which have subscribed or may thereafter subscribe to the capital stock of such Federal reserve bank, to avail themselves of the advantages of this Act.

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

19. Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power—

#### CORPORATE SEAL.

20. First. To adopt and use a corporate seal.

#### TWENTY-YEAR FRANCHISE.

21. Second. To have succession for a period of twenty years from its organization unless it is sooner dissolved by an Act of Congress, or unless its franchise becomes forfeited by some violation of law.

#### RIGHT TO MAKE CONTRACTS.

22. Third. To make contracts.

#### COURT JURISDICTION.

23. Fourth. To sue and be sued, complain and defend, in any court of law or equity.

#### APPOINTMENT OF OFFICERS AND EMPLOYES.

24. Fifth. To appoint by its board of directors, such officers and employes as are not otherwise provided for in this Act, to define their duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employes.

#### BY-LAWS REQUIRED.

25. Sixth. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

#### INCIDENTAL POWERS.

26. Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act.

#### FEDERAL BANK CIRCULATION ON GOVERNMENT BONDS.

27. Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

**APPROVAL OF COMPTROLLER TO COMMENCE BUSINESS.**

28. But no Federal reserve bank shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence business under the provisions of this Act.

**BOARDS OF DIRECTORS.**

29. Every Federal reserve bank shall be conducted under the supervision and control of a board of directors.

The board of directors shall perform the duties usually appertaining to the office of directors of banking associations and all such duties as are prescribed by law.

30. Said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks, and shall, subject to the provisions of law and the orders of the Federal Reserve Board extend to each member bank such discounts, advancements and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

31. Such board of directors shall be selected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

**A AND B DIRECTORS.**

32. Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

33. Class B shall consist of three members, who at the time of their election shall be actively engaged in their district in commerce, agriculture or some other industrial pursuit.

**C DIRECTORS APPOINTED BY FEDERAL BOARD.**

34. Class C shall consist of three members, who shall be designated by the Federal Reserve Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Federal Reserve Board shall appoint the Class C directors, and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Federal reserve bank.

**INELIGIBILITY OF SENATORS AND CONGRESSMEN FOR EMPLOYMENT.**

35. No Senator or Representative in Congress shall be a member of the Federal Reserve Board or an officer or a director of a Federal reserve bank.

**LIMITATIONS OF DIRECTORS.**

36. No director of class B shall be an officer, director, or employe of any bank.

37. No director of class C shall be an officer, director, employe, or stockholder of any bank.

**ELECTION OF DIRECTORS.**

38. Directors of class A and class B shall be chosen in the following manner:

The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

39. At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

40. Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.

41. Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate.

42. Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. If any candidate then have a majority of the electors voting, by adding together the first and second choices, he shall be declared elected. If no candidate have a majority of electors voting when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.

#### CHAIRMAN AND RESERVE AGENT.

43. Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain under regulations to be established by the Federal Reserve Board a local office of said board on the premises of the Federal Reserve Board, and shall act as its official representative for

#### MEMORANDUM.

On the bottom line of Page 29 of the "Federal Reserve and National Bank Acts, Indexed," the word "board" should read "bank" and the following phrase should be inserted:

"on the premises of the Federal Reserve Bank. He shall make regular reports to the Federal Reserve Board and shall act as its official representative for"—etc.

the performance of the functions conferred upon it by this Act. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated. One of the directors of class C, who shall be a person of tested banking experience, shall be appointed by the Federal Reserve Board as deputy chairman and deputy Federal reserve agent to exercise the powers of the chairman of the board and Federal reserve agent in case of absence or disability of his principal.

#### **COMPENSATION OF DIRECTORS, OFFICERS AND EMPLOYES.**

44. Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for directors, officers or employes shall be subject to the approval of the Federal Reserve Board.

#### **CALL MEETINGS OF BANK DIRECTORS FOR ORGANIZATION PURPOSES.**

45. The Reserve Bank Organization Committee may, in organizing Federal reserve banks, call such meetings of bank directors in the several districts as may be necessary to carry out the purposes of this Act, and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

#### **TENURE OF OFFICE OF DIRECTORS.**

46. At the first meeting of the full board of directors of each Federal reserve bank, it shall be the duty of the directors of classes A, B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

#### **RESERVE BANK STOCK ISSUE.**

47. SEC. 5. The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said increase, one-half of said subscription to be

paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank.

NOTE.—See paragraphs 38, 39, 40 National Bank Act.

#### INSOLVENT MEMBER BANKS.

48. SEC. 6. If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal reserve bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal reserve bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal reserve bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

#### DIVISION OF EARNINGS.

49. SEC. 7. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank.

**GOVERNMENT'S SHARE IN EARNINGS—HOW USED.**

50. The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.

**TAXATION EXEMPTION.**

51. Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

**CONVERSION OF STATE BANKS TO NATIONAL.**

52. SEC. 8. Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows:

An bank incorporated by special law of any State or of the United States, or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency, be converted into a national banking association, with any name approved by the Comptroller of the Currency:

*Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this Act have been complied with, such bank or banking association, and all its stockholders, officers, and employes, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

**NOTE.—See paragraphs 53, 207 National Bank Act.**

**STATE BANKS AND TRUST COMPANIES AS MEMBERS.**

53. SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal reserve banks.

**BY-LAWS ADMITTING STATE BANKS AS MEMBERS.**

54. The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State bank and banking associations and trust companies for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board. No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking Act.

**SECTIONS OF REVISED STATUTES MADE APPLICABLE TO MEMBER BANKS.**

.55. Any bank becoming a member of a Federal reserve bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital, or the payment of unearned dividends, and to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe.

NOTE.—See paragraphs 139, 140, 143, 183 and 142 National Bank Act.

56. Such banks, and the officers, agents, and employes thereof, shall also be subject to the provisions of and to the penalties prescribed by sections fifty-one hundred and ninety-eight, fifty-two hundred, fifty-two hundred and one, and fifty-two hundred and eight, and fifty-two hundred and nine of the Revised Statutes. The member banks shall also be required to make reports of the conditions and of the payments of dividends to the comptroller, as provided in sections fifty-two hundred and eleven, and fifty-two hundred and twelve of the Revised Statutes, and shall be subject to the penalties prescribed by

section fifty-two hundred and thirteen for the failure to make such report.

NOTE.—See paragraphs 136, 138, 139, 147, 149, 152, 154 and 155 National Bank Act.

#### **RESERVE BOARD MAY REQUIRE SURRENDER OF RESERVE BANK STOCK.**

57. If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board, it shall be within the power of the said board, after hearing, to require such bank to surrender its stock in the Federal reserve bank; upon such surrender the Federal reserve bank shall pay the cash-paid subscriptions to the said stock with interest at the rate of one-half of one per centum per month, computed from the last dividend, if earned, not to exceed the book value thereof, less any liability to said Federal reserve bank, except the subscription liability not previously called, which shall be canceled, and said Federal reserve bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

#### **FEDERAL RESERVE BOARD.**

58. SEC. 10. A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex-officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the five appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the different commercial, industrial and geographical divisions of the country. The five members of the Federal Reserve Board appointed by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly, together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex-officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said Board.

NOTE.—See paragraph 2 National Bank Act.

#### **QUALIFICATION OF MEMBERS OF THE RESERVE BOARD.**

59. The members of said board, the Secretary of the Treasury, the Assistant Secretaries of the Treasury, and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. Of the five members thus appointed by the President at least two shall be persons experienced in banking or finance. One shall be designated by the President to serve for two, one for four, one

for six, one for eight, and one for ten years, and thereafter each member so appointed shall serve for a term of ten years unless sooner removed for cause by the President. Of the five persons thus appointed, one shall be designated by the President as governor and one as vice-governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board. Each member of the Federal Reserve Board shall within fifteen days after notice of appointment make and subscribe to the oath of office.

#### **EXPENSES OF RESERVE BOARD ASSESSED ON MEMBER BANKS.**

60. The Federal Reserve Board shall have power to levy semi-annually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employes for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

#### **FIRST MEETING RESERVE BOARD.**

61. The first meeting of the Federal Reserve Board shall be held in Washington, District of Columbia, as soon as may be after the passage of this Act, at a date to be fixed by the Reserve Bank Organization Committee. The Secretary of the Treasury shall be ex-officio chairman of the Federal Reserve Board. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank, nor hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the five members of the Federal Reserve Board appointed by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of the member whose place he is selected to fill.

#### **VACANCIES ON RESERVE BOARD—HOW FILLED.**

62. The President shall have the power to fill all vacancies that may happen on the Federal Reserve Board during the recess of the Senate, by granting commissions which shall expire thirty days after the next session of the Senate convenes.

#### **POWERS OF SECRETARY OF THE TREASURY NOT HEREBY LIMITED.**

63. Nothing in this Act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this Act in the Federal Reserve Board or the Federal reserve agent appears to conflict with the powers of the

Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

**RESERVE BOARD SHALL REPORT ANNUALLY TO CONGRESS.**

64. The Federal Reserve Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

**JURISDICTION OF COMPTROLLER OF THE CURRENCY.**

65. Section three hundred and twenty-four of the Revised Statutes of the United States shall be amended so as to read as follows: There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Federal Reserve Board, of all Federal Reserve notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secretary of the Treasury.

**RESERVE BOARD SHALL EXAMINE RESERVE BANKS; MAKE WEEKLY REPORTS OF THEIR CONDITION.**

66. SEC. 11. The Federal Reserve Board shall be authorized and empowered:

(a) To examine at its discretion the accounts, books and affairs of each Federal reserve bank and of each member bank, and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank, and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal reserve banks.

**PERMIT OR REQUIRE REDISCOUNTS BETWEEN RESERVE BANKS.**

67. (b) To permit, or, on the affirmative vote of at least five members of the Reserve Board to require Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Federal Reserve Board.

**SUSPEND RESERVE REQUIREMENTS.**

68. (c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any reserve requirement specified in this Act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this Act may be permitted to fall below the level hereinafter specified: *And provided further*, That when the gold reserve held against Federal reserve notes falls below forty per centum, the Federal Reserve Board shall establish a graduated tax of not more than one per centum per annum upon such deficiency until the reserves fall to thirty-two and one-half per centum, and when said reserve falls below thirty-two and one-half per centum, a tax at the rate increasingly of not less than one and one-half per centum per annum upon each two and one-half per centum or fraction thereof that such

reserve falls below thirty-two and one-half per centum. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board.

**SUPERVISE AND REGULATE ISSUE OF RESERVE NOTES.**

69. (d) To supervise and regulate through the bureau under the charge of the Comptroller of the Currency the issue and retirement of Federal reserve notes, and to prescribe rules and regulations under which such notes may be delivered by the Comptroller to the Federal reserve agents applying therefor.

**RESERVE BOARD MAY ADD TO OR DIMINISH NUMBER OF RESERVE AND CENTRAL RESERVE CITIES.**

70. (e) To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such.

NOTE.—See paragraph 126 National Bank Act.

**SUSPEND OR REMOVE OFFICERS OR DIRECTORS OF RESERVE BANKS.**

71. (f) To suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director and to said bank.

**WORTHLESS ASSETS TO BE WRITTEN OFF.**

72. (g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

**RESERVE BOARD MAY SUSPEND, ADMINISTER OR LIQUIDATE ANY RESERVE BANK.**

73. (h) To suspend, for the violation of any of the provisions of this Act, the operations of any Federal reserve bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.

**MAKE REGULATIONS—REQUIRE BONDS.**

74. (i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.

**GENERAL SUPERVISION OVER RESERVE BANKS.**

75. (j) To exercise general supervision over said Federal reserve banks.

**LIMITED TRUST POWERS GRANTED NATIONAL BANKS.**

76. (k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.

**ATTORNEYS, EXPERTS AND ASSISTANTS FOR RESERVE BOARD.**

77. (1) To employ such attorneys, experts, assistants, clerks, or other employes as may be deemed necessary to conduct the business of the board. All salaries and fees shall be fixed in advance by said board, and shall be paid in the same manner as the salaries of the members of said board. All such attorneys, experts, assistants, clerks, and other employes shall be appointed without regard to the provisions of the Act of January sixteenth, eighteen hundred and eighty-three (volume twenty-two, United States Statutes at Large, page four hundred and three), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided*, That nothing herein shall prevent the President from placing said employes in the classified service.

**ADVISORY COUNCIL.**

78. SEC. 12. There is hereby created a Federal Advisory Council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors, subject to the approval of the Federal Reserve Board. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Federal Reserve Board. The council may in addition to the meetings above provided for hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies, shall serve for the unexpired term.

79. The Federal Advisory Council shall have power, by itself or through its officers, (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

**CHARACTER OF DEPOSITS IN RESERVE BANKS.**

80. SEC. 13. Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks, payable upon presentation; or solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

**DISCOUNT OPERATIONS.**

81. Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal re-

serve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act. Nothing in this Act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

82. Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

83. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation, rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

#### ACCEPTANCES BY MEMBER BANKS.

84. Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus.

#### LIMITATION OF INDEBTEDNESS OF NATIONAL BANKS.

85. Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

- First. Notes of circulation.
- Second. Moneys deposited with or collected by the association.
- Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.

#### **REDISCOUNT RESTRICTIONS.**

86. The rediscount by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

#### **OPEN MARKET OPERATIONS.**

87. SEC. 14. Any Federal reserve bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank.

#### **POWERS OF RESERVE BANKS—DEAL IN GOLD COIN, ETC.**

88. Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

#### **DEAL IN GOVERNMENT OR MUNICIPAL BONDS.**

89. (b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

#### **BUY AND SELL BILLS OF EXCHANGE.**

90. (c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

#### **ESTABLISH RATES OF DISCOUNT.**

91. (d) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

#### **OPEN ACCOUNTS WITH EACH OTHER AND IN FOREIGN COUNTRIES.**

92. (e) to establish accounts with other Federal reserve banks for exchange purposes, and, with the consent of the Federal Reserve

Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties.

#### GOVERNMENT DEPOSITS.

93. SEC. 15. The moneys held in the general fund of the Treasury, except the five per centum fund for the redemption of outstanding national-bank notes and the funds provided in this Act for the redemption of Federal reserve notes, may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

NOTE.—See paragraph 50 National Bank Act, reenacted by paragraph 144 Federal Reserve Act. Also paragraph 123 National Bank Act.

94. No public funds of the Philippine Islands, or of the postal savings, or any Government funds, shall be deposited in the continental United States in any bank not belonging to the system established by this Act: *Provided, however,* That nothing in this Act shall be construed to deny the right of the Secretary of the Treasury to use member banks as depositories.

NOTE.—See paragraph 50 National Bank Act, extended until June 30, 1915.

#### FEDERAL RESERVE CIRCULATING NOTES.

95. SEC. 16. Federal reserve notes, to be issued at the discretion of the Federal Reserve Board for the purpose of making advances to Federal reserve banks through the Federal reserve agents as herein-after set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or in gold or lawful money at any Federal reserve bank.

96. Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes and bills, accepted for rediscount under the provisions of section thirteen of this Act, and the Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

**GOLD AND OTHER SECURITY AGAINST NOTES.**

97. Every Federal Reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits, and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation, and not offset by gold or lawful money deposited with the Federal reserve agent. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money, or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasury, otherwise than for redemption, may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.

**NOTE REDEMPTION FUND IN TREASURY.**

98. The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum; but such deposit of gold shall be counted and included as part of the forty per centum reserve herein-before required. The board shall have the right, acting through the Federal reserve agent, to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal Reserve Board, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this Act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

**METHOD OF RETIRING NOTES.**

99. Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing, with the Federal reserve agent, its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

**RESERVE AGENT TO HOLD SECURITY FOR NOTES.**

100. The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit so much of said gold to the Treasury of the United States as may be required for the exclusive purpose of the redemption of such notes.

**EXCHANGE OF COLLATERAL PERMITTED.**

101. Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes deposited with it and shall at the same time substitute therefor other like collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board.

**PRINTING OF NOTES.**

102. In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$5, \$10, \$20, \$50, \$100, as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued.

NOTE.—See paragraph 71 National Bank Act.

**CUSTODY OF UNISSUED NOTES.**

103. When such notes have been prepared, they shall be deposited in the Treasury, or in the subtreasury or mint of the United States nearest the place of business of each Federal reserve bank and shall be held for the use of such bank subject to the order of the Comptroller of the Currency for their delivery, as provided by this Act.

**COMPTROLLER TO HAVE CUSTODY OF DIES AND PLATES.**

104. The plates and dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue and retirement, shall be paid by the Federal reserve banks, and the Federal Reserve Board shall include in

its estimate of expenses levied against the Federal reserve banks a sufficient amount to cover the expenses herein provided for.

105. The examination of plates, dies, bed pieces, and so forth, and regulations relating to such examination of plates, dies, and so forth, of national-bank notes provided for in section fifty-one hundred and seventy-four, Revised Statutes, is hereby extended to include notes herein provided for.

NOTE.—See paragraph 79 National Bank Act.

#### EXISTING APPROPRIATIONS FOR NOTE PRINTING MADE AVAILABLE.

106. Any appropriation heretofore made out of the general funds of the Treasury for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of national-bank notes or notes provided for by the Act of May thirtieth, nineteen hundred and eight, and any distinctive paper that may be on hand at the time of the passage of this Act may be used in the discretion of the Secretary for the purposes of this Act, and should the appropriations heretofore made be insufficient to meet the requirements of this Act in addition to circulating notes provided for by existing law, the Secretary is hereby authorized to use so much of any funds in the Treasury not otherwise appropriated for the purpose of furnishing the notes aforesaid: *Provided, however,* That nothing in this section contained shall be construed as exempting national banks or Federal reserve banks from their liability to reimburse the United States for any expenses incurred in printing and issuing circulating notes.

NOTE.—See paragraph 124 National Bank Act.

#### CLEARING HOUSE FUNCTIONS.

107. Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charge to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

108. The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

#### REPEAL OF BOND REQUIREMENTS OF NATIONAL BANKS.

109. SEC. 17. So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States,

and section four of the Act of June twentieth, eighteen hundred and seventy-four, and section eight of the Act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking associations shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds is hereby repealed.

NOTE.—See paragraphs 57, 67, 68 National Bank Act.

#### RETIREMENT OF NATIONAL BANK CIRCULATION.

110. SEC. 18. After two years from the passage of this Act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

#### SALE AND TRANSFER OF BONDS TO RESERVE BANKS.

111. The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this Act by the Federal reserve bank.

112. *Provided further*, That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

113. Upon notice from the Treasurer of the amount of bonds so sold for its account, each member shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

114. The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

115. Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this Act, any Federal reserve bank making such deposit in the manner provided by existing law, shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national-bank notes now

provided by law. They shall be issued and redeemed under the same terms and conditions as national-bank notes, except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

**ONE-YEAR GOLD TREASURY NOTES; THIRTY-YEAR BONDS AUTHORIZED.**

116. Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary of the Treasury may issue in exchange for the United States two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal Reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury, binding itself to purchase from the United States for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal reserve bank, to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

117. For the purpose of making the exchange herein provided for, the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form as he may prescribe in denominations of one hundred dollars, or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this Act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest, payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding.

118. Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

**NOTE.—See paragraph 69 National Bank Act.**

**DEMAND AND TIME DEPOSITS DEFINED.**

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

**RESERVE REQUIREMENTS OF MEMBER BANKS—COUNTRY BANKS.**

120. When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member bank shall establish and maintain reserves as follows:

NOTE.—See paragraphs 120 and 121 National Bank Act.

121. (a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after said date, two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

**RESERVE REQUIREMENTS OF MEMBER BANKS—RESERVE CITIES.**

122. (b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date six-fifteenths thereof, and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

**RESERVE REQUIREMENTS OF MEMBER BANKS—CENTRAL RESERVE CITIES.**

123. (c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum

of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank seven-eighteenths.

The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

NOTE.—See Section 5191 Revised Statutes, paragraph 120 National Bank Act, reenacted by section 27, paragraph 144 Federal Reserve Act. See also paragraphs 121, 123, 131, 132 National Bank Act.

#### ELIGIBLE PAPER MAY BE RECEIVED AS RESERVE.

124. Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as described in section fourteen properly indorsed and acceptable to the said reserve bank.

#### STATE BANK AND TRUST COMPANY RESERVES.

125. If a State bank or trust company is required by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company, such reserve deposits so kept in such State bank or trust company shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act except by permission of the Federal Reserve Board.

#### RESERVES MAY BE CHECKED AGAINST.

126. The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.

#### HOW TO ESTIMATE RESERVES.

127. In estimating the reserves required by this Act, the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserves shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

#### BANKS OUTSIDE THE UNITED STATES.

128. National banks located in Alaska or outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks, except in the Philippine Islands, may, with the consent of the Reserve Board, become member

banks of any one of the reserve districts, and shall, in that event, take stock, maintain reserves, and be subject to all the other provisions of this Act.

#### FIVE PER CENT. FUND NO LONGER RESERVE.

129. SEC. 20. So much of sections two and three of the Act of June twentieth, eighteen hundred and seventy-four, entitled "An Act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," as provides that the fund deposited by any national banking association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the Act aforesaid, is hereby repealed. And from and after the passage of this Act such fund of five per centum shall in no case be counted by any national banking association as a part of its lawful reserve.

NOTE.—See paragraph 124 National Bank Act.

#### EXAMINATION OF MEMBER BANKS.

130. SEC. 21. Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

#### SALARIES TO BE PAID EXAMINERS.

131. The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

#### RESERVE BANKS MAY OBTAIN THE EXAMINATION OF MEMBER BANKS.

132. In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and

of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Federal Reserve Board such information as may be demanded concerning the condition of any member bank within the district of the said Federal reserve bank.

#### VISITATORIAL POWERS.

133. No bank shall be subject to any visitatorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.

#### EXAMINATION OF RESERVE BANKS.

134. The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal reserve bank.

#### LOANS AND GRATUITIES PROHIBITED TO EXAMINERS.

135. SEC. 22. No member bank or any officer, director, or employe thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employe violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given. Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employe thereof shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given; and shall forever thereafter be disqualified from holding office as a national-bank examiner. No national-bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employe thereof.

#### LIMITATION AS TO FEES AND BENEFITS TO DIRECTORS, OFFICERS AND EMPLOYEES OF MEMBER BANKS.

136. Other than the usual salary or director's fee paid to any officer, director, or employe of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employe for services rendered to such bank, no officer, director, employe, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank. No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.

137. Except as provided in existing laws, this provision shall not take effect until sixty days after the passage of this Act.

#### RESPONSIBILITY OF STOCKHOLDERS OF NATIONAL BANKS.

138. SEC. 23. The stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any national banking association who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such association to meet its obligations, or with knowledge of such impending failure, shall be liable to the same extent as if they had made no such transfer, to the extent that the subsequent transferee fails to meet such liability; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

#### LOANS ON FARM LANDS.

139. SEC. 24. Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

140. The Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section.

#### FOREIGN BRANCHES.

141. SEC. 25. Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the said board for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

142. Every national banking association which shall receive author-

ity to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item.

#### **INCONSISTENT PROVISIONS OF LAW REPEALED—GOLD STANDARD REAFFIRMED.**

143. SEC. 26. All provisions of law inconsistent with or superseded by any of the provisions of this Act are to that extent and to that extent only hereby repealed: *Provided*, Nothing in this Act contained shall be construed to repeal the parity provision or provisions contained in an Act approved March fourteenth, nineteen hundred entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," and the Secretary of the Treasury may for the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of United States bonds authorized by section two of the Act last referred to or for one-year gold notes bearing interest at a rate of not to exceed three per centum per annum, or sell the same if necessary to obtain gold. When the funds of the Treasury on hand justify, he may purchase and retire such outstanding bonds and notes.

NOTE.—See paragraph 240 National Bank Act.

#### **EMERGENCY CURRENCY ACT EXTENDED.**

144. SEC. 27. The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the Act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this Act: *Provided, however*, That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a

tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes.

NOTE.—On June 30, 1915, when the provisions of the Act of May 30, 1908, will expire, sections 5153, 5172, 5191 and 5214 of the Revised Statutes will be revived by the above as they were prior to May 30, 1908.

Section 5153 deals with public depositaries. It was not expressly amended by the Act of May 30, 1908, but was supplemented by Section 15 of that Act, requiring interest to be paid on public deposits. This section as it read prior to May 30, 1908, will be found as paragraph 50, National Bank Act. See also paragraph 93 Federal Reserve Act.

Section 5172 of the Revised Statutes deals with the printing, denominations and form of circulating notes of National banks. As amended by the Act of May 30, 1908, it will be found as paragraph 75 of the National Bank Act. As reenacted it will read as follows:

Section 5172. (Printing, denominations, and form of the circulating notes.) In order to furnish suitable notes for circulation, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and shall have printed therefrom, and numbered, such quantity of circulating notes, in blank, of the denominations of one dollar, two dollars, three dollars, five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars, as may be required to supply the associations entitled to receive the same. Such notes shall express upon their face that they are secured by United States bonds, deposited with the Treasurer of the United States, by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the Treasury; and shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the signatures of the president or vice-president and cashier; and shall bear such devices and such other statements, and shall be in such form, as the Secretary of the Treasury shall, by regulation, direct.

(Section 5175, paragraph 80, of the National Bank Act, should be read in connection with the above section.)

Section 5191, dealing with reserves, provides that reserve requirements shall not apply to public moneys. This section is now largely superseded by the reserve provisions in the Federal Reserve Act (paragraphs 119-127), but since the character of reserve money is not specified in the Federal Reserve Act, it would seem that the requirement contained in Section 5191 R. S. (paragraph 120 National Bank Act), that reserves shall consist of lawful money of the United States, is made applicable.

Section 5214 was never directly amended until the Act of May 30, 1908, but it had virtually been superseded by two previous statutes, one of which, Act March 3, 1883, repealed the tax on the capital and deposits of national banking associations, and the other, March 14, 1900, levied a tax of one-fourth of one per cent. on the circulation of National banks secured by the deposit of United States two per cent. bonds, in lieu of existing taxes on their circulation imposed by section 5214; and this latter tax was the one in force on May 29, 1908.

#### **REDUCTION OF CAPITAL PERMITTED TO NATIONAL BANKS.**

145. SEC. 28. Section fifty-one hundred and forty-three of the Revised Statutes is hereby amended and reenacted to read as follows: Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Federal Reserve Board,

or by the organization committee pending the organization of the Federal Reserve Board.

**COURTS NOT TO REPEAL UNADJUDICATED PORTIONS OF THE ACT.**

146. SEC. 29. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

147. SEC. 30. The right to amend, alter, or repeal this Act is hereby expressly reserved.

148. Approved, December 23, 1913.

## DUTIES AND POWERS ORGANIZATION COMMITTEE DEFINED.

The first official circular of the Federal Reserve Bank Organization Committee was issued February 14, 1914, and is devoted to a definition of certain sections of the Federal Reserve Act, regarding which inquiries have been made by National and State banks. It also defines the duties and powers of the Committee. It is given below in full:

In view of the large number of inquiries received from both National and State Banks as to the proper interpretation of various sections of the Federal Reserve Act, it is deemed advisable to explain, as briefly as the circumstances will permit, the operation of this Act in so far as it relates to the duties and powers of the Organization Committee and the method of procedure adopted by the Committee. For convenience, these duties are considered in their chronological order.

First. Section 2 of the Federal Reserve Act provides as follows:

"Under regulations to be prescribed by the Organization Committee, every National banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this Act, its acceptance of the terms and provisions hereof."

It will be observed that under the provisions of this section *all* National Banks are *required*, and all other eligible banks are *permitted*, to signify their acceptance of the provisions of this Act within sixty days from its passage. Banks should not confuse this notice to the Committee with the formal application for stock to be filed later.

To facilitate compliance with this provision of the Act, the Committee has forwarded to all National Banks a prescribed form of resolution to be adopted by the Boards of Directors of such banks, and upon request from State Banks is forwarding a prescribed form of resolution for use by such banks. When certified copies of such resolutions have been received and filed, no other action by applying banks is necessary until the locations of the several Federal Reserve Banks have been established by the Committee, and the districts to be served by such banks have been defined.

The Committee is now engaged in holding hearings in various parts of the United States in order to have before it as much information as possible to enable it to properly determine the locations of such banks and the districts to be served.

Section 2 further provides as follows:

"When the Organization Committee shall have designated the cities in which Federal Reserve Banks are to be organized and fixed, the geographical limits of the Federal Reserve districts, every National banking association within that district shall be required within thirty days after notice from the Organization Committee to subscribe to the capital stock of such Federal Reserve Bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months, and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

This section should be read in connection with Section 4 of the Federal Reserve Act, which reads as follows:

"When the Organization Committee shall have established Federal Re-

serve districts as provided in Section 2 of this Act a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal Reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each National Bank located in each district, and to such other banks declared to be eligible by the Organization Committee, which blank shall contain a resolution to be adopted by the Board of Directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal Reserve Bank organizing in that district in accordance with the provisions of this Act."

It will be observed from the foregoing that the Comptroller of the Currency will cause to be forwarded to those banks which have signified their intention to become members of Federal Reserve Banks, a form of application to be executed by such banks after the districts have been laid out and the location of the Federal Reserve Banks definitely established by the Organization Committee. These forms will be forwarded in due course and in accordance with the further provisions of the Act, when the minimum amount of stock for any Federal Reserve Bank has been subscribed the Committee will designate five banks to execute the necessary organization certificate. Subscriptions to stock will therefore not be called by the Committee until after these preliminary steps have been taken.

Attention is called to the fact that all National Banks are required to signify, within sixty days from the passage of the Federal Reserve Act, whether or not they accept the provisions of the Act and intend to subscribe to the stock of the Federal Reserve Banks when organized.

That within thirty days after the Organization Committee has announced the designation of cities in which Federal Reserve Banks are to be organized, fixed the geographical limits to be served, and notified such National Banks, all such National Banks are required to subscribe to the capital stock of such Federal Reserve Banks. These provisions are clearly set forth in the Federal Reserve Act, and the Committee will expect and require a strict compliance therewith.

A number of banks appear to be under the misapprehension that they are allowed twelve months' time in which to accept the provisions of the Federal Reserve Act. This limitation, which is manifestly intended to cause automatically a forfeiture of the charters of those banks failing to comply with the provisions of the Act, must not be construed as extending the time specifically set out in the Act within which such banks must take the action above outlined.

The provisions relating to membership by State Banks are, under the terms of the Act, entirely optional. State Banks are not required to signify within any given time their intention to become members, but are permitted to do so if they desire to become members as soon as Federal Reserve Banks are originally organized.

Two methods are prescribed by the Federal Reserve Act by which such banks may become members of the Federal Reserve System. *First*, under Section 8, by conversion of State Banks into National Banks, in which case the laws applicable to National Banks become immediately operative as soon as such conversion is completed. *Second*, under Section 9, State Banks may become members, as State Banks, retaining their State charters, in which case such banks are subject, specifically, to the provisions of the Federal Reserve Act contained in Section 9, and to such other provisions of the Act as are clearly applicable. Banks becoming members as State Banks, therefore, may exercise those powers conferred by their State charters which are not in conflict with the specific provisions of the Federal Reserve Act.

State Banks and Trust Companies signifying their intention to become members of the Federal Reserve System before the organization of the Federal Reserve Banks will be permitted to participate in the selection of directors of said Reserve Banks, as prescribed by the Federal Reserve Act.

The Committee has prescribed the regulations under which State Banks and Trust Companies may become members, and a copy of such regulations, with the forms approved for use by such banks, will be furnished upon request of any State Bank desiring to apply for membership in a Federal Reserve Bank.

M. C. ELLIOTT,  
Secretary, Reserve Bank Organization Committee.

On February 20, 1914, the Organization Committee issued the following:

**REGULATIONS AND BY-LAWS, RESERVE BANK ORGANIZATION COMMITTEE, PRESCRIBING CONDITIONS UNDER WHICH STATE BANKS AND TRUST COMPANIES MAY SUBSCRIBE TO THE STOCK AND BECOME MEMBERS OF FEDERAL-RESERVE BANKS.**

Section 9 of the Federal Reserve Act reads in part, as follows:

"Any bank incorporated by special law of any State, or organized under the general laws of any State of the United States, may make application to the Reserve Bank Organization Committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve Bank organized or to be organized within the Federal Reserve district where the applicant is located. The Organization Committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal Reserve Bank of the district in which the applying bank is located. Whenever the Organization Committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal Reserve Bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for National Banks which become stockholders in Federal Reserve Banks."

Pursuant to the provisions of this section, the Reserve Bank Organization Committee has prescribed the following regulations and by-laws specifying the conditions under which State Banks and Trust Companies may become members of Federal Reserve Banks.

*First.*—Any State Bank or Trust Company eligible to membership in a Federal Reserve Bank under the Federal Reserve Act and desiring to subscribe to the capital stock of the Federal Reserve Bank to be organized in the district which will include the place of business of such State Bank or Trust Company shall submit to its board of directors for consideration a resolution in the following form, to wit:

*Whereas*, Under Section 2 of the Act of Congress known as the Federal Reserve Act, approved on the 23d day of December, 1913, it is provided that: "Under regulations to be prescribed by the Organization Committee every National banking association in the United States is hereby required and every eligible bank in the United States and every trust company within the District of Columbia is hereby authorized to signify in writing within sixty days after the passage of this Act, its acceptance of the terms and provisions thereof;" and

*Whereas*, This bank is believed by the Board of Directors to be eligible to membership and to have the right to subscribe to the capital stock of the Federal Reserve Bank to be organized; and

*Whereas*, It is the intention of this Board to apply under the provisions of the Federal Reserve Act for its proper proportion of stock of the Federal Reserve Bank to be organized within the district in which this bank will be located when the geographical limits to be served by such Federal Reserve Bank have been fixed and announced by the Organization Committee.

*Now, therefore, be it resolved*, That the president of this bank be, and he hereby is authorized, empowered and directed to notify the Reserve Bank Organization Committee that this bank will apply for an allotment of stock of the Federal Reserve Bank aforesaid, and, if granted, will become a member of such Federal Reserve Bank subject to the provisions of the Federal Reserve Act.

When such resolution has been passed by the board of directors, the president or executive officer of such State Bank or Trust Company shall transmit a duly certified copy of such resolution to the Reserve Bank Organization Committee at Washington.

*Second.*—When the location of the several Federal Reserve Banks provided for in the Federal Reserve Act have been established and the districts to be served by such Federal Reserve Banks have been defined, the Committee will cause to be forwarded to such State Banks or Trust Companies, at the same time that applications are forwarded to National Banks under

the provisions of the Federal Reserve Act, a form of application for an amount of capital stock in such Federal Reserve Bank equal to 6 per cent. of the unimpaired capital stock and surplus of such State Bank or Trust Company. This application must be accompanied by a statement showing the assets and liabilities of such State Bank or Trust Company listed on forms approved by the Committee. These forms will be furnished by the Committee upon request. The Board of Directors or a committee composed of not less than five members of such Board shall certify that in their opinion the assets listed in the manner prescribed by the Committee represent actual existing values, and that in the opinion of said Board none of such assets are carried at an excessive valuation on the books of said bank.

State Banks and Trust Companies shall also file with their applications for membership copies of their charters, with amendments, and a digest thereof showing the powers (granted by such charters and amendments) classified to indicate:

- a. Those powers which such banks and trust companies have exercised and desire to continue to exercise.
- b. Those powers which, while granted, have not been exercised and which such banks and trust companies will not desire nor attempt to exercise as members of the Federal Reserve System.

*Third.*—In lieu of a special examination of the conditions of such bank by a National Bank examiner or examiner-appointed by the Committee or the Federal Reserve Board, the Committee may accept a certificate from a duly accredited State examiner or bank commissioner to the effect that the statement filed by the Board of Directors as aforesaid represents the true condition of such State Bank or Trust Company, and that the capital stock of such bank is in the opinion of such examiner or commissioner unimpaired, the surplus represents actual existing values and the liabilities are as shown by such statement. The Committee, however, will reserve the right in any case to require a special examination by a National Bank examiner or an examiner selected by the Committee or by the Federal Reserve Board as a condition precedent to membership in any Federal Reserve Bank.

*Fourth.*—Only those banks which have an unimpaired capital sufficient to entitle them to become National banking associations under the provisions of the National Bank Act shall be considered as eligible to membership in a Federal Reserve Bank.

In accordance with Section 5138, U. S. Revised Statutes, as amended by the Act of March 14, 1900, State Banks or Trust Companies in order to be eligible to membership must have unimpaired capital stock, as follows:

In cities or towns of less than 3,000 inhabitants, \$25,000.  
In cities or towns of more than 3,000 inhabitants, but less than 6,000 inhabitants, \$50,000.

In cities of more than 6,000 inhabitants but less than 50,000 inhabitants, \$100,000.

In cities of more than 50,000 inhabitants, \$200,000.

*Fifth.*—State Banks becoming members as such under the provisions of Section 9 of the Federal Reserve Act and retaining their State charters shall be subject to the provisions of Section 9 and to such other provisions of the Federal Reserve Act as are applicable thereto.

*Sixth.*—State Banks desiring to become members under Section 8 of the Federal Reserve Act by being first converted into National Banks in accordance with the provisions of this section, shall become members as National Banks. Where such conversion into National Banks is completed before the expiration of 60 days from the passage of the Federal Reserve Act; such banks should file with the Organization Committee the form of resolution prescribed by the Committee to signify their acceptance of the terms and provisions of the Federal Reserve Act before February 23, 1914. Where such conversion is not completed before the expiration of the 60 days aforesaid, the board of directors of such banks shall, in executing the articles of association and organization certificate as required by Section 8, at the same time adopt the resolution prescribed by the Organization Committee as aforesaid, and such resolution shall accompany the organization certificate filed with the Comptroller of the Currency.

*Seventh.*—Where such conversion is completed after the organization of the Federal Reserve Banks, such organization certificate shall be accompanied by an application to the Federal Reserve Board or to the Organiza-

tion Committee for an amount of stock equal to 6 per cent. of the unimpaired capital and surplus of such bank.

*Eighth.*—Whenever a trust company shall become converted into a National Bank under the provisions of Section 8 of the Federal Reserve Act and shall desire to continue to act as trustee, executor, administrator or registrar of stocks and bonds, such organization certificate shall, when filed with the Comptroller of the Currency, be accompanied by an application to the Federal Reserve Board for permission to engage in such business, and no certificate for the conversion of such trust company into a National Bank shall be approved by the Comptroller of the Currency until the Federal Reserve Board has granted this permission under rules and regulations prescribed by it.

*Ninth.*—Whenever a State Bank or Trust Company with established branches shall make application for conversion into a National Bank and shall desire to retain such branches, such State Bank or Trust Company shall comply with Section 5155, U. S. Revised Statutes, which reads as follows:

"It shall be lawful for any bank or banking association organized under State laws, and having branches, the capital being joint and assigned to and used by the mother-bank and branches in definite proportions, to become a National banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable at the mother-bank, and each branch to be regulated by the amount of capital assigned to and used by each."

*Tenth.*—State Banks or Trust Companies applying for membership in the Federal Reserve System under Section 8 of the Federal Reserve Act by conversion into National banking associations, or applying for membership under Section 9 as State Banks will, if otherwise found to be eligible, be given a reasonable time within which to adjust the loans and investments of such banks to conform to the requirements of the Federal Reserve Act and other laws of the United States applicable thereto. Any bank applying for membership and having loans to any one person, firm, or corporation in excess of the limit allowed by the Federal Reserve Act or other loans and investments prohibited by such act shall, before being admitted to membership, give satisfactory assurance to the Committee or to the Federal Reserve Board that such loans and investments will be eliminated or made to conform to the provisions of the Federal Reserve Act and other applicable laws not later than January 1, 1915.

The condition of the applying bank or trust company and the general nature of its business will be considered by the Committee in each case in determining whether such banks shall be admitted to membership.

*Eleventh.*—The Committee or the Federal Reserve Board will from time to time adopt and publish such additional regulations and by-laws as may be deemed necessary and advisable.

W. G. McADOO, *Chairman,*

D. F. HOUSTON,

J. S. WILLIAMS,

*Reserve Bank Organization Committee.*



# NATIONAL-BANK ACT

AND

Other Laws Relating to Banking

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AND INDEX



## DATES OF ACTS RELATING TO NATIONAL BANKS.

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# THE NATIONAL BANK ACT AND ACTS AMENDATORY THEREOF AND SUPPLEMENTARY THERETO.

## CHAPTER I.

### BUREAU OF THE COMPTROLLER OF THE CURRENCY.

- |   |   |
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| 1. 324. Bureau of the Comptroller of the Currency.                    | 10. 332. Banks other than national in District of Columbia. (See sec. 714, Code District of Columbia.)  |
| 2. 325. Comptroller of the Currency.                                  | 11. 333. Report of Comptroller.   |
| 3. 326. Qualification of Comptroller of the Currency. Amount of bond. | 12. Act April 28, 1902. Report of Comptroller to give complete list of all employes of the office, information about failed banks, employes under receivers, etc. |
| 4. 327. Deputy Comptroller of the Currency.                           | 13. Act January 12, 1895. Number of copies of report to be printed.   |
| 5. Act May 22, 1908. Additional Deputy Comptroller of the Currency.   | 14. Joint resolution March 4, 1907. Three thousand additional copies authorized to be printed.  |
| 6. 328. Clerks.   |   |
| 7. 329. Interest in national banks prohibited.                        |   |
| 8. 330. Seal of Comptroller of the Currency.                          |   |
| 9. 331. Rooms, vaults, and furniture for Currency Bureau.             |   |

### BUREAU OF THE COMPTROLLER OF THE CURRENCY. (AS AMENDED BY FEDERAL RESERVE ACT.)

1. Sec. 324.—There shall be in the Department of the Treasury a Bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of a national currency secured by United States bonds and, under the general supervision of the Federal Reserve Board, of all Federal reserve notes, the chief officer of which Bureau shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury.

### COMPTROLLER OF THE CURRENCY.

2. Sec. 325.—The Comptroller of the Currency shall be appointed by the President, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years, unless sooner removed by the President, upon reasons to be communicated by him to the Senate; and he shall be entitled to a salary of five thousand dollars a year.

NOTE.—Compensation increased, paragraph 58 Federal Reserve Act. Member organization committee, paragraph 2 Federal Reserve Act. Ex-officio member reserve board, paragraph 58 Federal Reserve Act. Ineligible for employment, paragraph 59 Federal Reserve Act.

### QUALIFICATION OF COMPTROLLER OF THE CURRENCY, AMOUNT OF BOND.

*Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99.* 3. Sec. 326.—The Comptroller of the Currency shall, within fifteen days from the time of notice of his appointment, take and subscribe the oath of office; and he shall give to the United States a bond in the penalty of one hundred thousand dollars, with not less than two responsible sureties, to be approved by the Secretary of the Treasury, conditioned for the faithful discharge of the duties of his office.

### DEPUTY COMPTROLLER OF THE CURRENCY.

*Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99.* 4. Sec. 327.—There shall be in the Bureau of the Comptroller of the Currency a Deputy Comptroller of the Currency, to be appointed by the Secretary, who shall be entitled to a salary of two thousand five hundred dollars a year and who shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in the office or during the absence or inability of the Comptroller. The Deputy Comptroller shall also take the oath of office prescribed by the Constitution and laws of the United States, and shall give a like bond in the penalty of fifty thousand dollars.

NOTE.—The salary of the Deputy Comptroller has been fixed at various amounts by different appropriation bills, as follows: Act March 3, 1875 (sundry civil bill), 18 Stat. L., 396, \$3,000; act March 3, 1901, 31 Stat. L., 978, \$2,800; act March 18, 1904, 33 Stat. L., 103, \$3,000; act February 3, 1905, 33 Stat. L., 649, and all subsequent acts, \$3,500.

### ADDITIONAL DEPUTY COMPTROLLER OF THE CURRENCY. ACT MAY 22, 1908.

*Legislative, executive, and judicial appropriation act, approved May 22, 1908.* 5. \* \* \* Deputy Comptroller, three thousand five hundred dollars; Deputy Comptroller, three thousand dollars.

NOTE.—The Attorney General of the United States, in an opinion rendered June 19, 1908, said: "Generally speaking, a deputy has power to do every act which his principal may do and is not restricted to some particulars of his office. (Throop on Public Officers, sec. 583; Mechem's Public Officers, sec. 570; Erwin v. U. S., 37 Fed. Rep. 470.) Doubtless it was on account of this general rule, and with the intention that there should be no restriction, that Congress did not deem it necessary to prescribe specifically the duties of the additional Deputy Comptroller. There being no limitation or restriction upon the power of that officer, my opinion is that he would have the same authority as that conferred by statute upon the first deputy.

### CLERKS.

*Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 100.* 6. Sec. 328.—The Comptroller of the Currency shall employ, from time to time, the necessary clerks, to be appointed and classified by the Secretary of the Treasury, to discharge such duties as the Comptroller shall direct.

### INTEREST IN NATIONAL BANKS PROHIBITED.

*Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99.* 7. Sec. 329.—It shall not be lawful for the Comptroller or the Deputy Comptroller of the Currency, either di-

rectly or indirectly, to be interested in any association issuing national currency under the laws of the United States.

#### SEAL OF COMPTROLLER OF THE CURRENCY.

8. Sec. 330 [as amended 1875].—The seal devised by the Comptroller of the Currency for his office, and approved by the Secretary of the Treasury, shall continue to be the seal of office of the Comptroller, and may be renewed when necessary. A description of the seal, with an impression thereof, and a certificate of approval by the Secretary of the Treasury, shall be filed in the office of the Secretary of State.

#### ROOMS, VAULTS, AND FURNITURE FOR CURRENCY BUREAU.

9. Sec. 331.—There shall be assigned, from time to time, to the Comptroller of the Currency, by the Secretary of the Treasury, suitable rooms in the Treasury building for conducting the business of the Currency Bureau, containing safe and secure fireproof vaults, in which the Comptroller shall deposit and safely keep all the plates not necessarily in the possession of engravers or printers, and other valuable things belonging to his department; and the Comptroller shall from time to time furnish the necessary furniture, stationery, fuel, lights, and other proper conveniences for the transaction of the business of his office.

#### 10. Sec. 332.—

Refers entirely to banks other than national in the District of Columbia.

#### REPORT OF COMPTROLLER.

11. Sec. 333 [as amended 1875].—The Comptroller of the Currency shall make an annual report to Congress, at the commencement of its session, exhibiting—

First. A summary of the state and condition of every association from which reports have been received the preceding year, at the several dates to which such reports refer, with an abstract of the whole amount of banking capital returned by them, of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of lawful money held by them at the times of their several returns, and such other information in relation to such associations as in his judgment may be useful.

Second. A statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed and the amount outstanding.

Third. Any amendment to the laws relative to banking by which the system may be improved and the security

of the holders of its notes and other creditors may be increased.

Fourth. A statement exhibiting under appropriate heads the resources and liabilities and condition of the banks, banking companies, and savings banks organized under the laws of the several States and Territories; such information to be obtained by the Comptroller from the reports made by such banks, banking companies, and savings banks to the legislatures or officers of the different States and Territories, and, where such reports can not be obtained, the deficiency to be supplied from such other authentic sources as may be available.

Fifth. The names and compensation of the clerks employed by him, and the whole amount of the expenses of the banking department during the year.

**COMPTROLLER TO GIVE COMPLETE LIST OF ALL EMPLOYES OF THE OFFICE, INFORMATION ABOUT FAILED BANKS, EMPLOYES, UNDER RECEIVERS, ETC. ACT APRIL 28, 1902.**

Act April 28, 1902, legislative, executive, and judicial appropriation act; 32 Stat. L., 138.

12.—*Provided*, That for the fiscal year of nineteen hundred and two and thereafter, a full and complete list of all officers, agents, clerks, and other employees of the office of the Comptroller of the Currency, including bank examiners, receivers and attorneys for receivers, and clerks employed by such examiners and receivers, or any other person connected with the work of said office in Washington or elsewhere, whose salary or compensation is paid from the Treasury of the United States or assessed against or collected from existing or failed banks under their supervision or control, shall be transmitted to the Secretary of the Interior in accordance with the provisions of an Act of Congress approved January twelfth, eighteen hundred and eighty-five, relating to the Official Register: *And provided further*, That the Comptroller of the Currency is hereby directed to include in his Annual Report to the Speaker of the House of Representatives, expenses incurred during each year, in liquidation of each failed national bank separately.

**NUMBER OF COPIES OF REPORT TO BE PRINTED.  
ACT OF JANUARY 12, 1895.**

Act Jan. 12, 1895, sec. 73; 28 Stat. L., annual report of the Comptroller of the Currency, ten thousand copies; one thousand for the Senate, two thousand for the House, and seven thousand for distribution by the Comptroller of the Currency.

**THREE THOUSAND ADDITIONAL COPIES AUTHORIZED TO BE PRINTED. JOINT RESOLUTION NO. 25, MARCH 4, 1907.**

H. J. Res. 219, Mar. 4, 1907; 34 Stat. L., 1245. 14.—That section 73 of an act “Providing for the public printing and binding, and the distribution of public documents,” approved January 12, 1895, be, and the same

is hereby, so amended as to authorize the printing annually hereafter of ten thousand copies of the annual report of the Comptroller of the Currency, for distribution by the Comptroller of the Currency, instead of seven thousand copies as heretofore.

## CHAPTER II.

### ORGANIZATION AND POWERS.

- |   |  |
|---|--|
| 15. Act June 20, 1874. The national-<br>bank act.   | 32. Act April 12, 1902. Re-extension<br>of corporate existence.                      |
| 16. 5133. Formation of national bank-<br>ing associations.  | 33. 5137. Power to hold real property.   |
| 17. 5134. Requisites of organization<br>certificate.  | 34. 5138. Requisite amount of capital.   |
| 18. 5135. How certificate shall be ac-<br>knowledged and filed.   | 35. 5139. Shares of stock and trans-<br>fers.  |
| 19. 5136. Corporate powers of associa-<br>tion.   | 36. 5140. How payment of capital stock<br>must be made and certified.                |
| 20. Act May 1, 1886. Section 1 relates<br>to increase of capital stock<br>and is inserted after section<br>5142.          | 37. 5141. Proceedings if shareholder<br>fails to pay installments.                   |
| 21. Act May 1, 1886. May change name<br>and location.   | 38. 5142. National banks may increase<br>capital stock.                              |
| 22. Act May 1, 1886. Debts not af-<br>fected by change.   | 39. Act May 1, 1886. Increase of cap-<br>ital stock.                                 |
| 23. Act May 1, 1886. No release from<br>liabilities.  | 40. 5143. Reduction of capital stock.  |
| 24. Act August 13, 1888. National<br>banks deemed citizens of<br>states in which located.                                 | 41. 5144. Right of shareholders to<br>vote. Proxies authorized.                      |
| 25. Act July 12, 1882. Extension of<br>corporate existence.   | 42. 5145. Election of directors.   |
| 26. Act of July 12, 1882. Consent of<br>two-thirds necessary.   | 43. 5146. Requisite qualification of di-<br>rectors.                                 |
| 27. Act July 12, 1882. Special exami-<br>nation of bank and issue of<br>certificate of approval by<br>Comptroller.        | 44. 5147. Oath required from directors.  |
| 28. Act of July 12, 1882. Status not<br>changed by extension. Ju-<br>risdiction of suits by or<br>against national banks. | 45. 5148. Filling vacancies.   |
| 29. Act July 12, 1882. Dissenting<br>shareholders may withdraw.   | 46. 5149. Proceedings where no elec-<br>tion is held on the proper<br>day.           |
| 30. Act July 12, 1882. Redemption of<br>circulating notes issued<br>prior to extension.                                   | 47. 5150. Election of president of the<br>board.                                     |
| 31. Act July 12, 1882. Dissolution of<br>banks not extending period<br>of succession.                                     | 48. 5151. Individual liability of share-<br>holders.                                 |
|   | 49. 5152. Executors, trustees, etc., not<br>personally liable.                       |
|   | 50. 5153. National banking associa-<br>tions to be depositaries of<br>public moneys. |
|   | 51. Act May 30, 1908. Interest on pub-<br>lic deposits.                              |
|   | 52. 5154. Conversion of state banks<br>into national banking associa-<br>tions.      |
|   | 53. 5155. State banks having branches.   |
|   | 54. 5156. Reservation of rights of as-<br>sociations organized under<br>act of 1863. |

### THE NATIONAL BANK ACT. ACT JUNE 20, 1874.

Act June 20, 1874, c. 343, sec. 1; 18 Stat. L. 123. 15. Sec. 1.—An act entitled "An act to provide a na-  
tional currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864, shall hereafter be known as "the national-bank act."

**FORMATION OF NATIONAL BANKING ASSOCIATIONS.**

16. Sec. 5133.—Associations for carrying on the business of banking under this Title may be formed by any number of natural persons, not less in any case than five. They shall enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed by the persons uniting to form the association, and a copy of them shall be forwarded to the Comptroller of the Currency, to be filed and preserved in his office.

Act June 3,  
1864, c. 106,  
sec. 5; 13 Stat.  
L., 100.

**REQUISITES OF ORGANIZATION CERTIFICATE.**

17. Sec. 5134.—The persons uniting to form such an association shall, under their hands, make an organization certificate, which shall specifically state:

Act June 3,  
1864, c. 106,  
sec. 6; 13 Stat.  
L., 101.

First. The name assumed by such association; which name shall be subject to the approval of the Comptroller of the Currency.

Second. The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or district, and the particular county and city, town, or village.

Third. The amount of capital stock and the number of shares into which the same is to be divided.

Fourth. The names and places of residence of the shareholders and the number of shares held by each of them.

Fifth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this Title.

NOTE.—For authority to change names or locations see act May 1, 1886, following section 5136.

**HOW CERTIFICATE SHALL BE ACKNOWLEDGED AND FILED.**

18. Sec. 5135.—The organization certificate shall be acknowledged before a judge of some court of record, or notary public; and shall be, together with the acknowledgment thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall record and carefully preserve the same in his office.

Act June 3,  
1864, c. 106,  
sec. 6; 13 Stat.  
L., 101.

**CORPORATE POWERS OF ASSOCIATION.**

19. Sec. 5136.—Upon duly making and filing articles of association and an organization certificate, the association shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

Act June 3,  
1864, c. 106,  
sec. 8; 13 Stat.  
L., 101.

First. To adopt and use a corporate seal.

Second. To have succession for the period of twenty years from its organization, unless it is sooner dissolved according to the provisions of its articles of association, or by the act of its shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of law.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend; in any court of law and equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to appoint a president, vice-president, cashier, and other officers, define their duties, require bonds of them and fix the penalty thereof, dismiss such officers or any of them at pleasure, and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, by-laws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this Title.

But no association shall transact any business except such as is incidental and necessarily preliminary to its organization, until it has been authorized by the Comptroller of the Currency to commence the business of banking.

**NOTE.**—See secs. 5168, 5169 and 5170, paragraphs 70, 71, 72, post, relating to issuing and publishing of certificate authorizing association to begin business.

#### INCREASE OF CAPITAL STOCK. ACT MAY 1, 1886.

##### 20. Sec. 1.—

Relates to increase of capital stock and is inserted after section 5142, paragraph 38, Revised Statutes.

#### MAY CHANGE NAME AND LOCATION; HOW. ACT MAY 1, 1886.

Act May 1, 1886, c. 73, sec. 2; 24 Stat. L., 18. 21. Sec. 2.—Any national banking association may change its name or the place where its operations of discount and deposit are to be carried on, to any other place within the same State, not more than thirty miles distant, with the approval of the Comptroller of the Currency, by the vote of shareholders owning two-thirds of the stock of such association. A duly authenticated notice of the vote and of the new name or location selected shall be sent to the office of the Comptroller of the

Currency; but no change of name or location shall be valid until the Comptroller shall have issued his certificate of approval of the same.

**DEBTS NOT AFFECTED BY CHANGE. ACT MAY 1, 1886.**

22. Sec. 3.—All debts, liabilities, rights, provisions, and powers of the association under its old name shall devolve upon and inure to the association under its new name. Act May 1, 1886, c. 73, sec. 3; 24 Stat. L., 19.

**NO RELEASE FROM LIABILITIES. ACT MAY 1, 1886.**

23. Sec. 4.—Nothing in this act contained shall be so construed as in any manner to release any national banking association under its old name or at its old location from any liability, or affect any action or proceeding in law in which said association may be or become a party or interested. Act May 1, 1886, c. 73, sec. 4; 24 Stat. L., 19.

**NATIONAL BANKS DEEMED CITIZENS OF STATES IN WHICH LOCATED. ACT AUGUST 13, 1888.**

24. Sec. 4.—All national banking associations established under the laws of the United States shall, for the purposes of all actions by or against them, real, personal, or mixed, and all suits in equity, be deemed citizens of the States in which they are respectively located; and in such cases the circuit and district courts shall not have jurisdiction other than such as they would have in cases between individual citizens of the same State. The provisions of this section shall not be held to affect the jurisdiction of the courts of the United States in cases commenced by the United States or by direction of any officer thereof, or cases for winding up the affairs of any such bank. Act Mar. 3, 1887, sec. 4; 24 Stat. L., 554. Act Aug. 13, 1888, c. 806, sec. 4; 25 Stat. L., 436.

**EXTENSION OF CORPORATE EXISTENCE. ACT JULY 12, 1882.**

25. Sec. 1.—That any national banking association organized under the acts of February twenty-fifth, eighteen hundred and sixty-three, June third, eighteen hundred and sixty-four, and February fourteenth, eighteen hundred and eighty, or under sections fifty-one hundred and thirty-three, fifty-one hundred and thirty-five, fifty-one hundred and thirty-six, and fifty-one hundred and fifty-four of the Revised Statutes of the United States, may, at any time within the two years next previous to the date of the expiration of its corporate existence under present law, and with the approval of the Comptroller of the Currency, to be granted, as hereinafter provided, extend its period of succession by amending its articles of association for a term of not more than twenty years from the expiration of the period of succession named in said articles of association, and shall have succession for such extended period, unless sooner dissolved by the act of shareholders owning two-thirds of its stock; or unless its franchise be- Act July 12, 1882, c. 290, sec. 1; 22 Stat. L., 162.

comes forfeited by some violation of law, or unless hereafter modified or repealed.

NOTE.—Act of February 14, 1880, relates to the conversion of gold banks into currency banks, and is inserted after Revised Statutes 5186.

**CONSENT OF TWO-THIRDS NECESSARY. ACT JULY 12, 1882.**

*Act July 12, 1882, c. 290, sec. 2; 22 Stat. L., 162.* 26. Sec. 2.—That such amendment of said articles of association shall be authorized by the consent in writing of shareholders owning not less than two-thirds of the capital stock of the association; and the board of directors shall cause such consent to be certified under the seal of the association, by the president or cashier, to the Comptroller of the Currency, accompanied by an application made by the president or cashier for the approval of the amended articles of association by the Comptroller; and such amended articles of association shall not be valid until the Comptroller shall give to such association a certificate under his hand and seal that the association has complied with all the provisions required to be complied with, and is authorized to have succession for the extended period named in the amended articles of association.

**SPECIAL EXAMINATION OF BANK AND ISSUE OF CERTIFICATE OF APPROVAL BY COMPTROLLER. ACT JULY 12, 1882.**

*Act July 12, 1882, c. 290, sec. 3; 22 Stat. L., 163.* 27. Sec. 3.—That upon the receipt of the application and certificate of the association provided for in the preceding section, the Comptroller of the Currency shall cause a special examination to be made, at the expense of the association, to determine its condition; and if after such examination or otherwise, it appears to him that said association is in a satisfactory condition, he shall grant his certificate of approval provided for in the preceding section, or if it appears that the condition of said association is not satisfactory, he shall withhold such certificate of approval.

**STATUS NOT CHANGED BY EXTENSION, JURISDICTION OF SUITS BY OR AGAINST NATIONAL BANKS. ACT JULY 12, 1882.**

*Act July 12, 1882, c. 290, sec. 4; 22 Stat. L., 163.* 28. Sec. 4.—That any association so extending the period of its succession shall continue to enjoy all the rights and privileges and immunities granted and shall continue to be subject to all the duties, liabilities, and restrictions imposed by the Revised Statutes of the United States and other acts having reference to national banking associations, and it shall continue to be in all respects the identical association it was before the extension of its period of succession: *Provided, however,* That the jurisdiction for suits hereafter brought by or against any association established under any law providing for national banking associations, except suits between them and the United States or its officers and agents, shall be

the same as, and not other than, the jurisdiction for suits by or against banks not organized under any law of the United States which do or might do banking business where such national banking association may be doing business when such suits may be begun: And all laws and parts of laws of the United States inconsistent with this proviso be, and the same are hereby, repealed.

NOTE.—See also act of August 13, 1888, relating to citizenship of national banks and jurisdiction of the circuit and district courts, which follows sec. 5136, paragraph 19, ante.

**DISSENTING SHAREHOLDERS MAY WITHDRAW.  
ACT JULY 12, 1882.**

29. Sec. 5.—That when any national banking association has amended its articles of association as provided in this act, and the Comptroller has granted his certificate of approval, any shareholder not assenting to such amendment may give notice in writing to the directors, within thirty days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder, he may appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall exceed the value fixed by said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due, and be forthwith paid, to said shareholder, from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale, within thirty days after the final appraisal provided in this section: *Provided*, That in the organization of any banking association intended to replace any existing banking association, and retaining the name thereof, the holders of stock in the expiring association shall be entitled to preference in the allotment of the shares of the new association in proportion to the number of shares held by them respectively in the expiring association.

Act July 12,  
1882, c. 290.  
sec. 5; 22 Stat.  
L., 163.

**REDEMPTION OF CIRCULATING NOTES ISSUED  
PRIOR TO EXTENSION. ACT JULY 12, 1882.**

30. Sec. 6.—That the circulating notes of any association so extending the period of its succession which shall have been issued to it prior to such extension shall be redeemed at the Treasury of the United States, as provided in section three of the act of June twentieth, eighteen hundred and seventy-four, entitled "An act fixing the amount of United States notes, providing for redistribu-

Act July 12,  
1882, c. 290.  
sec. 6; 22 Stat.  
L., 163.

tion of national bank currency, and for other purposes," and such notes when redeemed shall be forwarded to the Comptroller of the Currency, and destroyed, as now provided by law; and at the end of three years from the date of the extension of the corporate existence of each bank the association so extended shall deposit lawful money with the Treasurer of the United States sufficient to redeem the remainder of the circulation which was outstanding at the date of its extension, as provided in section fifty-two hundred and twenty-two, fifty-two hundred and twenty-four, and fifty-two hundred and twenty-five of the Revised Statutes; and any gain that may arise from the failure to present such circulating notes for redemption shall inure to the benefit of the United States; and from time to time, as such notes are redeemed or lawful money deposited therefor as provided herein, new circulating notes shall be issued as provided by this act, bearing such devices, to be approved by the Secretary of the Treasury, as shall make them readily distinguishable from the circulating notes heretofore issued: *Provided, however,* That each banking association which shall obtain the benefit of this act shall reimburse to the Treasury the cost of preparing the plate or plates for such new circulating notes as shall be issued to it.

NOTE.—Act of June 20, 1874, section 3, mentioned above, is inserted after Revised Statutes 5192. The destruction of bank notes by burning, as provided in sections 5184, 5225, Revised Statutes, is superseded by act of June 23, 1874, which requires bank notes to be macerated.

#### DISSOLUTION OF BANKS NOT EXTENDING PERIOD OF SUCCESSION. ACT JULY 12, 1882.

<sup>Act July 12,  
1882, c. 290.  
sec. 7; 22 Stat.  
L., 164.</sup> 31. Sec. 7.—That national banking associations whose corporate existence has expired or shall hereafter expire, and which do not avail themselves of the provisions of this act, shall be required to comply with the provisions of sections fifty-two hundred and twenty-one and fifty-two hundred and twenty-two of the Revised Statutes in the same manner as if the shareholders had voted to go into liquidation, as provided in section fifty-two hundred and twenty of the Revised Statutes; and the provisions of sections fifty-two hundred and twenty-four and fifty-two hundred and twenty-five of the Revised Statutes shall also be applicable to such associations, except as modified by this act; and the franchise of such associations is hereby extended for the sole purpose of liquidating their affairs until such affairs are finally closed.

NOTE.—Other sections of act of July 12, 1882.

Sec. 8.—[Relates to bond deposits and circulating notes.] Follows Revised Statutes, section 5167.

Sec. 9.—[Relates to withdrawal of circulating notes.] Follows Revised Statutes, section 5167.

Sec. 10.—Repealed sections 5171-5176, Revised Statutes, and was superseded by act of March 14, 1900. (See section 5171, Revised Statutes.)

Sec. 11.—Authorizes the exchange of three per cent. bonds for outstanding three and one-half per cent. bonds.

Sec. 12.—Authorizes the issue of gold certificates upon the deposit of gold coin. Inserted after section 5207.

Sec. 13.—[Relates to false certification of checks.] Follows Revised Statutes, section 5208.

#### REEXTENSION OF CORPORATE EXISTENCE. ACT OF APRIL 12, 1902.

32. That the Comptroller of the Currency is hereby authorized, in the manner provided by, and under the conditions and limitations of, the act of July 12, 1882, to extend for a further period of twenty years the charter of any national banking association extended under said act which shall desire to continue its existence after the expiration of its charter.

Act April 12,  
1902, c. 503;  
32 Stat. L., 102.

#### POWER TO HOLD REAL PROPERTY.

33. Sec. 5137.—A national banking association may purchase, hold, and convey real estate for the following purposes, and for no others:

Act June 3,  
1864, c. 106,  
sec. 28, 13 Stat.  
L., 107.

First. Such as shall be necessary for its immediate accommodation in the transaction of its business.

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

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts due to it.

But no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years.

#### REQUISITE AMOUNT OF CAPITAL.

34. Sec. 5138 [as amended 1900].—No association shall be organized with a less capital than one hundred thousand dollars, except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed six thousand inhabitants, and except that banks with a capital of not less than twenty-five thousand dollars may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed three thousand inhabitants. No association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than two hundred thousand dollars.

Act June 3,  
1864, c. 106,  
sec. 7; 13 Stat.  
L., 101.  
Act Mar. 14,  
1900, c. 41,  
sec. 10; 31 Stat.  
L., 48.

#### SHARES OF STOCK AND TRANSFERS.

35. Sec. 5139.—The capital stock of each association shall be divided into shares of one hundred dollars each, and be deemed personal property, and transferable on the books of the association in such manner as may be pre-

Act June 3,  
1864, c. 106,  
sec. 12; 13 Stat.  
L., 102.

scribed in the by-laws or articles of association. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all the rights and liabilities of the prior holder of such shares; and no change shall be made in the articles of association by which the rights, remedies, or security of the existing creditors of the association shall be impaired.

#### HOW PAYMENT OF THE CAPITAL STOCK MUST BE MADE AND CERTIFIED.

*Act June 3, 1864, c. 106, sec. 14; 13 Stat. L., 103.* 36. Sec. 5140.—At least fifty per centum of the capital stock of every association shall be paid in before it shall be authorized to commence business; and the remainder of the capital stock of such association shall be paid in installments of at least ten per centum each, on the whole amount of the capital, as frequently as one installment at the end of each succeeding month from the time it shall be authorized by the Comptroller of the Currency to commence business; and the payment of each installment shall be certified to the Comptroller, under oath, by the president or cashier of the association.

#### PROCEEDINGS IF SHAREHOLDER FAILS TO PAY INSTALLMENTS.

*Act June 3, 1864, c. 106, sec. 15; 13 Stat. L., 103.* 37. Sec. 5141.—Whenever any shareholder, or his signee, fails to pay any installment on the stock when the same is required by the preceding section to be paid, the directors of such association may sell the stock of such delinquent shareholder at public auction, having given three weeks' previous notice thereof in a newspaper published and of general circulation in the city or county where the association is located, or if no newspaper is published in said city or county, then in a newspaper published nearest thereto, to any person who will pay the highest price therefor, to be not less than the amount then due thereon, with the expenses of advertisement and sale; and the excess, if any, shall be paid to the delinquent shareholder. If no bidder can be found who will pay for such stock the amount due thereon to the association, and the cost of advertisement and sale, the amount previously paid shall be forfeited to the association, and such stock shall be sold as the directors may order, within six months from the time of such forfeiture, and if not sold it shall be canceled and deducted from the capital stock of the association. If any such cancellation and reduction shall reduce the capital of the association below the minimum of capital required by law, the capital stock shall, within thirty days from the date of such cancellation, be increased to the required amount; in default of which a receiver may be appointed, according to the provisions of section fifty-two hundred and thirty-four, to close up the business of the association.

**NATIONAL BANKS MAY INCREASE CAPITAL STOCK.**

38. Sec. 5142.—Any association formed under this Title may, by its articles of association, provide for an increase of its capital from time to time, as may be deemed expedient, subject to the limitations of this Title. But the maximum of such increase to be provided in the articles of association shall be determined by the Comptroller of the Currency; and no increase of capital shall be valid until the whole amount of such increase is paid in, and notice thereof has been transmitted to the Comptroller of the Currency, and his certificate obtained specifying the amount of such increase of capital stock, with his approval thereof, and that it has been duly paid in as part of the capital of such association.

**INCREASE OF CAPITAL STOCK. ACT MAY 1, 1886.**

39. Sec. 1.—That any national banking association may, with the approval of the Comptroller of the Currency, by the vote of shareholders owning two-thirds of the stock of such association, increase its capital stock, in accordance with existing laws, to any sum approved by the said Comptroller, notwithstanding the limit fixed in its original articles of association and determined by said Comptroller; and no increase of the capital stock of any national banking association either within or beyond the limit fixed in its original articles of association shall be made except in the manner herein provided.

NOTE.—Other sections of this act follow Revised Statutes 5136.

**REDUCTION OF CAPITAL STOCK.**

40. Sec. 5143 [as amended by paragraph 145 Fed. Res. Act].—Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Federal Reserve Board, or by the organization committee pending the organization of the Federal Reserve Board.

NOTE.—See paragraph 47 Federal Reserve Act.

**RIGHT OF SHAREHOLDERS TO VOTE; PROXIES AUTHORIZED.**

41. Sec. 5144.—In all elections of directors, and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or book-keeper of such association shall act as proxy; and no

shareholder whose liability is past due and unpaid shall be allowed to vote.

NOTE.—The Circuit Court of the United States, in *United States v. Barry*, 36 F. R., 246, held that the words "liability past due and unpaid" referred only to unpaid subscriptions for stock.

#### ELECTION OF DIRECTORS.

<sup>Act June 3, 1864, c. 106, secs. 9, 10; 13 Stat. L., 102.</sup> 42. Sec. 5145.—The affairs of each association shall be managed by not less than five directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking; and afterward at meetings to be held on such day in January of each year as is specified therefor in the articles of association. The directors shall hold office for one year, and until their successors are elected and have qualified.

#### REQUISITE QUALIFICATION OF DIRECTORS.

<sup>Act June 3, 1864, c. 106, secs. 9, 10; 13 Stat. L., 102.</sup> 43. Sec. 5146 [as amended 1905].—Every director must, during his whole term of service, be a citizen of the United States, and at least three fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election and must be residents therein during their continuance in office. Every director must own in his own right at least ten shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed twenty-five thousand dollars, in which case he must own in his own right at least five shares of such capital stock. Any director who ceases to be the owner of the required number of shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place.

#### OATH REQUIRED FROM DIRECTORS.

<sup>Act June 3, 1864, c. 106, sec. 9; 13 Stat. L., 102.</sup> 44. Sec. 5147.—Each director, when appointed or elected, shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this Title, and that he is the owner in good faith, and in his own right, of the number of shares of stock required by this Title, subscribed by him, or standing in his name on the books of the association, and that the same is not hypothecated, or in any way pledged, as security for any loan or debt. Such oath, subscribed by the director making it, and certified by the officer before whom it is taken, shall be immediately transmitted to the Comptroller of the Currency, and shall be filed and preserved in his office.

#### FILLING VACANCIES.

<sup>Act June 3, 1864, c. 106, sec. 10; 13 Stat. L., 102.</sup> 45. Sec. 5148.—Any vacancy in the board shall be filled by appointment by the remaining directors, and any director so appointed shall hold his place until the next election.

**PROCEEDINGS WHERE NO ELECTION IS HELD ON THE PROPER DAY.**

46. Sec. 5149.—If, from any cause, an election of directors is not made at the time appointed, the association shall not for that cause be dissolved, but an election may be held on any subsequent day, thirty days' notice thereof in all cases having been given in a newspaper published in the city, town, or county in which the association is located; and if no newspaper is published in such city, town, or county, such notice shall be published in a newspaper published nearest thereto. If the articles of association do not fix the day on which the election shall be held, or if no election is held on the day fixed, the day for the election shall be designated by the board of directors in their by-laws, or otherwise; or if the directors fail to fix the day, shareholders representing two-thirds of the shares may do so.

**ELECTION OF PRESIDENT OF THE BOARD.**

47. Sec. 5150.—One of the directors, to be chosen by the board, shall be the president of the board.

Act June 3,  
1864, c. 106,  
sec. 9; 13 Stat.  
L., 102.

**INDIVIDUAL LIABILITY OF SHAREHOLDERS.**

48. Sec. 5151.—The shareholders of every national banking association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares; except that shareholders of any banking association now existing under State laws, having not less than five millions of dollars of capital actually paid in, and a surplus of twenty per centum on hand, both to be determined by the Comptroller of the Currency, shall be liable only to the amount invested in their shares; and such surplus of twenty per centum shall be kept undiminished, and be in addition to the surplus provided for in this Title; and if at any time there is a deficiency in such surplus of twenty per centum, such association shall not pay any dividends to its shareholders until the deficiency is made good; and in case of such deficiency, the Comptroller of the Currency may compel the association to close its business and wind up its affairs under the provisions of chapter four\* of this Title.

Act June 3,  
1864, c. 106,  
sec. 12; 13 Stat.  
L., 102.

NOTE.—See act of June 30, 1876, following section 5238, Revised Statutes, for enforcement of liability prescribed by this section in cases of voluntary liquidation.

NOTE.—See paragraph 8 Federal Reserve Act.

**EXECUTORS, TRUSTEES, ETC., NOT PERSONALLY LIABLE.**

49. Sec. 5152.—Persons holding stock as executors, administrators, guardians, or trustees shall not be personally subject to any liabilities as stockholders; but the estates and funds in their hands shall be liable in like manner and

Act June 3,  
1864, c. 106,  
sec. 63; 13 Stat.  
L., 118.

\* Chapter 5 of this compilation.

to the same extent as the testator, intestate, ward, or person interested in such trust-funds would be, if living and competent to act and hold the stock in his own name.

**NATIONAL BANKING ASSOCIATIONS TO BE DEPOSITARIES OF PUBLIC MONEYS. (REENACTED BY PARAGRAPH 144 FEDERAL RESERVE ACT.)**

Act June 3, 1864, c. 106, sec. 45; 13 Stat. L. 113.  
 Act Mar. 3, 1901, c. 871, sec. 1; 31 Stat. L. 1448.  
 Act Mar. 4, 1907; 34 Stat. L., 1290.

50. Sec. 5153 [as amended 1907].—All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government: *Provided*, That the Secretary shall, on or before the first of January of each year, make a public statement of the securities required during that year for such deposits. And every association so designated as receiver or depositary of the public money shall take and receive at par all of the national currency bills, by whatever association issued, which have been paid into the Government for internal revenue, or for loans or stocks: *Provided*, That the Secretary of the Treasury shall distribute the deposits herein provided for, as far as practicable, equitably between the different States and sections.

NOTE.—See paragraphs 93 and 94 Federal Reserve Act.

NOTE.—For other provisions relating to duties and liabilities of depositaries see following sections of the Revised Statutes of the United States:

Sec. 3640.—Transfer of moneys from depositaries to Treasury authorized.

Sec. 3641.—Transfer of postal deposits.

Sec. 3642.—Accounts of postal deposits.

Sec. 3643.—Entry of each deposit, transfer, and payment.

Sec. 3644.—Public moneys in Treasury and depositaries subject to draft of Treasurer.

Sec. 3645.—Regulations for presentment of drafts.

Sec. 3646.—Duplicates for lost or stolen checks authorized.

Sec. 3647.—Duplicate check when officer who issued is dead.

Sec. 3648.—Advances of public moneys prohibited.

Sec. 3649.—Examination of depositaries.

See also secs. 3620, 3847, 4046, 5488, and 5497, paragraphs 224 to 229, post.

**INTEREST ON PUBLIC DEPOSITS. ACT MAY 30, 1908.**

Act May 30, 1908, sec. 15.

51. Sec. 15.—That all national banking associations designated as regular depositaries of public money shall pay upon all special and additional deposits made by the Secretary of the Treasury in such depositaries, and all such associations designated as temporary depositaries of public money shall pay upon all sums of public money deposited in such associations interest at such rate as the Secretary of

the Treasury may prescribe, not less, however, than one per centum per annum upon the average monthly amount of such deposits: *Provided, however,* That nothing contained in this Act shall be construed to change or modify the obligation of any association or any of its officers for the safe-keeping of public money: *Provided further,* That the rate of interest charged upon such deposits shall be equal and uniform throughout the United States.

#### CONVERSION OF STATE BANKS INTO NATIONAL BANKING ASSOCIATIONS.

52. Sec. 5154 [as amended by paragraph 52, Sec. 8 <sup>Act June 3, 1864, c. 106, sec. 44; 13 Stat. L., 112.</sup> Fed. Res. Act].—Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency:

*Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this Act have been complied with, such bank or banking association, and all its stockholders, officers, and employes, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

NOTE.—See paragraph 52, section 8, Federal Reserve Act.

#### STATE BANKS HAVING BRANCHES.

53. Sec. 5155.—It shall be lawful for any bank or banking association organized under State laws, and having <sup>Act Mar. 3, 1865, c. 78, sec. 7; 13 Stat. L., 484.</sup>

branches, the capital being joint and assigned to and used by the mother-bank and branches in definite proportions, to become a national banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable at the mother-bank, and each branch, to be regulated by the amount of capital assigned to and used by each.

**RESERVATION OF RIGHTS OF ASSOCIATIONS ORGANIZED UNDER ACT OF 1863.**

Act June 3, 1864, c. 108, sec. 62; 13 Stat. L., 118. 54. Sec. 5156.—Nothing in this Title shall affect any appointments made, acts done, or proceedings had or commenced prior to the third day of June, eighteen hundred and sixty-four, in or toward the organization of any national banking association under the act of February twenty-five, eighteen hundred and sixty-three; but all associations which on the third day of June, eighteen hundred and sixty-four, were organized or commenced to be organized under that act shall enjoy all the rights and privileges granted, and be subject to all the duties, liabilities, and restrictions imposed by this Title, notwithstanding all the steps prescribed by this Title for the organization of associations were not pursued, if such associations were duly organized under that act.

## CHAPTER III.

### OBTAINING AND ISSUING CIRCULATING NOTES.

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|--|---|
| 55. 5157. What associations are governed by chapters two, three, and four.   | 73. 5171. Repealed by act August 12, 1882.  |
| 56. 5158. Registered bonds intended by the terms "United States bonds."  | 74. Act March 14, 1900. Delivery of circulating notes.                                  |
| 57. 5159. Deposit of bonds required before issue of circulating notes.   | 75. 5172. Printing denominations and form of the circulating notes.                     |
| 58. Act December 21, 1905. Panama Canal bonds have all rights and privileges accorded to other two per cent bonds of the United States.  | 76. Act June 20, 1874. Charter number to be printed on notes.                           |
| 59. 5160. Increase or reduction of deposit to correspond with capital.   | 77. Act March 3, 1875. Distinctive paper for printing notes.                            |
| 60. 5161. Exchange of coupon for registered bonds.   | 78. 5173. Plates and dies to be under control of the Comptroller.                       |
| 61. 5162. Manner of making transfers of bonds.   | 79. 5174. Examination of plates and dies.   |
| 62. 5163. Registry of transfers.   | 80. 5175. Limit to issue of notes under five dollars.                                   |
| 63. 5164. Notice of transfer to be given to association interested.  | 81. 5176. Repealed by act July 12, 1882.  |
| 64. 5165. Examination of registry and bonds.   | 82. 5177. Repealed by act January 14, 1875.   |
| 65. 5166. Annual examination of bonds by association.  | 83. Act January 14, 1875. Aggregate amount of circulating notes not limited.            |
| 66. 5167. General provisions respecting bonds.   | 84. 5178. Superseded by act January 14, 1875.   |
| 67. Act June 20, 1874. Withdrawal of circulating notes on deposit of lawful money and withdrawal of bonds.   | 85. 5179. Superseded by act January 14, 1875.   |
| 68. Act July 12, 1882. Amount of bonds required to be on deposit. Reduction of amount or retirement in full of circulating notes.  | 86. 5180. Repealed by act January 14, 1875.   |
| 69. Act July 12, 1882, as amended May 30, 1908. Withdrawal of circulating notes on deposit of lawful money and withdrawal of bonds. Not more than nine millions to be deposited during any calendar month. Withdrawal of additional circulation on deposit of lawful money or national-bank notes. | 87. 5181. Superseded by act January 14, 1875.   |
| 70. 5168. Comptroller to determine if association can commence business.   | 88. 5182. For what demands national bank-notes may be received.                         |
| 71. 5169. Certificate of authority to commence banking to be issued.   | 89. 5183. Issue of post notes, etc., prohibited.  |
| 72. 5170. Publication of certificate.  | 90. 5184. Destroying and replacing worn out and mutilated notes.                        |
|  | 91. Act June 23, 1874. Maceration of national-bank notes.                               |
|  | 92. 5185. Organization of associations to issue gold notes.                             |
|  | 93. 5186. Reserve requirements for gold banks.  |
|  | 94. Act February 14, 1880. Conversion of national gold banks into currency banks.       |
|  | 95. 5187. Penalty for issuing circulating notes to unauthorized associations.           |
|  | 96. 5188. Penalty for imitating bank circulation. Use of same for advertising purposes. |
|  | 97. 5189. Penalty for mutilating circulation.   |

**ACT MAY 30, 1908, AUTHORIZING NATIONAL CURRENCY ASSOCIATIONS,  
THE ISSUE OF ADDITIONAL NATIONAL-BANK CIRCULATION, AND  
CREATING A NATIONAL MONETARY COMMISSION.**

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| 98. Sec. 1. Formation of national currency associations.   | 107. Sec. 9. Amends section 5214, Revised Statutes.  |
| 99. Sec. 1 (continued). Conditions under which banks belonging to national currency associations may take out additional circulation.  | 108. Sec. 10. Amends act July 12, 1882, as amended March 4, 1907. Inserted after section 5167.   |
| 100. Sec. 2. Redemption fund below requirement. Duty of Treasurer of the United States.  | 109. Sec. 11. Amends section 5172, Revised Statutes.   |
| 101. Sec. 3. What national banks may apply for authority to issue additional circulation on bonds other than United States bonds. What bonds will be accepted for such additional circulation. | 110. Sec. 12. Circulating notes to be redeemed in lawful money of the United States.   |
| 102. Sec. 4. Legal title of bonds deposited to secure additional circulation. Assignment of bonds by Treasurer to be countersigned by the Comptroller of the Currency.                         | 111. Sec. 13. All acts of the Comptroller of the Currency and Treasurer of the United States under this act to be approved by the Secretary of the Treasury. |
| 103. Sec. 5. Additional circulation, how treated. Limit to amount of circulation issued to each bank. Limit to total amount outstanding under this act.  | 112. Sec. 14. Is amendatory of section 5191, Revised Statutes. Inserted after that section.  |
| 104. Sec. 6. Amount of redemption fund.  | 113. Sec. 15. Relates to deposit of public money and is inserted after section 5133, Revised Statutes.   |
| 105. Sec. 7. Equitable distribution of notes.  | 114. Sec. 16. Expenses of act.   |
| 106. Sec. 8. Secretary of the Treasury to furnish information as to the value and character of securities.   | 115. Sec. 17. Appointment of monetary commission.  |
|  | 116. Sec. 18. Powers of commission. Commission to report to Congress.  |
|  | 117. Sec. 19. Expenses of commission.  |
|  | 118. Sec. 20. When act expires by limitation.  |

**WHAT ASSOCIATIONS ARE GOVERNED BY CHAPTERS TWO, THREE, AND FOUR.**

55. Sec. 5157.—The provisions of chapters two, three, and four\* of this Title, which are expressed without restrictive words, as applying to "national banking associations," or to "associations," apply to all associations organized to carry on the business of banking under any act of Congress.

**REGISTERED BONDS INTENDED BY THE TERM  
"UNITED STATES BONDS."**

Act June 3, 1864, c. 106, sec. 4; 13 Stat. L., 100. 56. Sec. 5158.—The term "United States bonds," as used throughout this chapter, shall be construed to mean registered bonds of the United States.

**DEPOSIT OF BONDS REQUIRED BEFORE ISSUE OF CIRCULATING NOTES.**

Act June 3, 1864, c. 106, sec. 16; 13 Stat. L., 104. 57. Sec. 5159.—Every association, after having complied with the provisions of this Title, preliminary to the

\*Chapters three, four, and five of this compilation.

commencement of the banking business, and before it shall be authorized to commence banking business under this Title, shall transfer and deliver to the Treasurer of the United States any United States registered bonds, bearing interest, [*to an amount not less than thirty thousand dollars and not less than one-third of the capital stock paid in.*] Such bonds shall be received by the Treasurer upon deposit and shall be by him safely kept in his office, until they shall be otherwise disposed of, in pursuance of the provisions of this Title.

NOTE.—Partially repealed by paragraph 109 Federal Reserve Act.

NOTE.—The italicized words are held to be modified by the acts of June 20, 1874, and July 12, 1882. Section 4, act of June 20, 1874, which follows section 5167, provides in part that the amount of bonds on deposit for circulation shall not be reduced below \$50,000. This determines the amount of bonds required to be deposited by banks organizing with capital stock over \$150,000.

Banks having a capital of \$150,000, or less, are not required to keep on deposit bonds in excess of one-fourth of the capital stock as security for their circulating notes, by act July 12, 1882, chapter 290, section 8. This act follows section 5167, Revised Statutes.

**PANAMA CANAL BONDS HAVE ALL RIGHTS AND  
PRIVILEGES ACCORDED TO OTHER TWO PER  
CENT BONDS OF THE UNITED STATES. ACT  
DECEMBER 21, 1905.**

58. That the two per cent bonds of the United States authorized by section eight of the act entitled "An act to provide for the construction of a canal connecting the waters of the Atlantic and Pacific oceans," approved June twenty-eight, nineteen hundred and two, shall have all the rights and privileges accorded by law to other two per cent bonds of the United States, and every national banking association having on deposit, as provided by law, such bonds issued under the provisions of said section eight of said act approved June twenty-eight, nineteen hundred and two, to secure its circulating notes, shall pay to the Treasurer of the United States, in the months of January and July, a tax of one-fourth of one per cent each half year upon the average amount of such of its notes in circulation as are based upon the deposit of said two per cent bonds; and such taxes shall be in lieu of existing taxes on its notes in circulation imposed by section fifty-two hundred and fourteen of the Revised Statutes.

Act Dec. 21,  
1905; 34 Stat.  
L., 5.

**INCREASE OR REDUCTION OF DEPOSIT TO CORRESPOND WITH CAPITAL.**

59. Sec. 5160.—The deposit of bonds made by each association shall be increased as its capital may be paid up or increased, so that every association shall at all times have on deposit with the Treasurer registered United States bonds to the amount [*of at least one-third of its capital stock actually paid in.*] And any association that may desire to reduce its capital, or close up its business and dissolve its organization, may take up its bonds upon returning to the Comptroller its circulating notes in the

Act June 3,  
1864; § 106,  
sec. 16; 13 Stat.  
L., 104.

proportion hereinafter required, or may take up any excess of bonds beyond [*one-third of its capital stock*], and upon which no circulating notes have been delivered.

NOTE.—In reference to italicized words see notes under section 5159, and acts of June 20, 1874, and July 12, 1882, set forth in full following Revised Statutes, section 5167. These acts fix the minimum of bonds as \$50,000 for all banks over \$150,000 capital and as one-fourth of the capital stock for all banks having a capital of \$150,000 or less.

#### EXCHANGE OF COUPON FOR REGISTERED BONDS.

<sup>Act June 3,</sup> <sub>1864, c. 106,</sub> <sup>sec. 16; 13 Stat.</sup> <sub>L., 104.</sub> 60. Sec. 5161.—To facilitate a compliance with the two preceding sections, the Secretary of the Treasury is authorized to receive from any association, and cancel, any United States coupon bonds, and to issue in lieu thereof registered bonds of like amount, bearing a like rate of interest, and having the same time to run.

#### MANNER OF MAKING TRANSFERS OF BONDS.

<sup>Act June 3,</sup> <sub>1864, c. 106,</sub> <sup>sec. 19; 13 Stat.</sup> <sub>L., 105.</sub> 61. Sec. 5162.—All transfers of United States bonds, made by any association under the provisions of this Title, shall be made to the Treasurer of the United States in trust for the association, with a memorandum written or printed on each bond, and signed by the cashier, or some other officer of the association making the deposit. A receipt shall be given to the association, by the Comptroller of the Currency, or by a clerk appointed by him for that purpose, stating that the bond is held in trust for the association on whose behalf the transfer is made, and as security for the redemption and payment of any circulating notes that have been or may be delivered to such association. No assignment of transfer of any such bond by the Treasurer shall be deemed valid unless countersigned by the Comptroller of the Currency.

#### REGISTRY OF TRANSFERS.

<sup>Act June 3,</sup> <sub>1864, c. 106,</sub> <sup>secs. 19-20; 13</sup> <sub>Stat. L., 105.</sub> 62. Sec. 5163.—The Comptroller of the Currency shall keep in his office a book in which he shall cause to be entered, immediately upon countersigning it, every transfer or assignment by the Treasurer, of any bonds belonging to a national banking association, presented for his signature. He shall state in such entry the name of the association from whose accounts the transfer is made, the name of the party to whom it is made, and the par value of the bonds transferred.

#### NOTICE OF TRANSFER TO BE GIVEN TO ASSOCIATION INTERESTED.

<sup>Act June 3,</sup> <sub>1864, c. 106,</sub> <sup>sec. 19; 13 Stat.</sup> <sub>L., 105.</sub> 63. Sec. 5164.—The Comptroller of the Currency shall, immediately upon countersigning and entering any transfer or assignment by the Treasurer, of any bonds belonging to a national banking association, advise by mail the association from whose accounts the transfer is made, of the kind and numerical designation of the bonds, and the amount thereof so transferred.

## EXAMINATION OF REGISTRY AND BONDS.

64. Sec. 5165.—The Comptroller of the Currency shall have at all times, during office hours, access to the books of the Treasurer of the United States for the purpose of ascertaining the correctness of any transfer or assignment of the bonds deposited by an association, presented to the Comptroller to countersign; and the Treasurer shall have the like access to the book mentioned in section fifty-one hundred and sixty-three, during office hours, to ascertain the correctness of the entries in the same; and the Comptroller shall also at all times have access to the bonds on deposit with the Treasurer to ascertain their amount and condition.

Act June 3,  
1864, c. 106,  
sec. 20; 13 Stat.  
L., 105.

## ANNUAL EXAMINATION OF BONDS BY ASSOCIATION.

65. Sec. 5166.—Every association having bonds deposited in the office of the Treasurer of the United States shall, once or oftener in each fiscal year, examine and compare the bonds pledged by the association with the books of the Comptroller of the Currency and with the accounts of the association, and, if they are found correct, to execute to the Treasurer a certificate setting forth the different kinds and the amounts thereof, and that the same are in the possession and custody of the Treasurer at the date of the certificate. Such examination shall be made at such time or times, during the ordinary business hours, as the Treasurer and the Comptroller, respectively, may select, and may be made by an officer or agent of such association, duly appointed in writing for that purpose; and his certificate before mentioned shall be of like force and validity as if executed by the president or cashier. A duplicate of such certificate, signed by the Treasurer, shall be retained by the association.

Act June 3,  
1864, c. 106,  
sec. 25; 13 Stat.  
L., 106.

## GENERAL PROVISIONS RESPECTING BONDS.

66. Sec. 5167.—The bonds transferred to and deposited with the Treasurer of the United States, by any association, for the security of its circulating notes, shall be held exclusively for that purpose, until such notes are redeemed, except as provided in this Title. The Comptroller of the Currency shall give to any such association powers of attorney to receive and appropriate to its own use the interest on the bonds which it has so transferred to the Treasurer; but such powers shall become inoperative whenever such association fails to redeem its circulating notes. Whenever the market or cash value of any bonds thus deposited with the Treasurer is reduced below the amount of the circulation issued for the same, the Comptroller may demand and receive the amount of such depreciation in other United States bonds at cash value, or in money, from the association, to be deposited with the Treasurer as long as such depreciation continues. And the Comptroller, upon the terms prescribed by the Secretary of the Treasury may permit an exchange to be made of any of the bonds

Act June 3,  
1864, c. 106,  
sec. 26; 13 Stat.  
L., 107.

deposited with the Treasurer by any association for other bonds of the United States authorized to be received as security for circulating notes, if he is of opinion that such an exchange can be made without prejudice to the United States; and he may direct the return of any bonds to the association which transferred the same, in sums of not less than one thousand dollars, upon the surrender to him and the cancellation of a proportionate amount of such circulating notes: *Provided*, That the remaining bonds which shall have been transferred by the association offering to surrender circulating notes are equal to the amount required for the circulating notes not surrendered by such association, and that the amount of bonds in the hands of the Treasurer is not diminished below the amount required to be kept on deposit with him, and that there has been no failure by the association to redeem its circulating notes, nor any other violation by it of the provisions of this Title, and that the market or cash value of the remaining bonds is not below the amount required for the circulation issued for the same.

**WITHDRAWAL OF CIRCULATING NOTES ON DEPOSIT OF LAWFUL MONEY AND WITHDRAWAL OF BONDS. ACT JUNE 20, 1874.**

Act June 20,  
1874, c. 243;  
sec. 4; 18 Stat.  
L., 124.

67. Sec. 4.—That any association organized under this act, or any of the acts of which this is an amendment, desiring to withdraw its circulating notes, in whole or in part, may, upon the deposit of lawful money with the Treasurer of the United States in sums of not less than nine thousand dollars, take up the bonds which said association has on deposit with the Treasurer for the security of such circulating notes; which bonds shall be assigned to the bank in the manner specified in the nineteenth section of the national-bank act; and the outstanding notes of said association, to an amount equal to the legal-tender notes deposited, shall be redeemed at the Treasury of the United States, and destroyed as now provided by law: *Provided*, That the amount of the bonds on deposit for circulation shall not be reduced below fifty thousand dollars.

NOTE.—See paragraph 109 Federal Reserve Act.

NOTE.—Other sections of this act referred to under Revised Statutes, section 5192. Section 19 of the national-bank act is incorporated in Revised Statutes, sections 5162-5164.

**AMOUNT OF BONDS REQUIRED TO BE ON DEPOSIT; REDUCTION OF AMOUNT OR RETIREMENT IN FULL OF CIRCULATING NOTES. ACT JULY 12, 1882.**

Act July 12,  
1882, c. 290;  
sec. 8; 22 Stat.  
L., 164.

68. Sec. 8.—That national banks now organized or hereafter organized, having a capital of one hundred and fifty thousand dollars, or less, shall not be required to keep on deposit or deposit with the Treasurer of the United States United States bonds in excess of one-fourth of their capital stock as security for their circulating notes; but

such banks shall keep on deposit or deposit with the Treasurer of the United States the amount of bonds as herein required. And such of those banks having on deposit bonds in excess of that amount are authorized to reduce their circulation by the deposit of lawful money as provided by law; [*provided, that the amount of such circulating notes shall not in any case exceed ninety per centum of the par value of the bonds deposited as herein provided.*] Provided further, That the national banks which shall hereafter make deposits of lawful money for the retirement in full of their circulation shall at the time of their deposit be assessed for the cost of transporting and redeeming their notes then outstanding, a sum equal to the average cost of the redemption of national-bank notes during the preceding year, and shall thereupon pay such assessment. And all national banks which have heretofore made or shall hereafter make deposits of lawful money for the reduction of their circulation shall be assessed and shall pay an assessment in the manner specified in section three of the act approved June 20, 1874, for the cost of transporting and redeeming their notes redeemed from such deposits subsequently to June 30, 1881.

NOTE.—Partially repealed by paragraph 109, sec. 17 Federal Reserve Act.

NOTE.—The limitation of the circulation not to exceed ninety per cent. of the bonds deposited is superseded by act March 14, 1900, which follows Revised Statutes 5171. Act June 20, 1874, section 3, mentioned in this section, follows Revised Statutes, section 5192.

**WITHDRAWAL OF CIRCULATING NOTES ON DEPOSIT OF LAWFUL MONEY, AND WITHDRAWAL OF BONDS. NOT MORE THAN NINE MILLIONS TO BE DEPOSITED DURING ANY CALENDAR MONTH. WITHDRAWAL OF ADDITIONAL CIRCULATION ON DEPOSIT OF LAWFUL MONEY OR NATIONAL BANK NOTES. ACT MAY 30, 1908.**

69. Sec. 10.—That section nine of the Act approved July twelfth, eighteen hundred and eighty-two, as amended by the Act approved March fourth, nineteen hundred and seven, be further amended to read as follows:

"Sec. 9. That any national banking association desiring to withdraw its circulating notes, secured by deposit of United States bonds in the manner provided in section four of the Act approved June twentieth, eighteen hundred and seventy-four, is hereby authorized for that purpose to deposit lawful money with the Treasurer of the United States and, with the consent of the Comptroller of the Currency and the approval of the Secretary of the Treasury, to withdraw a proportionate amount of bonds held as security for its circulating notes in the order of such deposits: *Provided*, That not more than nine millions of dollars of lawful money shall be so deposited during any calendar month for this purpose.

"Any national banking association desiring to withdraw any of its circulating notes, secured by the deposit of securi-

Act May 30,  
1908, sec. 10.

ties other than bonds of the United States, may make such withdrawal at any time in like manner and effect by the deposit of lawful money or national bank notes with the Treasurer of the United States, and upon such deposit a proportionate share of the securities so deposited may be withdrawn: *Provided*, That the deposits under this section to retire notes secured by the deposit of securities other than bonds of the United States shall not be covered into the Treasury, as required by section six of an Act entitled 'An Act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes,' approved July fourteenth, eighteen hundred and ninety, but shall be retained in the Treasury for the purpose of redeeming the notes of the bank making such deposit."

NOTE.—This section extended to June 30, 1915, by paragraph 144 Federal Reserve Act.

NOTE.—See paragraphs 110 to 118 Federal Reserve Act.

#### **COMPTROLLER TO DETERMINE IF ASSOCIATION CAN COMMENCE BUSINESS.**

*Act June 3, 1864, c. 106, sec. 17; 13 Stat. L., 104.* 70. Sec. 5168.—Whenever a certificate is transmitted to the Comptroller of the Currency, as provided in this Title, and the association transmitting the same notifies the Comptroller that at least fifty per centum of its capital stock has been duly paid in, and that such association has complied with all the provisions of this Title required to be complied with before an association shall be authorized to commence the business of banking, the Comptroller shall examine into the condition of such association, ascertain especially the amount of money paid in on account of its capital, the name and place of residence of each of its directors, and the amount of the capital stock of which each is the owner in good faith, and generally whether such association has complied with all the provisions of this Title required to entitle it to engage in the business of banking; and shall cause to be made and attested by the oaths of a majority of the directors, and by the President or cashier of the association, a statement of all the facts necessary to enable the Comptroller to determine whether the association is lawfully entitled to commence the business of banking.

#### **CERTIFICATE OF AUTHORITY TO COMMENCE BANKING TO BE ISSUED.**

*Act June 3, 1864, c. 106, secs. 12, 18; 13 Stat. L., 102, 104.* 71. Sec. 5169.—If, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it appears that such association is lawfully entitled to commence the business of banking, the Comptroller shall give to such association a certificate, under his hand and official seal, that such association has complied with all the provisions required to be complied with before commencing the business of banking, and that such association is authorized to commence such business. But the Comptroller

may withhold from an association his certificate authorizing the commencement of business, whenever he has reason to suppose that the shareholders have formed the same for any other than the legitimate objects contemplated by this Title.

NOTE.—See paragraph 102 Federal Reserve Act.

#### PUBLICATION OF CERTIFICATE.

72. Sec. 5170.—The association shall cause the certificate issued under the preceding section to be published in some newspaper printed in the city or county where the association is located, for at least sixty days next after the issuing thereof; or, if no newspaper is published in such city or county, then in the newspaper published nearest thereto.

Act June 3,  
1864, c. 106,  
sec. 18; 13 Stat.  
L., 104.

#### 73. Sec. 5171.—

This section was repealed by act of July 12, 1882, and the repealing section was superseded by act of March 14, 1900, section 12, which follows.

#### DELIVERY OF CIRCULATING NOTES. ACT OF MARCH 14, 1900.

74. Sec. 12.—That upon the deposit with the Treasurer of the United States, by any national banking association, of any bonds of the United States in the manner provided by existing law, such association shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited; and any national banking associations now having bonds on deposit for the security of circulating notes, and upon which an amount of circulating notes has been issued less than the par value of the bonds, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the circulating notes held by such association to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of law affecting such notes: *Provided*, That nothing herein contained shall be construed to modify or repeal the provisions of section fifty-one hundred and sixty-seven of the Revised Statutes of the United States, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security: *And provided further*, That the circulating notes furnished to national banking associations under the provisions of this Act shall be of the denominations prescribed by law, except that no national banking association shall, after the passage of this Act, be entitled to receive from the Comptroller of

Act Mar. 14,  
1900, c. 41,  
sec. 12; 31 Stat.  
L., 49.

the Currency, or to issue or reissue or place in circulation, more than one-third in amount of its circulating notes of the denomination of five dollars: *And provided further*, That the total amount of such notes issued to any such association may equal at any time but shall not exceed the amount at such time of its capital stock actually paid in: *And provided further*, That under regulations to be prescribed by the Secretary of the Treasury any national banking association may substitute the two per centum bonds issued under the provisions of this Act for any of the bonds deposited with the Treasurer to secure circulation or to secure deposits of public money; and so much of an Act entitled "An Act to enable national banking associations to extend their corporate existence, and for other purposes," approved July twelfth, eighteen hundred and eighty-two, as prohibits any national bank which makes any deposit of lawful money in order to withdraw its circulating notes from receiving any increase of its circulation for the period of six months from the time it made such deposit of lawful money for the purpose aforesaid, is hereby repealed, and all other Acts or parts of Acts inconsistent with the provisions of this section are hereby repealed.

#### PRINTING DENOMINATIONS AND FORM OF THE CIRCULATING NOTES.

<sup>Act June 3, 1864, sec. 22; 13 Stat. L., 105.</sup> <sup>c. 104, 1908, sec. 11.</sup> 75. Sec. 5172 [as amended May 30, 1908].—In order to furnish suitable notes for circulation, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and shall have printed therefrom, and numbered, such quantity of circulating notes, in blank, of the denominations of five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, one thousand dollars, and ten thousand dollars, as may be required to supply the associations entitled to receive the same. Such notes shall state upon their face that they are secured by United States bonds or other securities, certified by the written or engraved signatures of the Treasurer and Register and by the imprint of the seal of the Treasury. They shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the signature of the president or vice-president and cashier. The Comptroller of the Currency, acting under the direction of the Secretary of the Treasury, shall as soon as practicable cause to be prepared circulating notes in blank, registered and countersigned, as provided by law, to an amount equal to fifty per centum of the capital stock of each national banking association; such notes to be deposited in the Treasury or in the subtreasury of the United States nearest the place of business of each association, and to be held for such association, subject to the order of the Comptroller of the Currency, for their delivery as provided by law: *Provided*, That the Comptroller of the Cur-

rency may issue national-bank notes of the present form until plates can be prepared and circulating notes issued as above provided: *Provided, however,* That in no event shall blank notes of the present form be issued to any bank as additional circulation provided for by this act."

NOTE.—See paragraph 144 Federal Reserve Act and note thereto.

**CHARTER NUMBER TO BE PRINTED ON NOTES. ACT  
JUNE 20, 1874.**

76. Sec. 5.—That the Comptroller of the Currency shall, under such rules and regulations as the Secretary of the Treasury may prescribe, cause the charter numbers of the association to be printed upon all national-bank notes which may be hereafter issued by him.

NOTE.—Other sections of this act will be found under Revised Statutes, 5192.

**DISTINCTIVE PAPER FOR PRINTING NOTES. ACT  
MARCH 3, 1875.**

77. Sec. 1.—\* \* \* That the national-bank notes shall be printed under the direction of the Secretary of the Treasury, and upon the distinctive or special paper which has been, or may hereafter be, adopted by him for printing United States notes.

**PLATES AND DIES TO BE UNDER THE CONTROL OF  
THE COMPTROLLER.**

78. Sec. 5173.—The plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws respecting the procuring of such notes, and all other expenses of the Bureau of the Currency, shall be paid out of the proceeds of the taxes or duties assessed and collected on the circulation of national banking associations under this Title.

NOTE.—See act June 20, 1874, following Revised Statutes, 5192, and act July 12, 1882, following Revised Statutes, 5136, requiring banks to pay cost of their plates.

**EXAMINATION OF PLATES AND DIES.**

79. Sec. 5174 [as amended 1877].—The Comptroller of the Currency shall cause to be examined, each year, the plates, dies, bed pieces, and other material from which the national-bank circulation is printed, in whole or in part, and file in his office annually a correct list of the same. Such material as shall have been used in the printing of the notes of associations which are in liquidation, or have closed business, shall be destroyed, under such regulations as shall be prescribed by the Comptroller of the Currency and approved by the Secretary of the Treasury. The expenses of any such examination or destruction shall be paid out of any appropriation made by Congress for the special examination of national banks and bank-note plates.

NOTE.—See paragraph 105 Federal Reserve Act.

Act June 20,  
1874, c. 343,  
sec. 5; 18 Stat.  
L., 124.

Act Mar. 3,  
1875, c. 130,  
sec. 1; 18 Stat.  
L., 372; sun-  
dry civil bill.

Act June 3,  
1864, c. 106,  
sec. 41; 13 Stat.  
L., 111.

Act Mar. 3,  
1873, c. 265,  
sec. 4; 17 Stat.  
L., 603.

Act Feb. 27,  
1877, c. 69, 19  
Stat. L., 252.

**LIMIT TO ISSUE OF NOTES UNDER FIVE DOLLARS.**

<sup>Act June 3, 1864, c. 106, sec. 22; 13 Stat. L., 105.</sup> **80. Sec. 5175.**—Not more than one-sixth part of the notes furnished to any association shall be of a less denomination than five dollars. After specie payments are resumed no association shall be furnished with notes of a less denomination than five dollars.

NOTE.—Specie payments were resumed January 1, 1879. (See act of March 14, 1900, section 12, following Revised Statutes, 5171, limiting the issue of five-dollar notes.)

**81. Sec. 5176.**—

Repealed by act July 12, 1882, which in turn was superseded by act March 14, 1900. (See section 5171.)

**82. Sec. 5177.**—

Repealed by act January 14, 1875.

**AGGREGATE AMOUNT OF CIRCULATING NOTES NOT LIMITED. ACT JANUARY 14, 1875.**

<sup>Act Jan. 14, 1875, sec. 3; 13 Stat. L., 296.</sup> **83. Sec. 3.**—That section 5177 of the Revised Statutes of the United States, limiting the aggregate amount of circulating notes of national banking associations, be and is hereby repealed; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and new banking associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national bank currency among the several States and Territories are hereby repealed.

**84. Sec. 5178.**—

Superseded by act January 14, 1875.

**85. Sec. 5179.**—

Superseded by act January 14, 1875.

**86. Sec. 5180.**—

Repealed by act of January 14, 1875.

**87. Sec. 5181.**—

Superseded by act January 14, 1875.

**FOR WHAT DEMANDS NATIONAL-BANK NOTES MAY BE RECEIVED.**

<sup>Act June 3, 1864, c. 106, sec. 23; 13 Stat. L., 106.</sup> **88. Sec. 5182.**—After any association receiving circulating notes under this Title has caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association may issue and circulate the same as money. And the same shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by

the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency.

#### ISSUE OF POST NOTES, ETC., PROHIBITED.

89. Sec. 5183 [as amended 1875].—No national bank-  
ing association shall issue post notes or any other notes to  
circulate as money than such as are authorized by the  
provisions of this Title.

Act June 3,  
1864, c. 106,  
sec. 23; 13 Stat.  
L., 106.  
Act Feb. 18,  
1875, c. 80; 18  
Stat. L., 320.

#### DESTROYING AND REPLACING WORN-OUT AND MUTILATED NOTES.

90. Sec. 5184.—It shall be the duty of the Comptroller of the Currency to receive worn-out or mutilated circulating notes issued by any banking association, and also, on due proof of the destruction of any such circulating notes, to deliver in place thereof to the association other blank circulating notes to an equal amount. Such worn-out or mutilated notes, after a memorandum has been entered in the proper books, in accordance with such regulations as may be established by the Comptroller, as well as all circulating notes which shall have been paid or surrendered to be canceled, [*shall be burned to ashes*] in presence of four persons, one to be appointed by the Secretary of the Treasury, one by the Comptroller of the Currency, one by the Treasurer of the United States, and one by the association, under such regulations as the Secretary of the Treasury may prescribe. A certificate of [*such burning*.] signed by the parties so appointed, shall be made in the books of the Comptroller, and a duplicate thereof forwarded to the association whose notes are thus canceled.

Act June 3,  
1864, c. 106,  
sec. 24; 13 Stat.  
L., 106.

NOTE.—Act June 23, 1874, provides for maceration in place of burning.

#### MACERATION OF NATIONAL-BANK NOTES. ACT JUNE 23, 1874.

91. \* \* \* For the maceration of national bank notes \* \* \* ; and that all such issues hereafter destroyed may be destroyed by maceration instead of burning to ashes, as now provided by law; and that so much of sections twenty-four and forty-three of the national currency act as requires national bank notes to be burned to ashes is hereby repealed; that the pulp from such macerated issue shall be disposed of only under the direction of the Secretary of the Treasury.

Provision in  
sundry civil  
appropriation  
act, June 23,  
1874; 18 Stat.  
L., 206.

#### ORGANIZATION OF ASSOCIATIONS TO ISSUE GOLD NOTES.

92. Sec. 5185 [as amended 1875].—Associations may be organized in the manner prescribed by this Title for the purpose of issuing notes payable in gold; and upon the deposit of any United States bonds bearing interest payable in gold with the Treasurer of the United States, in the manner prescribed for other associations, it shall be

Act July 12,  
1870, c. 252,  
sec. 3; 16 Stat.  
L., 252.  
Act Jan. 19,  
1875, c. 19; 18  
Stat. L., 302.

lawful for the Comptroller of the Currency to issue to the association making the deposit circulating notes of different denominations, but none of them of less than five dollars, and not exceeding in amount eighty per centum of the par value of the bonds deposited, which shall express the promise of the association to pay them, upon presentation at the office at which they are issued, in gold coin of the United States, and shall be so redeemable.

#### RESERVE REQUIREMENTS FOR GOLD BANKS.

*Act July 12, 1870, c. 252, sec. 3-5; 16 Stat. L., 252.* 93. Sec. 5186.—Every association organized under the preceding section shall at all times keep on hand not less than twenty-five per centum of its outstanding circulation, in gold or silver coin of the United States; and shall receive at par in the payment of debts the gold notes of every other such association which at the time of such payment is redeeming its circulating notes in gold coin of the United States, and shall be subject to all the provisions of this Title: *Provided*, That, in applying the same to associations organized for issuing gold notes, the terms "lawful money" and "lawful money of the United States" shall be construed to mean gold or silver coin of the United States; and the circulation of such association shall not be within the limitation of circulation mentioned in this Title.

#### CONVERSION OF NATIONAL GOLD BANKS INTO CURRENCY BANKS. ACT FEBRUARY 14, 1880.

*Act Feb. 14, 1880, c. 25, 21 Stat. L., 66.* 94. That any national gold bank organized under the provisions of the laws of the United States, may, in the manner and subject to the provisions prescribed by section fifty-one hundred and fifty-four of the Revised Statutes of the United States, for the conversion of banks incorporated under the laws of any State, cease to be a gold bank, and become such an association as is authorized by section fifty-one hundred and thirty-three, for carrying on the business of banking, and shall have the same powers and privileges, and shall be subject to the same duties, responsibilities, and rules, in all respects, as are by law prescribed for such associations: *Provided*, That all certificates of organization which shall be issued under this act shall bear the date of the original organization of each bank respectively as a gold bank.

#### PENALTY FOR ISSUING CIRCULATING NOTES TO UNAUTHORIZED ASSOCIATIONS.

*Act June 3, 1864, c. 106, sec. 27; 13 Stat. L., 107.* 95. Sec. 5187.—No officer acting under the provisions of this Title shall countersign or deliver to any association, or to any other company or person, any circulating notes contemplated by this Title, except in accordance with the true intent and meaning of its provisions. Every officer who violates this section shall be deemed guilty of a high misdemeanor, and shall be fined not more than double the amount so countersigned and delivered, and imprisoned not less than one year and not more than fifteen years.

**The National City Bank**  
*of New York*

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**AMENDMENTS  
TO THE CURRENCY ASSOCIATION LAW  
OF MAY 30, 1908**

The Federal Reserve Act approved Dec. 23, 1913, extended the Provisions of the Currency Association Law which was to expire June 30, 1914, to June 30, 1915, and amended it as follows:

**Act Extended**

SEC. 27. The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the Act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this Act: *Provided, however,* That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed

in said Act by making the portion applicable thereto read as follows:

National Banking Associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes.

The following Act was passed by the House and Senate on August 4, 1914, and approved by the President.

#### AN ACT

To amend section twenty-seven of an Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section twenty-seven of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act is hereby amended and reenacted to read as follows:

"SEC. 27. The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thir-

tieth day of June, nineteen hundred and fourteen, are hereby extended to June 30th, 1915, and sections 5153, 5172, 5191 and 5214 of the Revised Statutes of the United States, which were amended by the Act of May 30th, 1908, are hereby reenacted to read as such sections read prior to May 30th, 1908, subject to such amendments or modifications as are prescribed in this Act; provided, however, That section 9 of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows: 'National Banking Associations having circulating notes secured otherwise than by bonds of the United States shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes; Provided, further, That whenever in his judgment he may deem it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the Act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to national banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of the capital stock of such banks, and to suspend also the conditions and limitations of section five of said Act except that no bank shall be permitted to issue circulating notes in excess of 125% of its unimpaired

capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than 5 per centum. He may permit national banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the Act referred to, as herein amended. Provided further, that the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this Act to all qualified state banks and trust companies, which have joined the Federal Reserve System, or which may contract to join within fifteen days after the passage of this Act.'"

**PENALTY FOR IMITATING BANK CIRCULATION. USE OF SAME FOR ADVERTISING PURPOSES.**

96. Sec. 5188.—It shall not be lawful to design, engrave, print, or in any manner make or execute, or to utter, issue, distribute, circulate, or use, any business or professional card, notice, placard, circular, handbill, or advertisement, in the likeness or similitude of any circulating note or other obligation or security of any banking association organized or acting under the laws of the United States which has been or may be issued under this Title, or any act of Congress, or to write, print, or otherwise impress upon any such note, obligation, or security any business or professional card, notice, or advertisement, or any notice or advertisement of any matter or thing whatever. Every person who violates this section shall be liable to a penalty of one hundred dollars, recoverable one-half to the use of the informer.

Act Feb. 5,  
1867, sec. 2; 14 Stat.  
L., 333.

**PENALTY FOR MUTILATING CIRCULATION.**

97. Sec. 5189.—Every person who mutilates, cuts, defaces, disfigures, or perforates with holes, or unites or cements together, or does any other thing to any bank bill, draft, note, or other evidence of debt, issued by any national banking association, or who causes or procures the same to be done, with intent to render such bank bill, draft, note, or other evidence of debt unfit to be reissued by said association, shall be liable to a penalty of fifty dollars, recoverable by the association.

Act June 3,  
1864, sec. 106;  
sec. 58; 13 Stat.  
L., 117.

**ACT MAY 30, 1908, AUTHORIZING NATIONAL CURRENCY ASSOCIATIONS, THE ISSUE OF ADDITIONAL NATIONAL-BANK CIRCULATION, AND CREATING A NATIONAL MONETARY COMMISSION.**

**FORMATION OF NATIONAL CURRENCY ASSOCIATIONS—WHAT BANKS ELIGIBLE—MANNER OF FORMING—ASSOCIATION TO BE BODY CORPORATE AND EXERCISE POWERS AS SUCH—BUT ONE ASSOCIATION IN ANY CITY—MEMBERS OF ASSOCIATION TO BE TAKEN AS NEARLY AS CONVENIENT FROM STATE, PART OF STATE, OR CONTIGUOUS PARTS OF ONE OR MORE STATES—OFFICERS, HOW SELECTED—POWERS OF OFFICERS AND EXECUTIVE COMMITTEE—BY-LAWS TO BE APPROVED BY THE SECRETARY OF THE TREASURY.**

98. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That national banking associations, each having an unimpaired capital and a surplus of not less than twenty per centum, not less than ten in number, having an aggregate capital and surplus of at least five millions of dollars, may form voluntary associations to be designated as national currency associations. The banks uniting to form such association shall, by their presidents or vice-presidents, acting under authority from the

Act May 30,  
1908, sec. 1.

board of directors, make and file with the Secretary of the Treasury a certificate setting forth the names of the banks composing the association, the principal place of business of the association, and the name of the association, which name shall be subject to the approval of the Secretary of the Treasury. Upon the filing of such certificate the associated banks therein named shall become a body corporate, and by the name so designated and approved may sue and be sued and exercise the powers of a body corporate for the purposes hereinafter mentioned: *Provided*, That not more than one such national currency association shall be formed in any city: *Provided further*, That the several members of such national currency association shall be taken, as nearly as conveniently may be, from a territory composed of a State or part of a State, or contiguous parts of one or more States: *And provided further*, That any national bank in such city or territory, having the qualifications herein prescribed for membership in such national currency association, shall, upon its application to and upon the approval of the Secretary of the Treasury, be admitted to membership in a national currency association for that city or territory, and upon such admission shall be deemed and held a part of the body corporate, and as such entitled to all the rights and privileges and subject to all the liabilities of an original member: *And provided further*, That each national currency association shall be composed exclusively of banks not members of any other national currency association.

The dissolution, voluntary or otherwise, of any bank in such association shall not affect the corporate existence of the association unless there shall then remain less than the minimum number of ten banks: *Provided, however*, That the reduction of the number of said banks below the minimum of ten shall not affect the existence of the corporation with respect to the assertion of all rights in favor of or against such association. The affairs of the association shall be managed by a board consisting of one representative from each bank. By-laws for the government of the association shall be made by the board, subject to the approval of the Secretary of the Treasury. A president, vice-president, secretary, treasurer, and an executive committee of not less than five members, shall be elected by the board. The powers of such board, except in the election of officers and making of by-laws, may be exercised through its executive committee.

**CONDITIONS UNDER WHICH BANKS BELONGING TO NATIONAL CURRENCY ASSOCIATIONS MAY TAKE OUT ADDITIONAL CIRCULATION—AMOUNT LIMITED TO SEVENTY-FIVE PER CENT. OF THE CASH VALUE OF THE SECURITIES AND COMMERCIAL PAPER DEPOSITED—ISSUE OF ADDITIONAL CIRCULATION ON DEPOSIT OF STATE, CITY, TOWN, COUNTY, OR MUNICIPAL BONDS AUTHORIZED TO EXTENT OF NINETY PER CENT. OF THEIR MARKET VALUE—THE BANKS AND ASSETS OF ALL BANKS MEMBERS OF SAID ASSOCIATION JOINTLY AND SEVERALLY LIABLE TO THE UNITED STATES FOR THE REDEMPTION OF SUCH ADDITIONAL CIRCULATION—LIEN OF UNITED STATES UNDER SECTION 5230, REVISED STATUTES, EXTENDED TO COVER ASSETS OF ALL BANKS BELONGING TO THE ASSOCIATION—REQUIREMENT OF ADDITIONAL SECURITIES—WHEN ASSOCIATION MAY SELL SECURITIES DEPOSITED WITH IT.**

99. The national currency association herein provided for shall have and exercise any and all powers necessary to carry out the purposes of this section, namely, to render available, under the direction and control of the Secretary of the Treasury, as a basis for additional circulation any securities, including commercial paper, held by a national banking association. For the purpose of obtaining such additional circulation, any bank belonging to any national currency association, having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of its capital stock, and which has its capital unimpaired and a surplus of not less than twenty per centum, may deposit with and transfer to the association, in trust for the United States, for the purpose herein-after provided, such of the securities above mentioned as may be satisfactory to the board of the association. The officers of the association may thereupon, in behalf of such bank make application to the Comptroller of the Currency for an issue of additional circulating notes to an amount not exceeding seventy-five per centum of the cash value of the securities or commercial paper so deposited. The Comptroller of the Currency shall immediately transmit such application to the Secretary of the Treasury with such recommendation as he thinks proper, and if, in the judgment of the Secretary of the Treasury, business conditions in the locality demand additional circulation, and if he be satisfied with the character and value of the securities proposed and that a lien in favor of the United States on the securities so deposited and on the assets of the banks composing the association will be amply sufficient for the protection of the United States, he may direct an issue of additional circulating notes to the association, on behalf of such bank, to an amount in his discretion, not, however, exceeding seventy-five per centum of the cash value of the securities so deposited: *Provided*, That upon the deposit of any of

Act May 30,  
1908, sec. 1.

the State, city, town, county, or other municipal bonds, of a character described in section three of this act, circulating notes may be issued to the extent of not exceeding ninety per centum of the market value of such bonds so deposited: *And provided further*, That no national banking association shall be authorized in any event to issue circulating notes based on commercial paper in excess of thirty per centum of its unimpaired capital and surplus. The term "commercial paper" shall be held to include only notes representing actual commercial transactions, which when accepted by the association shall bear the names of at least two responsible parties and have not exceeding four months to run.

The banks and the assets of all banks belonging to the association shall be jointly and severally liable to the United States for the redemption of such additional circulation; and to secure such liability the lien created by section fifty-two hundred and thirty of the Revised Statutes shall extend to and cover the assets of all banks belonging to the association, and to the securities deposited by the banks with the association pursuant to the provisions of this act; but as between the several banks composing such association each bank shall be liable only in the proportion that its capital and surplus bears to the aggregate capital and surplus of all such banks. The association may, at any time, require of any of its constituent banks a deposit of additional securities or commercial paper, or an exchange of the securities already on deposit, to secure such additional circulation; and in case of the failure of such bank to make such deposit or exchange the association may, after ten days' notice to the bank, sell the securities and paper already in its hands at public sale, and deposit the proceeds with the Treasurer of the United States as a fund for the redemption of such additional circulation. If such fund be insufficient for that purpose the association may recover from the bank the amount of the deficiency by suit in the circuit court of the United States, and shall have the benefit of the lien hereinbefore provided for in favor of the United States upon the assets of such bank. The association or the Secretary of the Treasury may permit or require the withdrawal of any such securities or commercial paper and the substitution of other securities or commercial paper of equal value therefor.

#### REDEMPTION FUND BELOW REQUIREMENT, DUTY OF TREASURER OF UNITED STATES.

Act May 30,  
1908, sec. 2.

100. Sec. 2.—That whenever any bank belonging to a national currency association shall fail to preserve or make good its redemption fund in the Treasury of the United States, required by section three of the Act of June twentieth, eighteen hundred and seventy-four, chapter three hundred and forty-three, and the provisions of this Act,

the Treasurer of the United States shall notify such national currency association to make good such redemption fund, and upon the failure of such national currency association to make good such fund, the Treasurer of the United States may, in his discretion, apply so much of the redemption fund belonging to the other banks composing such national currency association as may be necessary for that purpose; and such national currency association may, after five days' notice to such bank, proceed to sell at public sale the securities deposited by such bank with the association pursuant to the provisions of section one of this Act, and deposit the proceeds with the Treasurer of the United States as a fund for the redemption of the additional circulation taken out by such bank under this Act.

**WHAT NATIONAL BANKS MAY APPLY FOR AUTHORITY TO ISSUE ADDITIONAL CIRCULATION ON BONDS OTHER THAN UNITED STATES BONDS. WHAT BONDS WILL BE ACCEPTED FOR SUCH ADDITIONAL CIRCULATION.**

101. Sec. 3.—That any national banking association which has circulating notes outstanding, secured by the deposit of United States bonds to an amount of not less than forty per centum of its capital stock, and which has a surplus of not less than twenty per centum, may make application to the Comptroller of the Currency for authority to issue additional circulating notes to be secured by the deposit of bonds other than bonds of the United States. The Comptroller of the Currency shall transmit immediately the application, with his recommendation, to the Secretary of the Treasury, who shall, if in his judgment business conditions in the locality demand additional circulation, approve the same, and shall determine the time of issue and fix the amount, within the limitations herein imposed, of the additional circulating notes to be issued. Whenever after receiving notice of such approval any such association shall deposit with the Treasurer or any assistant treasurer of the United States such of the bonds described in this section as shall be approved in character and amount by the Treasurer of the United States and the Secretary of the Treasury, it shall be entitled to receive, upon the order of the Comptroller of the Currency, circulating notes in blank, registered and countersigned as provided by law, not exceeding in amount ninety per centum of the market value, but not in excess of the par value of any bonds so deposited, such market value to be ascertained and determined under the direction of the Secretary of the Treasury.

The Treasurer of the United States, with the approval of the Secretary of the Treasury, shall accept as security for the additional circulating notes provided for in this section, bonds or other interest-bearing obligations of any State of the United States, or any legally authorized bonds issued by any city, town, county, or other legally constituted

Act May 30,  
1908, sec. 3.

municipality or district in the United States, which has been in existence for a period of ten years, and which for a period of ten years previous to such deposit has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and whose net funded indebtedness does not exceed ten per centum of the valuation of its taxable property, to be ascertained by the last preceding valuation of property for the assessment of taxes. The Treasurer of the United States, with the approval of the Secretary of the Treasury, shall accept, for the purposes of this section, securities herein enumerated in such proportions as he may from time to time determine, and he may with such approval at any time require the deposit of additional securities, or require any association to change the character of the securities already on deposit.

**LEGAL TITLE OF BONDS DEPOSITED TO SECURE ADDITIONAL CIRCULATION. ASSIGNMENT OF BONDS BY TREASURER TO BE COUNTERSIGNED BY THE COMPTROLLER OF THE CURRENCY.**

Act May 30,  
1908, sec. 4.

**102. Sec. 4.**—That the legal title of all bonds, whether coupon or registered, deposited to secure circulating notes issued in accordance with the terms of section three of this Act shall be transferred to the Treasurer of the United States in trust for the association depositing them, under regulations to be prescribed by the Secretary of the Treasury. A receipt shall be given to the association by the Treasurer or any assistant treasurer of the United States, stating that such bond is held in trust for the association on whose behalf the transfer is made, and as security for the redemption and payment of any circulating notes that have been or may be delivered to such association. No assignment or transfer of any such bond by the Treasurer shall be deemed valid unless countersigned by the Comptroller of the Currency. The provisions of sections fifty-one hundred and sixty-three, fifty-one hundred and sixty-four, fifty-one hundred and sixty-five, fifty-one hundred and sixty-six, and fifty-one hundred and sixty-seven and sections fifty-two hundred and twenty-four to fifty-two hundred and thirty-four, inclusive, of the Revised Statutes respecting United States bonds deposited to secure circulating notes shall, except as herein modified, be applicable to all bonds deposited under the terms of section three of this Act.

**ADDITIONAL CIRCULATION, HOW TREATED. LIMIT TO AMOUNT OF CIRCULATION ISSUED TO EACH BANK. LIMIT TO TOTAL AMOUNT OUTSTANDING UNDER THIS ACT.**

Act May 30,  
1908, sec. 5.

**103. Sec. 5.**—That the additional circulating notes issued under this Act shall be used, held, and treated in the same way as circulating notes of national banking associations heretofore issued and secured by a deposit of United States bonds, and shall be subject to all the pro-

visions of law affecting such notes except as herein expressly modified: *Provided*, That the total amount of circulating notes outstanding of any national banking association, including notes secured by United States bonds as now provided by law, and notes secured otherwise than by deposit of such bonds, shall not at any time exceed the amount of its unimpaired capital and surplus: *And provided further*, That there shall not be outstanding at any time circulating notes issued under the provisions of this Act to an amount of more than five hundred millions of dollars.

#### AMOUNT OF REDEMPTION FUND.

104. Sec. 6.—That whenever and so long as any national banking association has outstanding any of the additional circulating notes authorized to be issued by the provisions of this Act it shall keep on deposit in the Treasury of the United States, in addition to the redemption fund required by section three of the Act of June twentieth, eighteen hundred and seventy-four, an additional sum equal to five per centum of such additional circulation at any time outstanding, such additional five per centum to be treated, held, and used in all respects in the same manner as the original redemption fund provided for by said section three of the Act of June twentieth, eighteen hundred and seventy-four.

*Act May 30,  
1908, sec. 6.*

#### EQUITABLE DISTRIBUTION OF NOTES.

105. Sec. 7.—In order that the distribution of notes to be issued under the provisions of this Act shall be made as equitable as practicable between the various sections of the country, the Secretary of the Treasury shall not approve applications from associations in any State in excess of the amount to which such State would be entitled of the additional notes herein authorized on the basis of the proportion which the unimpaired capital and surplus of the national banking associations in such State bears to the total amount of unimpaired capital and surplus of the national banking associations of the United States: *Provided, however*, That in case the applications from associations in any State shall not be equal to the amount which the associations of such State would be entitled to under this method of distribution, the Secretary of the Treasury may, in his discretion, to meet an emergency, assign the amount not thus applied for to any applying association or associations in States in the same section of the country.

*Act May 30,  
1908, sec. 7.*

#### SECRETARY OF THE TREASURY TO FURNISH INFORMATION AS TO THE VALUE AND CHARACTER OF SECURITIES.

106. Sec. 8.—That it shall be the duty of the Secretary of the Treasury to obtain information with reference to the value and character of the securities authorized to be accepted under the provisions of this Act, and he shall from time to time furnish information to national bank-

*Act May 30,  
1908, sec. 8.*

ing associations as to such securities as would be acceptable under the provisions of this Act.

**107. Sec. 9.—**

Amends section 5214, Revised Statutes. See also paragraph 114, section 27, Federal Reserve Act.

**108. Sec. 10.—**

Amends section 9 of act approved July 12, 1882, as amended by act approved March 4, 1907, inserted section 5167, paragraph 69 National Bank Act.

**109. Sec. 11.—**

Amends section 5172, Revised Statutes.

**CIRCULATING NOTES TO BE REDEEMED IN LAWFUL MONEY OF THE UNITED STATES.**

*Act May 30, 1908, sec. 12.* **110. Sec. 12.—**That circulating notes of national banking associations, when presented to the Treasury for redemption, as provided in section three of the Act approved June twentieth, eighteen hundred and seventy-four, shall be redeemed in lawful money of the United States.

**ALL ACTS OF THE COMPTROLLER OF THE CURRENCY AND TREASURER OF THE UNITED STATES UNDER THIS ACT TO BE APPROVED BY THE SECRETARY OF THE TREASURY.**

*Act May 30, 1908, sec. 13.* **111. Sec. 13.—**That all acts and orders of the Comptroller of the Currency and the Treasurer of the United States authorized by this Act shall have the approval of the Secretary of the Treasury who shall have power, also, to make any such rules and regulations and exercise such control over the organization and management of national currency associations as may be necessary to carry out the purposes of this Act.

**112. Sec. 14.—**

Is amendatory of section 5191, Revised Statutes.

**113. Sec. 15.—**

Relates to deposits of public money and interest thereon and is inserted after section 5153, Revised Statutes.

**EXPENSES OF ACT.**

*Act May 30, 1908, sec. 16.* **114. Sec. 16.—**That a sum sufficient to carry out the purposes of the preceding sections of this Act is hereby appropriated out of any money in the Treasury not otherwise appropriated.

**APPOINTMENT OF MONETARY COMMISSION.**

*Act May 30, 1908, sec. 17.* **115. Sec. 17.—**That a Commission is hereby created, to be called the "National Monetary Commission," to be composed of nine members of the Senate, to be appointed by the Presiding Officer thereof, and nine members of the House of Representatives, to be appointed by the Speaker thereof; and any vacancy on the Commission shall be filled in the same manner as the original appointment.

**POWERS OF COMMISSION. COMMISSION TO REPORT TO CONGRESS.**

116. Sec. 18.—That it shall be the duty of this Commission to inquire into and report to Congress at the earliest date practicable, what changes are necessary or desirable in the monetary system of the United States or in the laws relating to banking and currency, and for this purpose they are authorized to sit during the sessions or recess of Congress, at such times and places as they may deem desirable, to send for persons and papers, to administer oaths, to summons and compel the attendance of witnesses, and to employ a disbursing officer and such secretaries, experts, stenographers, messengers, and other assistants as shall be necessary to carry out the purposes for which said Commission was created. The Commission shall have the power, through subcommittee or otherwise, to examine witnesses and to make such investigations and examinations, in this or other countries, of the subjects committed to their charge as they shall deem necessary.

Act May 30,  
1908, sec. 18.

**EXPENSES OF COMMISSION.**

117. Sec. 19.—That a sum sufficient to carry out the purposes of sections seventeen and eighteen of this Act, and to pay the necessary expenses of the Commission and its members, is hereby appropriated, out of any money in the Treasury not otherwise appropriated. Said appropriation shall be immediately available and shall be paid out on the audit and order of the chairman or acting chairman of said Commission, which audit and order shall be conclusive and binding upon all Departments as to the correctness of the accounts of such Commission.

Act May 30,  
1908, sec. 19.

**WHEN ACT EXPIRES BY LIMITATION.**

118. Sec. 20.—That this Act shall expire by limitation on the thirtieth day of June, nineteen hundred and fourteen.

Act May 30,  
1908, sec. 20.

NOTE.—This act extended to June 30, 1915, by paragraph 144, section 27, Federal Reserve Act.

## CHAPTER IV.

### REGULATION OF THE BANKING BUSINESS.

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| <p>119. 5190. Place of business.</p> <p>120. 5191. Reserve cities and reserve requirements.</p> <p>121. 5192. What may be counted as reserve.</p> <p>122. Act June 30, 1874. Lawful money reserve to be determined by deposits.</p> <p>123. Act May 30, 1908. No reserve need be held against deposits of public money.</p> <p>124. Act June 30, 1874. Provisions for redeeming circulation. Five per cent redemption fund.</p> <p>125. Act March 3, 1875. Clerical force for redemption of circulating notes.</p> <p>126. Act March 3, 1887, as amended March 3, 1903. Additional reserve cities.</p> <p>127. Act July 14, 1890. Disposition of redemption account.</p> <p>128. Act July 28, 1892. Redemption of lost or stolen notes and of notes not properly signed.</p> <p>129. 5193. Repealed by act March 14, 1900.</p> <p>130. 5194. Superseded by repeal of section 5193.</p> <p>131. 5195. Place for redemption of circulating notes to be designated.</p> <p>132. Act June 20, 1874. National banks not required or permitted to redeem their circulating notes elsewhere than at their own counters or at the Treasury of the United States.</p> <p>133. Act March 3, 1887. Additional central reserve cities.</p> <p>134. 5196. National banks to take notes of other national banks at par.</p> <p>135. 5197. Limitation upon rate of interest which may be taken.</p> <p>136. 5198. Penalty for taking unlawful interest. Jurisdiction of suits by or against national banks.</p> <p>137. 5199. Dividends.</p> <p>138. 5200. Limitation of liabilities which may be incurred by any one person, company, etc.</p> | <p>139. 5201. Associations must not loan on or purchase their own stock.</p> <p>140. 5202. Restriction on bank's indebtedness.</p> <p>141. 5203. Restriction upon use of circulating notes.</p> <p>142. 5204. Prohibition upon withdrawal of capital. Unearned dividends prohibited.</p> <p>143. 5205. Assessment for failure to pay up capital stock or for impairment of capital.</p> <p>144. 5206. Prohibition against uncirculated notes.</p> <p>145. 5207. United States notes not to be held as collateral.</p> <p>146. Act July 12, 1882. Issue of gold certificates.</p> <p>147. 5208. Penalty for falsely certifying checks.</p> <p>148. Act July 12, 1882. Punishment for falsely certifying checks.</p> <p>149. 5209. Penalty for embezzlement, abstraction, willful misapplication, false entries, etc.</p> <p>150. Act January 26, 1907. National banks not permitted to make contributions in connection with election to political office.</p> <p>151. 5210. List of shareholders.</p> <p>152. 5211. Reports to Comptroller of the Currency.</p> <p>153. Act February 26, 1881. Verification of reports.</p> <p>154. 5212. Report of dividends.</p> <p>155. 5213. Penalty for failure to make reports.</p> <p>156. 5214. Taxes payable to the United States.</p> <p>157. 5215. Half-yearly return of circulation [<i>deposits and capital stock</i>].</p> <p>158. 5216. Penalty for failure to make return.</p> <p>159. 5217. Enforcing tax on circulation.</p> <p>160. 5218. Refunding excess tax.</p> <p>161. Act March 1, 1879. No tax to be paid by insolvent banks.</p> <p>162. 5219. State taxation.</p> |
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## PLACE OF BUSINESS.

119. Sec. 5190.—The usual business of each national banking association shall be transacted at an office or bank-<sup>Act June 3, 1864, c. 106, sec. 8; 13 Stat. L., 101.</sup>ing house located in the place specified in its organization certificate.

NOTE.—Foreign branches permitted by paragraph 141, section 25, Federal Reserve Act. See act May 1, 1886, following Revised Statutes, 5136, in reference to change in place of business.

## RESERVE CITIES AND RESERVE REQUIREMENTS.

120. Sec. 5191.—Every national banking association in either of the following cities: Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, and Washington, shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of [*its notes in circulation and*] its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount [*of its notes in circulation and*] of its deposits. Whenever the lawful money of any association in any of the cities named shall be below the amount of twenty-five per centum of its [*circulation and*] deposits, and whenever the lawful money of any other association shall be below fifteen per centum of its [*circulation and*] deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividends of its profits until the required proportion, between the aggregate amount of its [*outstanding notes of circulation and*] deposits and its lawful money of the United States, has been restored. And the Comptroller of the Currency may notify any association, whose lawful money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section fifty-two hundred and thirty-four.

NOTE.—See paragraphs 6, 119-124 Federal Reserve Act. This section is amended by the act of June 20, 1874, section 2, which provides that no reserve need be held against circulation. Said act follows section 5192. Act of March 3, 1903, amending act of March 3, 1887, providing for additional reserve cities, follows section 5192. Provisions relating to redemption of circulating notes, acts June 20, 1874, March 3, 1875, and July 14, 1890, follow Revised Statutes, 5192. Provisions relating to redemption of old notes of banks extending their corporate existence, act July 12, 1882, follows Revised Statutes, 5136. Leavenworth, Kansas, was included as a reserve city in the original act, but was struck out March 1, 1872. Words "lawful money" construed by Attorney-General as including all that is legal tender. Opin. Atty. Gen'l 17; 123.

## WHAT MAY BE COUNTED AS RESERVE.

<sup>Act June 3, 1864, c. 106, sec. 31; 13 Stat. L. 108.</sup> 121. Sec. 5192.—Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the Comptroller of the Currency, organized under the act of June three, eighteen hundred and sixty-four, or under this Title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Richmond, Saint Louis, San Francisco, and Washington. Clearing-house certificates, representing specie or lawful money specially deposited for the purpose, of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing-house, holding and owning such certificate, within the preceding section.

NOTE.—See paragraphs 119 to 123 Federal Reserve Act. Leavenworth, Kansas, was included as a reserve city in the original act, but was struck out March 1, 1872. Charleston and Richmond not being included in the list of reserve cities enumerated in section 5191, the banks of which are required to hold a reserve of twenty-five per centum of their net deposits, the Comptroller of the Currency has never approved any bank in said cities as reserve agents.

## LAWFUL MONEY RESERVE TO BE DETERMINED BY DEPOSITS. ACT JUNE 20, 1874.

<sup>Act June 20, 1874, c. 343, sec. 2; 18 Stat. L. 123.</sup> 122. Sec. 2.—That section thirty-one of "the national-bank act" be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever, by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.

NOTE.—Section 31 of "the national-bank act" is incorporated in sections 5191, 5192, Revised Statutes. Section 1 of act June 20, 1874, precedes section 5133, Revised Statutes.

## NO RESERVE NEED BE HELD AGAINST DEPOSITS OF PUBLIC MONEY. ACT MAY 30, 1908.

<sup>Act May 30, 1908, sec. 14.</sup> 123. Sec. 14.—That the provisions of section fifty-one hundred and ninety-one of the Revised Statutes, with reference to the reserves of national banking associations, shall not apply to deposits of public moneys by the United States in designated depositaries.

NOTE.—By the Act of Aug. 24, 1912, relating to Panama Canal Zone revenues, it is provided that "all deposits of such funds shall be subject to the provisions of existing law relating to the deposit of other public funds of the United States."

## PROVISION FOR REDEEMING CIRCULATION. FIVE PER CENT. REDEMPTION FUND. ACT JUNE 20, 1874.

<sup>Act June 20, 1874, c. 343, sec. 3; 18 Stat. L. 123.</sup> 124. Sec. 3.—That every association organized, or to be organized, under the provisions of the said act, and of the several acts amendatory thereof, shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per

centum of its circulation, to be held and used for the redemption of such circulation; which sum shall be counted as a part of its lawful reserve, as provided in section two of this act; and when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of one thousand dollars, or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in [*United States notes*]. All notes so redeemed shall be charged by the Treasurer of the United States to the respective associations issuing the same, and he shall notify them severally, on the first day of each month, or oftener, at his discretion, of the amount of such redemptions; and whenever such redemptions for any association shall amount to the sum of five hundred dollars, such association so notified shall forthwith deposit with the Treasurer of the United States a sum in United States notes equal to the amount of its circulating notes so redeemed. And all notes of national banks, worn, defaced, mutilated, or otherwise unfit for circulation, shall, when received by any assistant treasurer, or at any designated depository of the United States, be forwarded to the Treasurer of the United States for redemption as provided herein. And when such redemptions have been so reimbursed, the circulating notes so redeemed shall be forwarded to the respective associations by which they were issued; but if any of such notes are worn, mutilated, defaced, or rendered otherwise unfit for use, they shall be forwarded to the Comptroller of the Currency and destroyed and replaced as now provided by law: *Provided*, That each of said associations shall reimburse to the Treasury the charges for transportation and the costs for assorting such notes; and the associations hereafter organized shall also severally reimburse to the Treasury the cost of engraving such plates as shall be ordered by each association respectively; and the amount assessed upon each association shall be in proportion to the circulation redeemed, and be charged to the fund on deposit with the Treasurer: *And provided further*, That so much of section thirty-two of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this section, is hereby repealed.

**NOTE.**—Modified by paragraph 129 Federal Reserve Act. See also paragraph 106 Federal Reserve Act. Section 12 of act of May 30, 1908, provides that notes of national banking associations shall be redeemed in lawful money of the United States. (See said section 12, paragraph 110, ante.)

Section 32 of national-bank act is section 5195, Revised Statutes.

*Other sections of act of June 20, 1874.*

Section 1 precedes Revised Statutes, 5133.

Section 2. See paragraph 122, ante.

Section 4 follows Revised Statutes, 5167.

Section 5 follows Revised Statutes, 5172.

Section 6 relates to United States notes only.

Sections 7-9 superseded by act of January 14, 1875, which follows Revised Statutes, 5177.

**CLERICAL FORCE FOR REDEMPTION OF CIRCULATING NOTES. ACT MARCH 3, 1875.**

Act Mar. 3,  
1875; 18 Stat.  
L. 399; part  
of the sundry  
civil appropri-  
ation act.

125. That to carry into effect the provisions of section three of the act entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," approved June twentieth, eighteen hundred and seventy-four, the Secretary of the Treasury is authorized to appoint the following force, to be employed under his direction, namely: In the Office of the Treasurer: \* \* \* In the Office of the Comptroller of the Currency \* \* \* And at the end of each month, the Secretary of the Treasury shall reimburse the Treasury to the full amount paid out under the provisions of this section by transfer of said amount from the deposit of the national banking association with the Treasury of the United States; and at the end of each fiscal year he shall transfer from said deposit to the Treasury of the United States such sum as may have been actually expended under his direction for stationery, rent, fuel, light, and other necessary incidental expenses which have been incurred in carrying into effect the provisions of the said section of the above-named act.

**ADDITIONAL RESERVE CITIES. ACT OF MARCH 3,**

Act Mar. 3,  
1887, sec. 1;  
24 Stat. L. 1;  
559.

**1903, AMENDING ACT OF MARCH 3, 1887.**

Sec. 1.—That whenever three-fourths in number of the national banks located in any city of the United States having a population of twenty-five thousand people shall make application to the Comptroller of the Currency, in writing, asking that the name of the city in which such banks are located shall be added to the cities named in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-two of the Revised Statutes, the Comptroller shall have authority to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of its deposits, as provided in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-five of the Revised Statutes.

NOTE.—See paragraph 70 Federal Reserve Act.

**DISPOSITION OF REDEMPTION ACCOUNT. ACT JULY 14, 1890.**

Act. July 14,  
1890, c. 708;  
sec. 6; 26 Stat.  
L., 289.

Sec. 6.—That upon the passage of this act the balances standing with the Treasurer of the United States to the respective credits of national banks for deposits made to redeem the circulating notes of such banks, and all deposits thereafter received for like purpose, shall be covered into the Treasury as a miscellaneous receipt, and the Treasurer of the United States shall redeem from the general cash in the Treasury the circulating notes of said banks which may come into his possession subject to redemption; and upon the certificate of the Comptroller of the Currency that such notes have been received by

him and that they have been destroyed and that no new notes will be issued in their place, reimbursement of their amount shall be made to the Treasurer, under such regulations as the Secretary of the Treasury may prescribe, from an appropriation hereby created, to be known as "national-bank notes; Redemption account," but the provisions of this act shall not apply to the deposits received under section three of the act of June twentieth, eighteen hundred and seventy-four, requiring every national bank to keep in lawful money with the Treasurer of the United States a sum equal to five per centum of its circulation, to be held and used for the redemption of its circulating notes; and the balance remaining of the deposits so covered shall, at the close of each month, be reported on the monthly public debt statement as debt of the United States bearing no interest.

NOTE.—The other sections of this act relate to the purchase of silver bullion and issue of Treasury notes.

**REDEMPTION OF LOST OR STOLEN NOTES, AND OF NOTES NOT PROPERLY SIGNED. ACT JULY 28, 1892.**

128. That the provisions of the Revised Statutes of the United States, providing for the redemption of national-bank notes, shall apply to all national-bank notes that have been or may be issued to, or received by, any national bank, notwithstanding such notes may have been lost by or stolen from the bank and put in circulation without the signature or upon the forged signature of the president or vice-president and cashier.

Act July 28,  
1892, c. 217;  
Stat. L.,  
32.

**129. Sec. 5193.—**

Repealed March 14, 1900.

NOTE.—This section as enacted June 8, 1872 (17 Stat. L., 337), authorized the Secretary of the Treasury to receive on deposit from national banking associations United States notes in sums of not less than ten thousand dollars and to issue certificates therefor payable on demand in denominations of not less than five thousand dollars. This was repealed by act March 14, 1900, section 6, paragraph 245, post, which provides for issue of gold certificates payable to order in denominations of ten thousand dollars.

**130. Sec. 5194.—**

Dependent on 5193 and superseded by its repeal.

**PLACE FOR REDEMPTION OF CIRCULATING NOTES TO BE DESIGNATED.**

131. Sec. 5195.—Each association organized in any of the cities named in section fifty-one hundred and ninety-one shall select, subject to the approval of the Comptroller of the Currency, an association in the city of New York, [at which it will redeem its circulating notes at par;] and may keep one-half of its lawful money reserve in cash deposits in the city of New York. [But the foregoing provision shall not apply to associations organized and located in the city of San Francisco for the purpose of issuing

Act June 3,  
1864, c. 106;  
sec. 32; 13 Stat.  
L., 109.

*notes payable in gold. Each association not organized within the cities named shall select, subject to the approval of the Comptroller, an association in either of the cities named, at which it will redeem its circulating notes at par.] The Comptroller shall give public notice of the names of the associations selected [at which redemptions are to be made by the respective associations], and of any change that may be made of the association [at which the notes of any association are redeemed. Whenever any association fails either to make the selection or to redeem its notes as aforesaid, the Comptroller of the Currency may upon receiving satisfactory evidence thereof appoint a receiver, in the manner provided for in section fifty-two hundred and thirty-four, to wind up its affairs.] But this section shall not relieve any association from its liability to redeem its circulating notes at its own counter, at par, in lawful money on demand.*

NOTE.—Italicized words repealed by act June 20, 1874.

**NATIONAL BANKS NOT REQUIRED OR PERMITTED TO REDEEM THEIR CIRCULATING NOTES ELSEWHERE THAN AT THEIR OWN COUNTERS. ACT JUNE 20, 1874.**

Act June 20, 1874, c. 343; sec. 3; 18 Stat. L. 123. **132. Sec. 3.—\* \* \*** *And provided further,* That so much of section thirty-two (section 5195, Revised Statutes) of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this section, is hereby repealed.

NOTE.—Section 3, act of June 20, 1874, is set forth in full after Revised Statutes, 5192.

**ADDITIONAL CENTRAL RESERVE CITIES. ACT MARCH 3, 1887.**

Act Mar. 3, 1887, c. 378; sec. 2; 24 Stat. L. 560. **133. Sec. 2.—**That whenever three-fourths in number of the national banks located in any city of the United States having a population of two hundred thousand people shall make application to the Comptroller of the Currency, in writing, asking that such city may be a central reserve city, like the city of New York, in which one-half of the lawful-money reserve of the national banks located in other reserve cities may be deposited, as provided in section fifty-one hundred and ninety-five of the Revised Statutes, the Comptroller shall have authority, with the approval of the Secretary of the Treasury, to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, twenty-five per centum of its deposits, as provided in section fifty-one hundred and ninety-one of the Revised Statutes.

NOTE.—See paragraph 70 Federal Reserve Act.

Other sections of act March 3, 1887: Section 1, relating to additional reserve cities as amended by act of March 3, 1903. follows Revised Statutes, section 5192.

Section 3 of this act relates to redemption of legal-tender notes.

**NATIONAL BANKS TO TAKE NOTES OF OTHER NATIONAL BANKS AT PAR.**

134. Sec. 5196.—Every national banking association formed or existing under this Title, shall take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully organized national banking association. But this provision shall not apply to any association organized for the purpose of issuing notes payable in gold.

Act June 3,  
1864, c. 106,  
sec. 33; 13 Stat.  
L., 109.

Act July 12,  
1870, c. 282,  
sec. 5; 13 Stat.  
L., 253.

**LIMITATION UPON RATE OF INTEREST WHICH MAY BE TAKEN.**

135. Sec. 5197.—Any association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State, Territory, or District where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this Title. When no rate is fixed by the laws of the State, or Territory, or District, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. And the purchase, discount, or sale of a bona fide bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest.

Act June 3,  
1864, c. 106,  
sec. 39; 13 Stat.  
L., 108.

**PENALTY FOR TAKING UNLAWFUL INTEREST. JURISDICTION OF SUITS BY OR AGAINST NATIONAL BANKS.**

136. Sec. 5198 [as amended 1875].—The taking, receiving, reserving, or charging a rate of interest greater than is allowed by the preceding section, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid, or his legal representative, may recover back, in an action in the nature of an action of debt, twice the amount of the interest thus paid from the association taking or receiving the same; provided such action is commenced within two years from the time the usurious transaction occurred. That suits, actions, and proceedings against any association under this Title may be had in any circuit, district, or territorial court of the United States held within the district in which such association may be established, or in any State, county, or

Act June 3,  
1864, c. 106,  
sec. 30; 13 Stat.  
L., 108.

Act Feb. 18,  
1875, c. 80; 13  
Stat. L., 320.

municipal court in the county or city in which said association is located having jurisdiction in similar cases.

NOTE.—Additional provisions relating to jurisdiction of actions by and against national banks are contained in Act July 12, 1882, which is inserted after Revised Statutes, section 5136. See paragraphs 195, 196 Revised Statutes of United States,, post, as to jurisdiction of circuit courts to enjoin Comptroller under section 5237, Revised Statutes, United States.

#### DIVIDENDS.

*Act June 3, 1864, c. 106, sec. 33; 13 Stat. L., 103.* 137. Sec. 5199.—The directors of any association may, semiannually, declare a dividend of so much of the net profit of the association as they shall judge expedient; but each association shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall amount to twenty per centum of its capital stock.

#### LIMITATION OF LIABILITIES WHICH MAY BE INCURRED BY ANY ONE PERSON, COMPANY, ETC.

*Act June 3, 1864, c. 106, sec. 29; 13 Stat. L., 108.* *Act June 22, 1906; 34 Stat. L., 451.* 138. Sec. 5200 [as amended 1906].—The total liabilities to any association, of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such associations, actually paid in and unimpaired, and one-tenth part of its unimpaired surplus fund: *Provided, however,* That the total of such liabilities shall in no event exceed thirty per centum of the capital stock of the association. But the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed.

#### ASSOCIATIONS MUST NOT LOAN ON OR PURCHASE THEIR OWN STOCK.

*Act June 3, 1864, c. 106, sec. 35; 13 Stat. L., 110.* 139. Sec. 5201.—No association shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale; or, in default thereof, a receiver may be appointed to close up the business of the association, according to section fifty-two hundred and thirty-four.

#### RESTRICTION ON BANK'S INDEBTEDNESS. (AS AMENDED BY PARAGRAPH 85 FEDERAL RESERVE ACT.)

*Act Dec. 23, 1912.* 140. Sec. 5202.—No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

- First. Notes of circulation.  
 Second. Moneys deposited with or collected by the association.  
 Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.  
 Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.  
 Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.

#### RESTRICTION UPON USE OF CIRCULATING NOTES.

141. Sec. 5203.—No association shall, either directly or indirectly, pledge or hypothecate any of its notes or circulation, for the purpose of procuring money to be paid in on its capital stock, or to be used in its banking operations, or otherwise; nor shall any association use its circulating notes, or any part thereof, in any manner or form, to create or increase its capital stock.

#### PROHIBITION UPON WITHDRAWAL OF CAPITAL. UNEARNED DIVIDENDS PROHIBITED.

142. Sec. 5204.—No association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have at any time been sustained by any such association, equal to or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall ever be made by any association, while it continues its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section. But nothing in this section shall prevent the reduction of the capital stock of the association under section fifty-one hundred and forty-three.

#### ASSESSMENT FOR FAILURE TO PAY UP CAPITAL STOCK OR FOR IMPAIRMENT OF CAPITAL.

143. Sec. 5205 [as amended 1876].—Every association which shall have failed to pay up its capital stock, as required by law, and every association whose capital stock shall have become impaired by losses or otherwise, shall, within three months after receiving notice thereof from the Comptroller of the Currency, pay the deficiency in the capital stock, by assessment upon the shareholders pro rata for the amount of capital stock held by each; and the Treasurer of the United States shall withhold the interest upon all bonds held by him in trust for any such association, upon notification from the Comptroller of the Currency, until otherwise notified by him. If any

such association shall fail to pay up its capital stock, and shall refuse to go into liquidation, as provided by law, for three months after receiving notice from the Comptroller, a receiver may be appointed to close up the business of the association, according to the provisions of section fifty-two hundred and thirty-four: *And provided*, That if any shareholder or shareholders of such bank shall neglect or refuse, after three months' notice, to pay the assessment, as provided in this section, it shall be the duty of the board of directors to cause a sufficient amount of the capital stock of such shareholder or shareholders to be sold at public auction (after thirty days' notice shall be given by posting such notice of sale in the office of the bank, and by publishing such notice in a newspaper of the city or town in which the bank is located, or in a newspaper published nearest thereto) to make good the deficiency, and the balance, if any, shall be returned to such delinquent shareholder or shareholders.

#### PROHIBITION AGAINST UNCURRENT NOTES.

*Act June 3, 1864, c. 106, sec. 39; 13 Stat. L., 111.* 144. Sec. 5206.—No association shall at any time pay out on loans or discounts, or in purchasing drafts or bills of exchange, or in payment of deposits, or in any other mode pay or put in circulation, the notes of any bank or banking association which are not, at any such time, receivable, at par, on deposit, and in payment of debts by the association so paying out or circulating such notes; nor shall any association knowingly pay out or put in circulation any notes issued by any bank or banking association which at the time of such paying out or putting in circulation is not redeeming its circulating notes in lawful money of the United States.

#### UNITED STATES NOTES NOT TO BE HELD AS COLLATERAL.

*Act Feb. 19, 1869, c. 32; 15 Stat. L., 270.* 145. Sec. 5207.—No association shall hereafter offer or receive United States notes or national-bank notes as security or as collateral security for any loan of money, or for a consideration agree to withhold the same from use, or offer or receive the custody or promise of custody of such notes as security, or as collateral security, or consideration for any loan of money. Any association offending against the provisions of this section shall be deemed guilty of a misdemeanor, and shall be fined not more than one thousand dollars and a further sum equal to one-third of the money so loaned. The officer or officers of any association who shall make any such loan shall be liable for a further sum equal to one-quarter of the money loaned; and any fine or penalty incurred by a violation of this section shall be recoverable for the benefit of the party bringing such suit.

*Act July 12, 1882, sec. 12; 22 Stat. L., 166.* 146. Sec. 12.—That the Secretary of the Treasury is authorized and directed to receive deposits of gold coin

\* \* \* and issue certificates therefor \* \* \* Said certificates \* \* \* when held by any national banking association, shall be counted as part of its lawful reserve; and no national banking association shall be a member of any clearing house in which such certificates shall not be receivable in the settlement of clearing-house balances: \* \* \* And the provisions of section fifty-two hundred and seven of the Revised Statutes shall be applicable to the certificates herein authorized and directed to be issued.

NOTE.—This section given in full, paragraph 223, post. See also currency act of March 4, 1900, as amended March 4, 1907, paragraph 245 post, relating to gold certificates, and making ten dollars lowest denomination.

#### PENALTY FOR FALSELY CERTIFYING CHECKS.

147. Sec. 5208.—It shall be unlawful for any officer, clerk, or agent of any national banking association to certify any check drawn upon the association unless the person or company drawing the check has on deposit with the association, at the time such check is certified, an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against the association; but the act of any officer, clerk, or agent of any association, in violation of this section, shall subject such bank to the liabilities and proceedings on the part of the Comptroller as provided for in section fifty-two hundred and thirty-four.

Act Mar. 3,  
1869, c. 135;  
15 Stat. L.,  
335.

#### PUNISHMENT FOR FALSELY CERTIFYING CHECKS. ACT JULY 12, 1882.

148. Sec. 13.—That any officer, clerk, or agent of any national banking association who shall willfully violate the provisions of an act entitled "An act in reference to certifying checks by national banks," approved March third, eighteen hundred and sixty-nine, being section fifty-two hundred and eight of the Revised Statutes of the United States, or who shall resort to any device, or receive any fictitious obligation, direct or collateral, in order to evade the provisions thereof, or who shall certify checks before the amount thereof shall have been regularly entered to the credit of the dealer upon the books of the banking association, shall be deemed guilty of a misdemeanor, and shall, on conviction thereof in any circuit or district court of the United States, be fined not more than five thousand dollars, or shall be imprisoned not more than five years, or both, in the discretion of the court.

Act July 12,  
1882, c. 290;  
sec. 13; 22 Stat.  
L., 166.

#### PENALTY FOR EMBEZZLEMENT, ABSTRACTION, WILLFUL MISAPPLICATION, FALSE ENTRIES, ETC.

Act June 3,  
1864, c. 106;  
sec. 55; 13 Stat.  
L., 116.

149. Sec. 5209.—Every president, director, cashier, teller, clerk, or agent of any association, who embezzles, abstracts, or willfully misapplies any of the moneys, funds,

Act Apr. 6,  
1869, c. 11; 16  
Stat. L., 7.  
Act July 8,  
1870, c. 226;  
16 Stat. L., 195.

or credits of the association; or who, without authority from the directors, issues or puts in circulation any of the notes of the association; or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report, or statement of the association, with intent, in either case, to injure or defraud the association or any other company, body politic or corporate, or any individual person, or to deceive any officer of the association, or any agent appointed to examine the affairs of any such association; and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be deemed guilty of a misdemeanor, and shall be imprisoned not less than five years nor more than ten.

**NATIONAL BANKS NOT PERMITTED TO MAKE CONTRIBUTIONS IN CONNECTION WITH ELECTION TO POLITICAL OFFICE. ACT JANUARY 26, 1907.**

Act Jan. 26,  
1907; 34 Stat.  
L., 864.

150. That it shall be unlawful for any national bank, or any corporation organized by authority of any laws of Congress, to make a money contribution in connection with any election to any political office. It shall also be unlawful for any corporation whatever to make a money contribution in connection with any election at which Presidential and Vice-Presidential electors or a Representative in Congress is to be voted for, or any election by any State legislature of a United States Senator. Every corporation which shall make any contribution in violation of the foregoing provisions shall be subject to a fine not exceeding five thousand dollars, and every officer or director of any corporation who shall consent to any contribution by the corporation in violation of the foregoing provisions shall upon conviction be punished by a fine of not exceeding one thousand and not less than two hundred and fifty dollars, or by imprisonment for a term of not more than one year, or both such fine and imprisonment in the discretion of the court.

**LIST OF SHAREHOLDERS.**

Act June 3,  
1864, c. 106,  
sec. 40; 13 Stat.  
L., 111.

151. Sec. 5210.—The president and cashier of every national banking association shall cause to be kept at all times a full and correct list of the names and residences of all the shareholders in the association, and the number of shares held by each, in the office where its business is transacted. Such list shall be subject to the inspection of all the shareholders and creditors of the association; and the officers authorized to assess taxes under State authority, during business hours of each day in which business may be legally transacted. A copy of such list, on the first Monday of July of each year, verified by the oath of such president or cashier, shall be transmitted to the Comptroller of the Currency.

## REPORTS TO COMPTROLLER OF THE CURRENCY.

152. Sec. 5211 [as amended 1877].—Every association shall make to the Comptroller of the Currency not less than five reports during each year, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association, and attested by the signature of at least three of the directors. Each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the association at the close of business on any past day by him specified; and shall be transmitted to the Comptroller within five days after the receipt of a request or requisition therefor from him, and in the same form in which it is made to the Comptroller shall be published in a newspaper published in the place where such association is established, or if there is no newspaper in the place, then in the one published nearest thereto in the same county, at the expense of the association; and such proof of publication shall be furnished as may be required by the Comptroller. The Comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition.

## VERIFICATION OF REPORTS. ACT FEBRUARY 26, 1881.

153. That the oath or affirmation required by section fifty-two hundred and eleven of the Revised Statutes, verifying the returns made by national banks to the Comptroller of the Currency, when taken before a notary public properly authorized and commissioned by the State in which such notary resides and the bank is located, or any other officer having an official seal, authorized in such State to administer oaths, shall be a sufficient verification as contemplated by said section fifty-two hundred and eleven: *Provided*, That the officer administering the oath is not an officer of the bank.

## REPORT OF DIVIDENDS.

154. Sec. 5212.—In addition to the reports required by the preceding section, each association shall report to the Comptroller of the Currency, within ten days after declaring any dividend, the amount of such dividend, and the amount of net earnings in excess of such dividend. Such reports shall be attested by the oath of the president or cashier of the association.

## PENALTY FOR FAILURE TO MAKE REPORTS.

155. Sec. 5213.—Every association which fails to make and transmit any report required under either of the two preceding sections shall be subject to a penalty of one hundred dollars for each day after the periods, respectively, therein mentioned, that it delays to make and transmit its report. Whenever any association delays or refuses

to pay the penalty herein imposed, after it has been assessed by the Comptroller of the Currency, the amount thereof may be retained by the Treasurer of the United States, upon the order of the Comptroller of the Currency, out of the interest, as it may become due to the association, on the bonds deposited with him to secure circulation. All sums of money collected for penalties under this section shall be paid into the Treasury of the United States.

#### TAXES PAYABLE TO THE UNITED STATES.

*Act June 3, 1864, c. 106, sec. 41; 13 Stat. L., 111.* 156. Sec. 5214 [as amended May 30, 1908].—National banking associations having on deposit bonds of the United States, bearing interest at the rate of two per centum per annum, including the bonds issued for the construction of the Panama Canal, under the provisions of section eight of

*Act Mar. 3, 1883, sec. 1; 18 Stat. L., 488.* the Panama Canal, under the provisions of section eight of

*Act Mar. 14, 1900, c. 41, sec. 13; 31 Stat. L., 49.* "An Act to provide for the construction of a canal connecting the waters of the Atlantic and Pacific oceans,"

*Act May 30, 1908, sec. 9.* approved June twenty-eighth, nineteen hundred and two, to secure its circulating notes, shall pay to the Treasurer of the United States, in the months of January and July, a tax of one-fourth of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of such bonds; and such associations having on deposit bonds of the United States bearing interest at a rate higher than two per centum per annum shall pay a tax of one-half of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of such bonds.

*As amended by par. 144 Fed. Res. Act.* National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes. Every national banking association having outstanding circulating notes secured by a deposit of other securities than United States bonds shall make monthly returns, under oath of its president or cashier, to the Treasurer of the United States, in such form as the Treasurer may prescribe, of the average monthly amount of its notes so secured in circulation; and it shall be the duty of the Comptroller of the Currency to cause such reports of notes in circulation to be verified by examination of the banks' records. The taxes received on circulating notes secured otherwise than by bonds of the United States shall be paid into the Division of Redemption of the Treasury and credited and added to the reserve fund held for the redemption of United States and other notes.

**HALF-YEARLY RETURN OF CIRCULATION [deposits and capital stock].**

157. Sec. 5215.—In order to enable the Treasurer to assess the duties imposed by the preceding section, each association shall, within ten days from the first days of January and July of each year, make a return, under the oath of its president or cashier, to the Treasurer of the United States, in such form as the Treasurer may prescribe, of the average amount of its notes in circulation [*and of the average amount of its deposits, and of the average amount of its capital stock, beyond the amount invested in United States bonds*] for the six months next preceding the most recent first day of January or July. Every association which fails so to make such return shall be liable to a penalty of two hundred dollars, to be collected either out of the interest as it may become due such association on the bonds deposited with the Treasurer, or, at his option in the manner in which penalties are to be collected of other corporations under the laws of the United States.

NOTE.—The taxes on the average amount of deposits and capital stock having been repealed by the act of March 3, 1883, and the original provision therefor struck out of section 5214 as amended by act of May 30, 1908, there is no longer any obligation to make the return of those two items.

**PENALTY FOR FAILURE TO MAKE RETURN.**

158. Sec. 5216.—Whenever any association fails to make the half-yearly return required by the preceding section, the duties to be paid by such association shall be assessed upon the amount of notes delivered to such association by the Comptroller of the Currency [*and upon the highest amount of its deposits and capital stock, to be ascertained in such manner as the Treasurer may deem best*].

NOTE.—See note under section 5215 stating that tax on deposits and capital stock had been repealed.

**ENFORCING TAX ON CIRCULATION.**

159. Sec. 5217.—Whenever an association fails to pay the duties imposed by the three preceding sections, the sums due may be collected in the manner provided for the collection of United States taxes from other corporations; or the Treasurer may reserve the amount out of the interest, as it may become due, on the bonds deposited with him by such defaulting association.

**REFUNDING EXCESS TAX.**

160. Sec. 5218.—In all cases where an association has paid or may pay in excess of what may be or has been found due from it, on account of the duty required to be paid to the Treasurer of the United States, the association may state an account therefor, which, on being certified by the Treasurer of the United States, and found correct by the First Comptroller of the Treasury, shall be

Resolution  
Mar. 2 1867,  
No. 49; 14  
Stat. L. 572.

Act June 3,  
1864, c. 106;  
sec. 41; 13 Stat.  
L., 111.

refunded in the ordinary manner by warrant on the Treasury.

**NO TAX TO BE PAID BY INSOLVENT BANKS. ACT MARCH 1, 1879.**

Internal revenue act Mar. 1, 1879, sec. 22; 20 Stat. L., 351.

161. Sec. 22.—That whenever and after any bank has ceased to do business by reason of insolvency or bankruptcy, no tax shall be assessed or collected, or paid into the Treasury of the United States, on account of such bank, which shall diminish the assets thereof necessary for the full payment of all its depositors; and such tax shall be abated from such national banks as are found by the Comptroller of the Currency to be insolvent.

**STATE TAXATION.**

Act June 3, 1864, c. 106, sec. 41; 13 Stat. L., 111.

162. Sec. 5219.—Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the association is located; but the legislature of each State may determine and direct the manner and place of taxing all the shares of national banking associations located within the State, subject only to the two restrictions, that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State, and that the shares of any national banking association owned by nonresidents of any State shall be taxed in the city or town where the bank is located, and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed.

Act Feb. 10, 1868, c. 7; 15 Stat. L., 34.

## CHAPTER V.

### DISSOLUTION AND RECEIVERSHIP.

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| 163. 5220. Two-thirds vote required for liquidation.   | 177. 5233. Redeemed notes to be canceled.   |
| 164. 5221. Notice of voluntary liquidation.  | 178. 5234. Appointment and duties of receivers.   |
| 165. 5222. Deposit of lawful money to redeem circulation.  | 179. 5235. Notice to creditors of insolvent banks to present claims.                                      |
| 166. 5223. No deposit required for consolidation.  | 180. 5236. Dividends. Distribution of assets of insolvent banks.  |
| 167. 5224. Reassignment of bonds and redemption of notes of liquidating banks.   | 181. 5237. When bank may enjoin further proceedings.  |
| 168. Act June 20, 1874. Duty of Treasurer, assistant treasurer, etc., to return notes of failed or liquidating banks to Treasury for redemption. | 182. 5238. Fees and expenses.   |
| 169. 5225. Destruction of redeemed notes.  | 183. Act June 30, 1876. When receiver may be appointed.   |
| 170. 5226. Protest of bank circulation.  | 184. Act June 30, 1876. Creditor's bill against shareholders.   |
| 171. 5227. Bonds forfeited if circulation is dishonored. Examination by special agent.   | 185. Act June 30, 1876. Appointment, qualification, and duties of shareholders' agent.                    |
| 172. 5228. Suspension of business after default.   | 186. Act March 29, 1886. Receiver may purchase property to protect his trust.                             |
| 173. 5229. Notice to present circulation for redemption. Cancellation of bonds.  | 187. Act March 29, 1886. Approval of request.   |
| 174. 5230. Sale of bonds at auction. First lien for redeeming circulation.   | 188. Act March 29, 1886. Payment.   |
| 175. 5231. Bonds may be sold at private sale.  | 189. 5239. Penalty for violation of this title. Forfeiture of charter. Individual liability of directors. |
| 176. 5232. Disposal of redeemed notes. Regulations for redemption records.   | 190. 5240. Appointment of examiners: Compensation.  |
|  | 191. 5241. Limitation of visitorial powers.   |
|  | 192. 5242. Transfers, when void. Illegal preference of creditors.   |
|  | 193. 5243. Use of the title "National."   |

### TWO-THIRDS VOTE REQUIRED FOR LIQUIDATION.

163. Sec. 5220.—Any association may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock. Act June 3, 1864, c. 106, sec. 42; 13 Stat. L., 112.

NOTE.—For enforcement of shareholders' liability when bank is in liquidation see act of June 20, 1876, following Revised Statutes, 5238.

### NOTICE OF VOLUNTARY LIQUIDATION.

164. Sec. 5221.—Whenever a vote is taken to go into liquidation it shall be the duty of the board of directors to cause notice of this fact to be certified, under the seal of the association, by its president or cashier, to the Com- Act June 3, 1864, c. 106, sec. 42; 13 Stat. L., 112.

troller of the Currency, and publication thereof to be made for a period of two months in a newspaper published in the city of New York, and also in a newspaper published in the city or town in which the association is located, or if no newspaper is there published, then in the newspaper published nearest thereto, that the association is closing up its affairs, and notifying the holders of its notes and other creditors to present the notes and other claims against the association for payment.

#### DEPOSIT OF LAWFUL MONEY TO REDEEM CIRCULATION.

*Act June 3, 1864, c. 106; sec. 42, 43; 13 Stat. L.,* with the Treasurer of the United States, lawful money of

*112. Act July 14, 1870, c. 257; 16 Stat. L.,* sufficient to redeem all its outstanding circulation. The Treasurer shall execute duplicate receipts

for money thus deposited, and deliver one to the association and the other to the Comptroller of the Currency, stating the amount received by him, and the purpose for which it has been received; and the money shall be paid into the Treasury of the United States, and placed to the credit of such association upon redemption account.

#### NO DEPOSIT REQUIRED FOR CONSOLIDATION.

*Act July 14, 1870, c. 257; 16 Stat. L.,* winding up its business for the purpose of consolidating with another association shall not be required to deposit

lawful money for its outstanding circulation; but its assets and liabilities shall be reported by the association with which it is in process of consolidation.

#### REASSIGNMENT OF BONDS AND REDEMPTION OF NOTES OF LIQUIDATING BANKS.

*Act June 3, 1864, c. 106; sec. 42; 13 Stat. L., 112. Act Feb. 18, 1875, c. 80; 18 Stat. L., 320.* 167. Sec. 5224 [as amended 1875].—Whenever a sufficient deposit of lawful money to redeem the outstanding circulation of an association proposing to close its business has been made, the bonds deposited by the association to secure payment of its notes shall be reassigned to

it, in the manner prescribed by section fifty-one hundred and sixty-two. And thereafter the association and its shareholders shall stand discharged from all liabilities upon the circulating notes, and those notes shall be redeemed at the Treasury of the United States. And if any such bank shall fail to make the deposit and take up its bonds thirty days after the expiration of the time specified, the Comptroller of the Currency shall have power to sell the bonds pledged for the circulation of said bank, at public auction in New York City, and, after providing for the redemption and cancellation of said circulation, and the necessary expenses of the sale, to pay over any balance remaining to the bank or its legal representatives.

**DUTY OF TREASURER, ASSISTANT TREASURERS,  
ETC., TO RETURN NOTES OF FAILED OR  
LIQUIDATING BANKS TO TREASURER FOR RE-  
DEMPTION. ACT JUNE 20, 1874.**

168. Sec. 8.—And it shall be the duty of the Treasurer, <sup>Act June 20,  
1874, c. 343,  
sec. 8; 18 Stat.  
L., 125.</sup> assistant treasurers, designated depositaries, and national bank depositaries of the United States to assort and return to the Treasury for redemption the notes of such national banks as have failed, or gone into voluntary liquidation for the purpose of winding up their affairs, and of such as shall hereafter so fail or go into liquidation.

**DESTRUCTION OF REDEEMED NOTES.**

169. Sec. 5225 [as amended 1877].—Whenever the <sup>Act June 3,  
1864, c. 106,  
sec. 43; 13 Stat.  
L., 112.</sup> Treasurer has redeemed any of the notes of an association which has commenced to close its affairs, under the five preceding sections, he shall cause the notes to be mutilated <sup>Act Feb. 27,  
1877, c. 69; 19  
Stat. L., 252.</sup> and charged to the redemption account of the association; and all notes so redeemed by the Treasurer shall, every three months, be certified to and [*burned*] in the manner prescribed in section fifty-one hundred and eighty-four.

NOTE.—See act of June 23, 1874, following Revised Statutes, section 5184, directing that bank notes be macerated and not burned.

**PROTEST OF BANK CIRCULATION.**

170. Sec. 5226.—Whenever any national banking association fails to redeem in the lawful money of the United States any of its circulating notes, upon demand of payment duly made during the usual hours of business, at the office of such association, or at its designated place of redemption, the holder may cause the same to be protested, in one package, by a notary public, unless the president or cashier of the association whose notes are presented for payment [*or the president or cashier of the association at the place at which they are redeemable*] offers to waive demand and notice of the protest, and, in pursuance of such offer, makes, signs, and delivers to the party making such demand an admission in writing, stating the time of the demand, the amount demanded, and the fact of the non-payment thereof. The notary public, on making such protest, or upon receiving such admission, shall forthwith forward such admission or notice of protest to the Comptroller of the Currency, retaining a copy thereof. If, however, satisfactory proof is produced to the notary public that the payment of the notes demanded is restrained by order of any court of competent jurisdiction, he shall not protest the same. When the holder of any notes causes more than one note or package to be protested on the same day, he shall not receive pay for more than one protest.

NOTE.—Circulation redeemable only at Treasury or over own counter. Designated places of redemption have not existed since act June 20, 1874. (See said act following Revised Statutes, 5192.)

**BONDS FORFEITED IF CIRCULATION IS DISHONORED. EXAMINATION BY SPECIAL AGENT.**

Act June 3, 1864, c. 106; sec. 47; 13 Stat. L., 114. 171. Sec. 5227.—On receiving notice that any national banking association has failed to redeem any of its circulating notes, as specified in the preceding section, the Comptroller of the Currency, with the concurrence of the Secretary of the Treasury, may appoint a special agent, of whose appointment immediate notice shall be given to such association, who shall immediately proceed to ascertain whether it has refused to pay its circulating notes in the lawful money of the United States, when demanded, and shall report to the Comptroller the fact so ascertained. If, from such protest, and the report so made, the Comptroller is satisfied that such association has refused to pay its circulating notes and is in default, he shall, within thirty days after he has received notice of such failure, declare the bonds deposited by such association forfeited to the United States, and they shall thereupon be so forfeited.

**SUSPENSION OF BUSINESS AFTER DEFAULT.**

Act June 3, 1864, c. 106; sec. 46; 13 Stat. L., 113. 172. Sec. 5228 [as amended 1875].—After a default on the part of an association to pay any of its circulating notes has been ascertained by the Comptroller, and notice thereof has been given by him to the association, it shall not be lawful for the association suffering the same to pay out any of its notes, discount any notes or bills, or otherwise prosecute the business of banking, except to receive and safely keep money belonging to it, and to deliver special deposits.

**NOTICE TO PRESENT CIRCULATION FOR REDEMPTION. CANCELLATION OF BONDS.**

Act June 3, 1864, c. 106; sec. 47; 13 Stat. L., 114. 173. Sec. 5229.—Immediately upon declaring the bonds of an association forfeited for nonpayment of its notes, the Comptroller shall give notice, in such manner as the Secretary of the Treasury shall, by general rules or otherwise, direct, to the holders of the circulating notes of such association, to present them for payment at the Treasury of the United States; and the same shall be paid as presented in lawful money of the United States; whereupon the Comptroller may, in his discretion, cancel an amount of bonds pledged by such association equal at current market rates, not exceeding par, to the notes paid.

**SALE OF BONDS AT AUCTION. FIRST LIEN FOR REDEEMING CIRCULATION.**

Act June 3, 1864, c. 106; sec. 47, 48; 13 Stat. L., 114. 174. Sec. 5230.—Whenever the Comptroller has become satisfied, by the protest or the waiver and admission specified in section fifty-two hundred and twenty-six, or by the report provided for in section fifty-two hundred and twenty-seven, that any association has refused to pay its circulating notes, he may, instead of canceling its bonds, cause so much of them as may be necessary to redeem its outstanding notes to be sold at public auction in the

city of New York, after giving thirty days' notice of such sale to the association. For any deficiency in the proceeds of all the bonds of an association, when thus sold, to reimburse to the United States the amount expended in paying the circulating notes of the association, the United States shall have a paramount lien upon all its assets; and such deficiency shall be made good out of such assets in preference to any and all other claims whatsoever, except the necessary costs and expenses of administering the same.

#### BONDS MAY BE SOLD AT PRIVATE SALE.

175. Sec. 5231.—The Comptroller may, if he deems it for the interest of the United States, sell at private sale any of the bonds of an association shown to have made default in paying its notes, and receive therefor either money or the circulating notes of the association. But no such bonds shall be sold by private sale for less than par, nor for less than the market value thereof at the time of sale; and no sales of any such bonds, either public or private, shall be complete until the transfer of the bonds shall have been made with the formalities prescribed by sections fifty-one hundred and sixty-two, fifty-one hundred and sixty-three, and fifty-one hundred and sixty-four.

Act June 3,  
1864, c. 106,  
sec. 49; 13 Stat.  
L., 114.

#### DISPOSAL OF REDEEMED NOTES; REGULATIONS FOR REDEMPTION RECORDS.

176. Sec. 5232.—The Secretary of the Treasury may, from time to time, make such regulations respecting the disposition to be made of circulating notes after presentation at the Treasury of the United States for payment, and respecting the perpetuation of the evidence of the payment thereof, as may seem to him proper.

Act June 3,  
1864, c. 106,  
sec. 47; 13 Stat.  
L., 114.

#### REDEEMED NOTES TO BE CANCELLED.

177. Sec. 5233.—All notes of national banking associations presented at the Treasury of the United States for payment shall, on being paid, be canceled.

Act June 3,  
1864, c. 106,  
sec. 47; 13 Stat.  
L., 114.

#### APPOINTMENT AND DUTIES OF RECEIVERS.

178. Sec. 5234.—On becoming satisfied, as specified in sections fifty-two hundred and twenty-six and fifty-two hundred and twenty-seven, that any association has refused to pay its circulating notes as therein mentioned, and is in default, the Comptroller of the Currency may forthwith appoint a receiver, and require of him such bond and security as he deems proper. Such receiver, under the direction of the Comptroller, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like order, may sell all the real and personal property of such association, on such terms

Act June 3,  
1864, c. 106,  
sec. 50; 13 Stat.  
L., 114.

as the court shall direct; and may, if necessary to pay the debts of such association, enforce the individual liability of the stockholders. Such receiver shall pay over all money so made to the Treasurer of the United States, subject to the order of the Comptroller, and also make report to the Comptroller of all his acts and proceedings.

NOTE.—Other provisions authorizing the appointment of receivers of national banks and relating to powers and duties of receivers and agents will be found in the act of June 30, 1876, as amended August 3, 1892, and March 2, 1897, and the act of March 29, 1886. Both these acts are set forth following section 5238, Revised Statutes.

A receiver may also be appointed, under the provisions of section fifty-two hundred and thirty-four of the Revised Statutes of the United States, for the following violations of law:

Where the capital stock of a national bank has not been fully paid in and it is thus reduced below the legal minimum and remains so for thirty days. (Sec. 5141, R. S.)

For failure to make good the lawful-money reserve within thirty days after notice. (Sec. 5191, R. S.)

Where a bank purchases or acquires its own stock, to prevent loss upon a debt previously contracted in good faith, and the same is not sold or disposed of within six months from the time of its purchase. (Sec. 5201, R. S.)

For failure to make good any impairment in its capital stock and refusing to go into liquidation within three months after receiving notice. (Sec. 5205, R. S.)

For false certification of checks by any officer, clerk, or agent. (Sec. 5208, R. S.)

#### NOTICE TO CREDITORS OF INSOLVENT BANKS TO PRESENT CLAIMS.

*Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114.* Sec. 5235.—The Comptroller shall, upon appointing a receiver, cause notice to be given, by advertisement in such newspapers as he may direct, for three consecutive months, calling on all persons who may have claims against such association to present the same, and to make legal proof thereof.

#### DIVIDENDS; DISTRIBUTION OF ASSETS OF INSOLVENT BANKS.

*Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114.* Sec. 5236.—From time to time, after full provision has been first made for refunding to the United States any deficiency in redeeming the notes of such association, the Comptroller shall make a ratable dividend of the money so paid over to him by such receiver on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction, and, as the proceeds of the assets of such association are paid over to him, shall make further dividends on all claims previously proved or adjudicated; and the remainder of the proceeds, if any, shall be paid over to the shareholders of such association, or their legal representatives, in proportion to the stock by them respectively held.

#### WHEN BANK MAY ENJOIN FURTHER PROCEEDINGS.

*Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114.* Sec. 5237.—Whenever an association against which proceedings have been instituted, on account of any alleged refusal to redeem its circulating notes as aforesaid,

denies having failed to do so, it may, at any time within ten days after it has been notified of the appointment of an agent, as provided in section fifty-two hundred and twenty-seven, apply to the nearest circuit, or district, or Territorial court of the United States to enjoin further proceedings in the premises; and such court, after citing the Comptroller of the Currency to show cause why further proceedings should not be enjoined, and after the decision of the court or finding of the jury that such association has not refused to redeem its circulating notes, when legally presented, in the lawful money of the United States, shall make an order enjoining the Comptroller, and any receiver acting under his direction, from all further proceedings on account of such alleged refusal.

NOTE.—See also Revised Statutes, paragraphs 195, 196, post.

#### FEES AND EXPENSES.

182. Sec. 5238.—All fees for protesting the notes issued by any national banking association shall be paid by the person procuring the protest to be made, and such association shall be liable therefor; but no part of the bonds deposited by such association shall be applied to the payment of such fees. All expenses of any preliminary or other examinations into the condition of any association shall be paid by such association. All expenses of any receivership shall be paid out of the assets of such association before distribution of the proceeds thereof.

#### WHEN RECEIVER MAY BE APPOINTED. ACT JUNE 30, 1876.

183. Sec. 1.—That whenever any national banking association shall be dissolved, and its rights, privileges, and franchises declared forfeited, as prescribed in section fifty-two hundred and thirty-nine of the Revised Statutes of the United States, or whenever any creditor of any national banking association shall have obtained a judgment against it in any court of record, and make application, accompanied by a certificate from the clerk of the court stating that such judgment has been rendered and has remained unpaid for the space of thirty days, or whenever the Comptroller shall become satisfied of the insolvency of the national banking association, he may, after due examination of its affairs, in either case, appoint a receiver who shall proceed to close up such association, and enforce the personal liability of the shareholders, as provided in section fifty-two hundred and thirty-four of said statutes.

#### CREDITOR'S BILL AGAINST SHAREHOLDERS. ACT JUNE 30, 1876.

184. Sec. 2.—That when any national banking association shall have gone into liquidation under the provisions of section five thousand two hundred and twenty of

said statutes, the individual liability of the shareholders provided for by section fifty-one hundred and fifty-one of said statutes may be enforced by any creditor of such association, by bill in equity, in the nature of a creditor's bill, brought by such creditor on behalf of himself and of all other creditors of the association, against the shareholders thereof, in any court of the United States having original jurisdiction in equity for the district in which such association may have been located or established.

**APPOINTMENT, QUALIFICATION, AND DUTIES OF SHAREHOLDERS' AGENT. ACT JUNE 30, 1876, AS AMENDED 1892, 1897.**

*Act June 30, 1876, c. 158, sec. 3; 19 Stat. L., as amended Aug. 3, 1892, 27 Stat. L., 345, and Mar. 2, 1897, 29 Stat. L., 600.*

**185. Sec. 3.**—That whenever any association shall have been or shall be placed in the hands of a receiver, as provided in section fifty-two hundred and thirty-four and other sections of the Revised Statutes of the United States, and when, as provided in section fifty-two hundred and thirty-six thereof, the Comptroller of the Currency shall have paid to each and every creditor of such association, not including shareholders who are creditors of such association, whose claim or claims as such creditor shall have been proved or allowed as therein prescribed, the full amount of such claims, and all expenses of the receivership, and the redemption of the circulating notes of such association shall have been provided for by depositing lawful money of the United States with the Treasurer of the United States, the Comptroller of the Currency shall call a meeting of the shareholders of such association by giving notice thereof for thirty days in a newspaper published in the town, city, or county where the business of such association was carried on, or if no newspaper is there published, in the newspaper published nearest thereto. At such meeting the shareholders shall determine whether the receiver shall be continued and shall wind up the affairs of such association, or whether an agent shall be elected for that purpose, and in so determining the said shareholders shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and the majority of the stock in value and number of shares shall be necessary to determine whether the said receiver shall be continued, or whether an agent shall be elected. In case such majority shall determine that the said receiver shall be continued, the said receiver shall thereupon proceed with the execution of his trust, and shall sell, dispose of, or otherwise collect the assets of the said association, and shall possess all the powers and authority, and be subject to all the duties and liabilities originally conferred or imposed upon him by his appointment as such receiver, so far as the same remain applicable. In case the said meeting shall, by the vote of a majority of the stock in value and number of shares, determine that an agent shall be elected, the said meeting shall thereupon proceed to elect an agent, voting by ballot, in person or by proxy,

each share of stock entitling the holder to one vote, and the person who shall receive votes representing at least a majority of stock in value and number shall be declared the agent for the purposes hereinafter provided; and whenever any of the shareholders of the association shall, after the election of such agent, have executed and filed a bond to the satisfaction of the Comptroller of the Currency, conditioned for the payment and discharge in full of each and every claim that may thereafter be proved and allowed by and before a competent court, and for the faithful performance of all and singular the duties of such trust, the Comptroller and the receiver shall thereupon transfer and deliver to such agent all the undivided or uncollected or other assets of such association then remaining in the hands or subject to the order and control of said Comptroller and said receiver, or either of them; and for this purpose said Comptroller and said receiver are hereby severally empowered and directed to execute any deed, assignment, transfer, or other instrument in writing that may be necessary and proper; and upon the execution and delivery of such instrument to the said agent the said Comptroller and the said receiver shall by virtue of this act be discharged from any and all liabilities to such association and to each and all the creditors and shareholders thereof.

Upon receiving such deed, assignment, transfer, or other instrument, the person elected such agent shall hold, control, and dispose of the assets and property of such association which he may receive under the terms hereof for the benefit of the shareholders of such association, and he may, in his own name, or in the name of such association, sue and be sued and do all other lawful acts and things necessary to finally settle and distribute the assets and property in his hands, and may sell, compromise, or compound the debts due to such association, with the consent and approval of the circuit or district court of the United States for the district where the business of such association was carried on, and shall at the conclusion of his trust render to such district or circuit court a full account of all his proceedings, receipts, and expenditures as such agent, which court shall, upon due notice, settle and adjust such accounts and discharge said agent and the sureties upon said bond. And in case any such agent so elected shall refuse to serve, or die, resign, or be removed, any shareholder may call a meeting of the shareholders of such association in the town, city, or village where the business of the said association was carried on, by giving notice thereof for thirty days in a newspaper published in said town, city, or village, or if no newspaper is there published, in the newspaper published nearest thereto, at which meeting the shareholders shall elect an agent, voting by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and when such agent shall have received votes representing at least a majority of the stock in value and

number of shares, and shall have executed a bond to the shareholders conditioned for the faithful performance of his duties, in the penalty fixed by the shareholders at said meeting, with two sureties, to be approved by a judge of a court of record, and file said bond in the office of the clerk of a court of record in the county where the business of said association was carried on, he shall have all the rights, powers, and duties of the agent first elected as hereinbefore provided. At any meeting held as hereinbefore provided administrators or executors of deceased shareholders may act and sign as the decedent might have done if living, and guardians of minors and trustees of other persons may so act and sign for their ward or wards or cestui que trust. The proceeds of the assets or property of any such association which may be undistributed at the time of such meeting or may be subsequently received shall be distributed as follows:

"First. To pay the expenses of the execution of the trust to the date of such payment.

"Second. To repay any amount or amounts which have been paid in by any shareholder or shareholders of such association upon and by reason of any and all assessments made upon the stock of such association by the order of the Comptroller of the Currency in accordance with the provisions of the statutes of the United States; and

"Third. The balance ratably among such stockholders, in proportion to the number of shares held and owned by each. Such distribution shall be made from time to time as the proceeds shall be received and as shall be deemed advisable by the said Comptroller or said agent."

NOTE.—Other sections of act June 30, 1876:

Section 4 amends Revised Statutes, 5205.

Section 5 relates to counterfeit notes.

Section 6 relates to savings banks and trust companies, organized under act of Congress.

#### RECEIVER MAY PURCHASE PROPERTY TO PROTECT HIS TRUST. ACT MARCH 29, 1886.

Act Mar. 29, 1886. Sec. 1.—That whenever the receiver of any national bank duly appointed by the Comptroller of the Currency, and who shall have duly qualified and entered upon the discharge of his trust, shall find it in his opinion necessary, in order to fully protect and benefit his said trust, to the extent of any and all equities that such trust may have in any property, real or personal, by reason of any bond, mortgage, assignment, or other proper legal claim attaching thereto, and which said property is to be sold under any execution, decree of foreclosure, or proper order of any court of jurisdiction, he may certify the facts in the case, together with his opinion as to the value of the property to be sold, and the value of the equity his said trust may have in the same, to the Comptroller of the Currency, together with a request for the right and authority to use and employ so much of the money of said

trust as may be necessary to purchase such property at such sale.

#### APPROVAL OF REQUEST. ACT MARCH 29, 1886.

187. Sec. 2.—That such request, if approved by the Comptroller of the Currency, shall be, together with the certificate of facts in the case, and his recommendation as to the amount of money which, in his judgment, should be so used and employed, submitted to the Secretary of the Treasury, and if the same shall likewise be approved by him, the request shall be by the Comptroller of the Currency allowed, and notice thereof, with copies of the request, certificate of facts, and indorsement of approvals, shall be filed with the Treasurer of the United States.

Act Mar. 29,  
1886, c. 28,  
sec. 2; 24 Stat.  
L., 8.

#### PAYMENT. ACT MARCH 29, 1886.

188. Sec. 3.—That whenever any such request shall be allowed as hereinbefore provided, the said Comptroller of the Currency shall be, and is, empowered to draw upon and from such funds of any such trust as may be deposited with the Treasurer of the United States for the benefit of the bank in interest, to the amount as may be recommended and allowed and for the purpose for which such allowance was made: *Provided, however,* That all payments to be made for or on account of the purchase of any such property and under any such allowance shall be made by the Comptroller of the Currency direct, with the approval of the Secretary of the Treasury, for such purpose only and in such manner as he may determine and order.

Act Mar. 29,  
1886, c. 28,  
sec. 3; 24 Stat.  
L., 8.

#### PENALTY FOR VIOLATION OF THIS TITLE; FOR FEITURE OF CHARTER; INDIVIDUAL LIABILITY OF DIRECTORS.

189. Sec. 5239.—If the directors of any national banking association shall knowingly violate, or knowingly permit any of the officers, agents, or servants of the association to violate any of the provisions of this Title, all the rights, privileges, and franchises of the association shall be thereby forfeited. Such violation shall, however, be determined and adjudged by a proper circuit, district, or Territorial court of the United States, in a suit brought for that purpose by the Comptroller of the Currency, in his own name, before the association shall be declared dissolved. And in cases of such violation every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages which the association, its shareholders, or any other person shall have sustained in consequence of such violation.

Act June 3,  
1864, c. 106,  
sec. 53; 13 Stat.  
L., 116.

#### APPOINTMENT OF EXAMINERS, COMPENSATION.

190. Sec. 5240 [as amended Dec. 23, 1913, paragraphs 130 to 134].—The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least

Act June 3,  
1864, c. 106,  
sec. 54; 13 Stat.  
L., 116.  
Act Feb. 19,  
1875, c. 89; 18  
Stat. L., 329.

twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Federal Reserve Board such information as may be demanded concerning the condition of any member bank within the district of the said Federal reserve bank.

#### LIMITATION OF VISITORIAL POWERS.

No bank shall be subject to any visitorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.

The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal reserve bank.

#### LIMITATION OF VISITORIAL POWERS. [See subhead in preceding section.]

*Act June 3, 1864, c. 106, sec. 54; 13 Stat. L., 116.* 191. Sec. 5241.—No association shall be subject to any visitorial powers other than such as are authorized by this Title, or are vested in the courts of justice.

NOTE.—See paragraph 133 Federal Reserve Act.

**TRANSFERS WHEN VOID; ILLEGAL PREFERENCE OF CREDITORS.**

192. Sec. 5242.—All transfers of the notes, bonds, bills <sup>Act June 3,  
1864, sec. 52; 13 Stat. L., 115.</sup> of exchange, or other evidences of debt owing to any national banking association, or of deposits to its credit; all assignments of mortgages, sureties on real estate, or of judgments or decrees in its favor; all deposits of money, bullion, or other valuable thing for its use, or for the use of any of its shareholders or creditors; and all payments of money to either, made after the commission of an act of insolvency, or in contemplation thereof, made with a view to prevent the application of its assets in the manner prescribed by this chapter, or with a view to the preference of one creditor to another, except in payment of its circulating notes, shall be utterly null and void; and no attachment, injunction or execution, shall be issued against such association or its property before final judgment in any suit, action, or proceeding, in any State, county, or municipal court.

**USE OF THE TITLE "NATIONAL."**

193. Sec. 5243.—All banks not organized and transacting business under the national currency laws, or under this Title, and all persons or corporations doing the business of bankers, brokers, or savings institutions, except savings banks authorized by Congress to use the word "national" as a part of their corporate name, are prohibited from using the word "national" as a portion of the name or title of such bank, corporation, firm, or partnership; and any violation of this prohibition committed after the third day of September, eighteen hundred and seventy-three, shall subject the party chargeable therewith to a penalty of fifty dollars for each day during which it is permitted or repeated. <sup>Act Mar. 3,  
1873, sec. 3; 17 Stat. L., 603.</sup>

## CHAPTER VI.

### ACTS OF A GENERAL NATURE AND SECTIONS OF THE REVISED STATUTES, NOT INCLUDED IN THE NATIONAL BANK ACT, AFFECTING NATIONAL BANKS.

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| 194. District attorney to conduct suits when United States is a party. | 199-209. Tax on State Bank circulation.                |
| 195. Jurisdiction of circuit court to enjoin Comptroller.              | 210-211. Tax on United States and national bank notes. |
| 196. Where such proceedings must be brought.                           | 212. Restrictions on notes less than one dollar.       |
| 197. Sealed certificates of Comptroller competent evidence.            | 213-223. Legal tender.                                 |
| 198. Certified copy of organization certificate as evidence.           | 224-229. Government depositaries.                      |
|  | 230-239. Forgeries, frauds, etc.                       |
|  | 240-253. Currency act March 14, 1900.                  |
|  | 254-257. Act March 4, 1907.                            |

### ALL SUITS UNDER BANKING LAW IN WHICH THE UNITED STATES OR ANY OF ITS OFFICERS OR AGENTS ARE PARTIES TO BE CONDUCTED BY DISTRICT ATTORNEYS UNDER THE SUPERVISION OF THE SOLICITOR OF THE TREASURY.

Act Feb. 25, 1863, c. 58; sec. 55; 12 Stat. L. 680. 194. Sec. 380.—All suits and proceedings arising out of the provisions of law governing national banking associations, in which the United States or any of its officers or agents shall be parties, shall be conducted by the district attorneys of the several districts under the direction and supervision of the Solicitor of the Treasury.

NOTE.—See paragraph 146 Federal Reserve Act. The United States Supreme Court decided in the case of *Gibson v. Peters* (150 U. S., 342) that a district attorney could not receive any compensation for services in conducting a suit arising out of the provisions of the national banking laws in which the United States or any of its officers or agents are parties.

### JURISDICTION OF CIRCUIT COURTS TO ENJOIN COMPTROLLER.

Act June 3, 1864, c. 106; secs. 50, 57; 13 Stat. L. 115; 116. 195. Sec. 629 [as amended 1875].—The circuit courts shall have original jurisdiction of all suits brought by any banking association established in the district for which the court is held, under the provisions of Title "THE NATIONAL BANKS," to enjoin the Comptroller of the Currency, or any receiver acting under his direction, as provided by said Title.

NOTE.—Proceedings to enjoin Comptroller authorized by section 5237.

### WHERE SUCH PROCEEDINGS MUST BE BROUGHT.

Act June 3, 1864, c. 106; secs. 50, 57; 13 Stat. L. 115; 116. 196. Sec. 736.—All proceedings by any national banking association to enjoin the Comptroller of the Currency, under the provisions of any law relating to national banking associations, shall be had in the district where such association is located.

### SEALED CERTIFICATES OF COMPTROLLER COMPETENT EVIDENCE.

197. Sec. 884.—Every certificate, assignment, and conveyance executed by the Comptroller of the Currency, in pursuance of law, and sealed with his seal of office, shall be received in evidence in all places and courts; and all copies of papers in his office, certified by him and authenticated by the said seal, shall in all cases be evidence equally with the originals. An impression of such seal directly on the paper shall be as valid as if made on wax or wafer.

Act June 3,  
1864, sec. 2; 13 Stat.  
L., 100.

### CERTIFIED COPY OF ORGANIZATION CERTIFICATE AS EVIDENCE.

198. Sec. 885.—Copies of the organization certificate of any national banking association duly certified by the Comptrolier of the Currency, and authenticated by his seal of office, shall be evidence in all courts and places within the jurisdiction of the United States of the existence of the association, and of every matter which could be proved by the production of the original certificate.

Act June 3,  
1864, sec. 6; 13 Stat.  
L., 101.

### TAX ON STATE BANK CIRCULATION.

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| 199. 3408. Tax on circulation.   | 204. Act February 8, 1875. Banks' returns, payment of tax, penalties.    |
| 200. 3411. Circulation; when exempted from tax.                                      | 205. 3414. Semiannual return by banks.                                   |
| 201. 3412, 3413. Superseded by act February 8, 1875.                                 | 206. 3415. Failure to make return. Commissioner to estimate.             |
| 202. Act February 8, 1875. Tax on circulation of banks other than national.          | 207. 3416. State banks converted into national banks. Returns; how made. |
| 203. Act February 8, 1875. Tax on notes of State banks, municipal corporations, etc. | 208. 3417. Tax provisions restricted.                                    |
|  | 209. Act March 1, 1879. Taxes on insolvent banks.                        |

### TAX ON CIRCULATION.

199. Sec. 3408.—There shall be levied, collected and paid, as hereafter provided.

First. \* \* \*

Second. \* \* \*

Third. A tax of one-twelfth of one per centum each month upon the average amount of circulation issued by any bank, association, corporation, company or person, including as circulation all certified checks and all notes and other obligations calculated or intended to circulate or to be used as money, but not including that in the vault of the bank, or redeemed and on deposit for said bank; and an additional tax of one-sixth of one per centum each month upon the average amount of such circulation, issued as aforesaid, beyond the amount of ninety per centum of the capital of any such bank, association, corporation, company, or person.

In the case of banks with branches, the tax herein provided shall be assessed upon the circulation of each branch

Act June 30,  
1864, sec. 110;  
13 Stat. L.,  
277.

Act July 13,  
1866, sec. 9;  
14 Stat. L.,  
137, 146.

Act June 6,  
1872, sec. 37;  
17 Stat. L.,  
625.

severally, and the amount of capital of each branch shall be considered to be the amount allotted to it.

NOTE.—The first and second clauses in this section related to taxes on deposits and capital stock and were repealed by act of March 3, 1883.

#### CIRCULATION WHEN EXEMPTED FROM TAX.

**Act Mar. 3, 1865, c. 78, sec. 14; 13 Stat. L. 486.** 200. Sec. 3411.—Whenever the outstanding circulation of any bank, association, corporation, company, or person is reduced to an amount not exceeding five per centum of the chartered or declared capital existing at the time the same was issued, said circulation shall be free from taxation; and whenever any bank which has ceased to issue notes for circulation deposits in the Treasury of the United States, in lawful money, the amount of its outstanding circulation, to be redeemed at par, under such regulations as the Secretary of the Treasury shall prescribe, it shall be exempt from any tax upon such circulation.

#### 201. SECS. 3412, 3413.

Superseded by act February 8, 1875.

#### TAX ON CIRCULATION OF BANKS OTHER THAN NATIONAL BANKS. ACT FEBRUARY 8, 1875.

**Act Feb. 8, 1875, c. 38, sec. 19; 18 Stat. L. 311.** 202. Sec. 19.—That every person, firm, association, other than national-bank associations, and every corporation, State bank, or State banking association shall pay a tax of ten per centum on the amount of their own notes used for circulation and paid out by them.

#### TAX ON NOTES OF STATE BANKS, MUNICIPAL CORPORATIONS, ETC., USED AS CIRCULATION AND PAID OUT BY BANKS. ACT FEBRUARY 8, 1875.

**Act Feb. 8, 1875, c. 38, sec. 20; 18 Stat. L. 311.** 203. Sec. 20.—That every such person, firm, association, corporation, State bank, or State banking association, and also every national banking association, shall pay a like tax of ten per centum on the amount of notes of any person, firm, association other than a national banking association, or of any corporation, State bank, or State banking association, or of any town, city, or municipal corporation, used for circulation and paid out by them.

#### BANKS' RETURNS; PAYMENT OF TAX PENALTIES. ACT FEBRUARY 8, 1875.

**Act Feb. 8, 1875, sec. 21; 18 Stat. L. 311.** 204. Sec. 21.—That the amount of such circulating notes, and of the tax due thereon, shall be returned, and the tax paid at the same time, and in the same manner, and with like penalties for failure to return and pay the same, as provided by law for the return and payment of taxes on deposits, capital, and circulation imposed by the existing provisions of internal-revenue law.

#### SEMI-ANNUAL RETURN BY BANKS.

**Act June 30, 1864, c. 173, sec. 410; 13 Stat. L. 278.** 205. Sec. 3414.—A true and complete return of the monthly amount of circulation [*of deposits, and of capital*], as aforesaid, and of the monthly amount of notes of persons, town, city, or municipal corporations, State banks, or State banking associations paid out as aforesaid

for the previous six months, shall be made and rendered in duplicate on the first day of December and the first day of June, by each of such banks, associations, corporations, companies, or persons, with a declaration annexed thereto, under the oath of such person, or of the president or cashier of such bank, association, corporation, or company, in such form and manner as may be prescribed by the Commissioner of Internal Revenue, that the same contains a true and faithful statement of the amounts subject to tax, as aforesaid; and one copy shall be transmitted to the collector of the district in which any such bank, association, corporation, or company is situated, or in which such person has his place of business, and one copy to the Commissioner of Internal Revenue.

**NOTE.**—Italicized words repealed by act March 3, 1883. “That the taxes herein specified imposed by the laws now in force be, and the same are hereby, repealed, as hereinafter provided, namely: On capital and deposits of banks, bankers, and national banking associations, except such taxes as are now due and payable.”

#### FAILURE TO MAKE RETURN. COMMISSIONER TO ESTIMATE.

206. Sec. 3415.—In default of the returns provided in the preceding section, the amount of circulation [*deposit capital*], and notes of persons, town, city, and municipal corporations, State banks, and State banking associations paid out, as aforesaid, shall be estimated by the Commissioner of Internal Revenue, upon the best information he can obtain. And for any refusal or neglect to make return and payment any such bank, association, corporation, company, or person so in default shall pay a penalty of two hundred dollars, besides the additional penalty and forfeitures provided in other cases.

**NOTE.**—See note under preceding section.

#### STATE BANKS CONVERTED INTO NATIONAL BANKS; RETURNS, HOW MADE.

207. Sec. 3416.—Whenever any State bank or banking association has been converted into a national banking association, and such national banking association has assumed the liabilities of such State bank or banking association, including the redemption of its bills, by any agreement or understanding whatever with the representatives of such State bank or banking association, such national banking association shall be held to make the required return and payment on the circulation outstanding, so long as such circulation shall exceed five per centum of the capital before such conversion of such State bank or banking association.

**NOTE.**—See paragraph 52 Federal Reserve Act.

#### TAX PROVISIONS RESTRICTED.

208. Sec. 3417 [as amended 1875].—The provision of this chapter relating to the tax on the [*deposits, capital*, Stat. L., 278.

Act Mar. 26, 1867, c. 8, sec. 2; 17 Stat. L., 6.  
Act June 6, 1872, c. 315, sec. 37; 17 Stat. L., 256.  
Act Dec. 24, 1872, c. 13, sec. 5; 17 Stat. L., 403.

Act June 30, 1864, c. 173, sec. 110; 13, Stat. L., 278.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 146.  
Act Dec. 24, 1872, c. 13, sec. 2; 17 Stat. L., 402.

Act Mar. 3, 1865, c. 73, sec. 14; 13 Stat. L., 486.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 146.

Act July 13, 1866, c. 184, and] circulation of banks and to their returns, except as contained in sections thirty-four hundred and ten, thirty-L., 146.

Act Feb. 18, 1876, c. 80; 18 Stat. L., 319. four hundred and eleven, thirty-four hundred and twelve, thirty-four hundred and thirteen, and thirty-four hundred and sixteen, and such parts of sections thirty-four hundred and fourteen and thirty-four hundred and fifteen as relate to the tax of ten per centum on certain notes, shall not apply to associations which are taxed under and by virtue of Title "NATIONAL BANKS."

NOTE.—See note under section 3414 stating that taxes on deposits and capital were repealed by act March 3, 1883.

#### TAXES ON INSOLVENT BANKS. ACT MARCH 1, 1879.

Act Mar. 1, 1879, c. 125, sec. 22; 20 Stat. L., 351. Sec. 22.—That whenever and after any bank has ceased to do business by reason of insolvency or bankruptcy, no tax shall be assessed or collected, or paid into the Treasury of the United States, on account of such bank, which shall diminish the assets thereof necessary for the full payment of all its depositors; and such tax shall be abated from such national banks as are found by the Comptroller of the Currency to be insolvent; and the Commissioner of Internal Revenue, when the facts shall so appear to him, authorized to remit so much of said tax against insolvent State and savings banks as shall be found to affect the claims of their depositors.

NOTE.—Part of section omitted superseded by act of March 3, 1883.

#### TAX ON UNITED STATES AND NATIONAL-BANK NOTES.

210. 3701. Obligations of the United States exempt from taxation.	211. Act August 13, 1894. National-bank notes and notes and certificates of the United States circulating as currency subject to State taxation.
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#### OBLIGATIONS OF UNITED STATES EXEMPT FROM TAXATION.

Act Feb. 25, 1862, c. 23, sec. 2; 12 Stat. L., 346. Sec. 3701.—All stocks, bonds, Treasury notes, and other obligations of the United States shall be exempt from taxation by or under State or municipal or local authority.

Act Mar. 3, 1863, c. 73, sec. 1; 12 Stat. L., 710. Act Mar. 3, 1864, c. 17, sec. 1; 13 Stat. L., 13. Act June 30, 1864, c. 172, sec. 1; 13 Stat. L., 218. Act Jan. 28, 1865, c. 22, sec. 1; 13 Stat. L., 425. Act Mar. 3, 1865, c. 77, sec. 2; 13 Stat. L., 469. Act July 14, 1870, c. 256, sec. 1; 16 Stat. L., 272.

#### NATIONAL-BANK NOTES AND NOTES AND CERTIFICATES OF THE UNITED STATES CIRCULATING AS CURRENCY SUBJECT TO STATE TAXATION. ACT AUGUST 13, 1894.

Act Aug. 13, 1894, sec. 1; 28 Stat. L., 278. Sec. 1.—That circulating notes of national banking associations and United States legal-tender notes and other notes and certificates of the United States, payable on demand and circulating or intended to circulate as currency, and gold, silver, or other coin shall be subject to taxation as money on hand or on deposit under the

laws of any State or Territory: *Provided*, That any such taxation shall be exercised in the same manner and at the same rate that any such State or Territory shall tax money or currency circulating as money within its jurisdiction.

SEC. 2. That the provisions of this act shall not be deemed or held to change existing laws in respect of the taxation of national banking associations. <sup>Act Aug. 13, 1864, sec. 2; 12 Stat. L., 28.</sup>

#### RESTRICTIONS ON NOTES LESS THAN ONE DOLLAR.

212. Sec. 3583.—No person shall make, issue, circulate or pay out any note, check, memorandum, token, or other obligation for a less sum than one dollar, intended to circulate as money or to be received or used in lieu of lawful money of the United States; and every person so offending shall be fined not more than five hundred dollars or imprisoned not more than six months, or both, at the discretion of the court. <sup>Act July 17, 1862, c. 196, sec. 2; 12 Stat. L., 692.</sup>

#### LEGAL TENDER.

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| 213. 3584. Foreign coins.  | 217. Act June 9, 1879. Subsidiary silver coins.      |
| 214. 3585. Gold coin of the United States.   | 218. 3587. Minor coins.                              |
| 215. 3586. Superseded by act February 28, 1878, and act June 9, 1879.                                    | 219. 3588. United States notes.                      |
| 216. Act February 28, 1878. Authorizing coinage of standard silver dollars and making them legal tender. | 220. 3589. Demand Treasury notes.                    |
|  | 221. 3590. Interest-bearing notes.                   |
|  | 222. 5182. See section 5182 under national-bank act. |
|  | 223. Act July 12, 1882. Gold certificates.           |

#### FOREIGN COINS.

213. Sec. 3584.—No foreign gold or silver coins shall be a legal tender in payment of debts. <sup>Act Feb. 21, 1857, c. 56, sec. 3; 11 Stat. L., 163.</sup>

#### GOLD COIN OF THE UNITED STATES.

214. Sec. 3585.—The gold coins of the United States shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for the single piece, and when reduced in weight below such standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight. <sup>Act Feb. 12, 1873, c. 131, sec. 14; 17 Stat. L., 426.</sup>

#### 215. Sec. 3586.—

Superseded by act February 28, 1878, and act June 9, 1879.

#### AUTHORIZING COINAGE OF STANDARD SILVER DOLLARS AND MAKING THEM LEGAL TENDER. ACT OF FEBRUARY 28, 1878.

216. Sec. 1.—That there shall be coined at the several mints of the United States, silver dollars of the weight of 412½ grains Troy of standard silver \* \* \* ; which coins together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a <sup>Act Feb. 28, 1878, c. 20, sec. 1; 20 Stat. L., 25.</sup>

legal tender, at their nominal value, for all debts and dues, public and private, except where otherwise expressly stipulated in the contract.

#### SUBSIDIARY SILVER COINS. ACT OF JUNE 9, 1879.

*Act June 9, 1879, c. 12, sec. 3; 21 Stat. L., 8.* 217. Sec. 3.—That the present silver coins of the United States of smaller denominations than one dollar shall hereafter be a legal tender in all sums not exceeding ten dollars in full payment of all dues public and private.

#### MINOR COINS.

*Act Feb. 12, 1873, c. 131, sec. 16; 17 Stat. L., 427.* 218. Sec. 3587.—The minor coins of the United States shall be a legal tender, at their nominal value, for any amount not exceeding twenty-five cents in any one payment.

#### UNITED STATES NOTES.

*Act Feb. 25, 1862, c. 33, sec. 1; 12 Stat. L., 345.* 219. Sec. 3588.—United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt.

*Act July 11, 1862, c. 142, sec. 1; 12 Stat. L., 338.* Res. Jan. 17, 1863, No. 9, 12 Stat. L., 823. Act Mar. 3, 1863, c. 73, sec. 3; 12 Stat. L., 711.

#### DEMAND TREASURY NOTES.

*Act July 17, 1861, c. 5, sec. 1; 11 Stat. L., 259.* 220. Sec. 3589.—Demand Treasury notes authorized by the act of July 17, 1861, chapter 5, and the act of February 25, 1861, c. 5, sec. 1; 11 Stat. L., 259.

*Act Feb. 12, 1862, c. 20; 12 Stat. L., 338.* ary 12, 1862, chapter 20, shall be lawful money and a legal tender in like manner as United States notes.

*Act Feb. 25, 1862, c. 33, sec. 1; 12 Stat. L., 345.* Act Mar. 3, 1862, c. 45, sec. 2; 12 Stat. L., 370.

#### INTEREST-BEARING NOTES.

*Act Mar. 3, 1863, c. 73, sec. 2; 12 Stat. L., 710.* 221. Sec. 3590.—Treasury notes issued under the authority of the acts of March 3, 1863, chapter 73, and June 30, 1864, chapter 172, shall be legal tender to the same extent as United States notes, for their face value, excluding interest: *Provided*, That Treasury notes issued under the act last named shall not be a legal tender in payment or redemption of any notes issued by any bank, banking association, or banker, calculated and intended to circulate as money.

#### FOR WHAT DEMANDS NATIONAL-BANK NOTES MAY BE RECEIVED.

##### 222. Sec. 5182.—

NOTE.—See section 5182, National-Bank Act, paragraph 88, ante.

#### GOLD CERTIFICATES. ACT JULY 12, 1882.

*Act July 12, 1882, sec. 12, 22 Stat. L., 166.* 223. Sec. 12.—That the Secretary of the Treasury is authorized and directed to receive deposits of gold coin with the Treasurer or assistant treasurers of the United States in sums of not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of United States notes. The coin deposited for or

representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued; and such certificates, as also silver certificates, when held by any national banking association, shall be counted as part of its lawful reserve; and no national banking association shall be a member of any clearing house in which such certificates shall not be receivable in the settlement of clearing-house balances: *Provided*, That the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars; and the provisions of section fifty-two hundred and seven of the Revised Statutes shall be applicable to the certificates herein authorized and directed to be issued.

NOTE.—See section 6 of the Currency Act of March 14, 1900, as amended March 4, 1907, post, paragraph 245, for additional provisions relating to gold certificates. Gold and silver certificates are not legal tender, but are receivable for all public dues.

#### GOVERNMENT DEPOSITARIES.

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| 224. 3620. Duty of disbursing officers,<br>225. 3847. Provisions for deposits by<br>certain postmasters.<br>226. 4046. Penalty for misapplication<br>of money-order funds.<br>227. 5153. See section 5153 under na-<br>tional-bank act. | 228. 5488. Penalty for unauthorized<br>deposit of public money;<br>229. 5497. Penalty for unauthorized<br>receipt or use of public<br>money. |
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#### DUTY OF DISBURSING OFFICERS.

224. Sec. 3620 [as amended 1877].—It shall be the duty of every disbursing officer having any public money intrusted to him for disbursement to deposit the same with the Treasurer or some one of the assistant treasurers of the United States, and to draw for the same only as it may be required for payments to be made by him in pursuance of law; and draw for the same only in favor of the persons to whom payment is made, and all transfers from the Treasurer of the United States to a disbursing officer shall be by draft or warrant on the Treasury or an assistant treasurer of the United States. In places, however, where there is no Treasurer or assistant treasurer, the Secretary of the Treasury may, when he deems it essential to the public interest, specially authorize in writing the deposit of such public money in any other public depository, or, in writing, authorize the same to be kept in any other manner and under such rules and regulations as he may deem most safe and effectual to facilitate the payments to public creditors.

Act June 14, 1866, c. 122, sec. 1; 14 Stat. L., 64.

Act Feb. 27, 1877, c. 69, sec. 1; 19 Stat. L., 249.

**PROVISIONS FOR DEPOSITS BY CERTAIN POST-  
MASTERS.**

Act Mar. 3, 1873, c. 272; 17 Stat. L., 225. Sec. 3847.—Any postmaster, having public money belonging to the Government, at an office within a county where there are no designated depositaries, treasurers of mints, or Treasurer or assistant treasurers of the United States may deposit the same, at his own risk and in his official capacity, in any national bank in the town, city, or county where the said postmaster resides; but no authority or permission is or shall be given for the demand or receipt by the postmaster, or any other person, of interest, directly or indirectly, on any deposit made as herein described; and every postmaster who makes any such deposit shall report quarterly to the Postmaster-General the name of the bank where such deposits have been made, and also state the amount which may stand at the time to his credit.

**PENALTY FOR MISAPPLICATION OF MONEY-ORDER  
FUNDS.**

Act June 8, 1872, c. 335; sec. 122; 17 Stat. L., 299. Act Mar. 3, 1873, c. 272; 17 Stat. L., 225. Sec. 4046.—Every postmaster, assistant, clerk, or other person employed in or connected with the business or operations of any money-order office who converts to his own use, in any way whatever, or loans, or deposits in any bank, except as authorized by this Title,\* or exchanges for other funds, any portion of the money-order funds, shall be deemed guilty of embezzlement, and any such person, as well as every other person advising or participating therein, shall, for every such offense, be imprisoned for not less than six months nor more than ten years, and be fined in a sum equal to the amount embezzled; and any failure to pay over or produce any money-order funds intrusted to such person shall be taken to be prima facie evidence of embezzlement; and upon the trial of any indictment against any person for such embezzlement it shall be prima facie evidence of a balance against him to produce a transcript from the money-order account books of the Sixth Auditor. But nothing herein contained shall be construed to prohibit any postmaster depositing, under the direction of the Postmaster-General, in a national bank designated by the Secretary of the Treasury for that purpose, to his own credit as postmaster, any money-order or other funds in his charge, nor prevent his negotiating drafts or other evidences of debt through such bank, or through United States disbursing office, or otherwise, when instructed or required to do so by the Postmaster-General for the purpose of remitting surplus money-order funds from one post-office to another, to be used in payment of money-orders. Disbursing officers of the United States shall issue, under regulations to be prescribed by the Secretary of the Treasury, duplicates of lost checks drawn by them in favor of any postmaster on account of money-order or other public funds received by them from some other postmaster.

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\* "This Title" The Postal Service.

**NATIONAL BANKING ASSOCIATIONS TO BE DEPOSITARIES OF PUBLIC MONEYS.**

227. Sec. 5153 [as amended 1907].—

NOTE.—See section 5153 under "National-Bank Act."

**PENALTY FOR UNAUTHORIZED DEPOSIT OF PUBLIC MONEY.**

228. Sec. 5488.—Every disbursing officer of the United States who deposits any public money intrusted to him in any place or in any manner, except as authorized by law, or converts to his own use in any way whatever, or loans with or without interest, or for any purpose not prescribed by law withdraws from the Treasurer or any assistant treasurer, or any authorized depositary, or for any purpose not prescribed by law transfers or applies any portion of the public money intrusted to him, is, in every such act, deemed guilty of an embezzlement of the money so deposited, converted, loaned, withdrawn, transferred, or applied; and shall be punished by imprisonment with hard labor for a term not less than one year nor more than ten years, or by a fine of not more than the amount embezzled or less than one thousand dollars, or by both such fine and imprisonment.

NOTE.—Sections 5489 to 5496 do not refer to national banks.

**PENALTY FOR UNAUTHORIZED RECEIPT OR USE OF PUBLIC MONEY.**

229. Sec. 5497 [as amended 1879].—Every banker, broker, or other person not an authorized depositary of public moneys, who knowingly receives from any disbursing officer, or collector of internal revenue, or other agent of the United States, any public money on deposit, or by way of loan or accommodation, with or without interest, or otherwise than in payment of a debt against the United States, or who uses, transfers, converts, appropriates, or applies any portion of the public money for any purpose not prescribed by law, and every president, cashier, teller, director, or other officer of any bank or banking association, who violates any of the provisions of this section, is guilty of an act of embezzlement of the public money so deposited, loaned, transferred, used, converted, appropriated, or applied, and shall be punished as prescribed in section fifty-four hundred and eighty-eight. \* \* \*

NOTE.—For duties and liabilities of depositaries see note under sec. 5153, paragraph 50, ante.

**FORGERIES, FRAUDS, ETC.**

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| 230. 5413. Obligations of the United States defined.            | 236. 5433. Penalty for having such impressions.  |
| 231. 5441. Forging or counterfeiting United States securities.  | 237. 5434. Penalty for dealing in counterfeit circulation.   |
| 232. 5415. Counterfeiting national-bank notes.                  | 238. 5437. Issuing circulation of expired associations; penalty therefor.  |
| 233. 5430. Using plates to print notes without authority.       | 239. Act June 30, 1876. Fraudulent notes to be so marked by United States officers and officers of national banks. |
| 234. 5431. Penalty for passing counterfeit circulation.         |  |
| 235. 5432. Penalty for taking unauthorized impression of tools. |  |

### OBLIGATIONS OF THE UNITED STATES DEFINED.

Act June 30, 1864, c. 172, sec. 13; 13 Stat. L., 222.  
 "obligation or other security of the United States" shall be held to mean all bonds, certificates of indebtedness, Act Feb. 18, 1875, c. 80; 18 Stat. L., 320.  
 national-bank currency, coupons, United States notes, Act Feb. 27, 1877, c. 69; 18 Stat. L., 253.  
 Treasury notes, fractional notes, certificates of deposit, bills, checks, or drafts for money drawn by or upon authorized officers of the United States, stamps and other representatives of value, of whatever denomination, which have been or may be issued under any act of Congress.

### FORGING OR COUNTERFEITING UNITED STATES SECURITIES.

Act June 30, 1864, c. 172, sec. 10; 13 Stat. L., 221.  
 Every person who, with intent to defraud, falsely makes, forges, counterfeits, or alters any obligation or security of the United States shall be punished by a fine of not more than five thousand dollars and by imprisonment at hard labor not more than fifteen years.

### COUNTERFEITING NATIONAL-BANK NOTES.

Act Feb. 25, 1863, c. 58, sec. 57; 12 Stat. L., 680.  
 forged, or counterfeited, or willingly aids or assists in 1864, c. 106, sec. 59; 13 Stat. L., 117.  
 falsely making, forging, or counterfeiting, any note in imitation of, or purporting to be in imitation of, the circulating notes issued by any banking association now or hereafter authorized and acting under the laws of the United States; or who passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note purporting to be issued by any such association doing a banking business, knowing the same to be falsely made, forged, or counterfeited, or who falsely alters, or causes or procures to be falsely altered, or willingly aids or assists in falsely altering any such circulating notes, or passes, utters, or publishes, or attempts to pass, utter, or publish as true, any falsely altered or spurious circulating note issue, or purporting to have been issued, by any such banking association, knowing the same to be falsely altered or spurious, shall be imprisoned at hard labor not less than five years nor more than fifteen years, and fined not more than one thousand dollars.

NOTE.—Sections 5416 to 5429, inclusive, do not refer to national bank circulation.

### USING PLATES TO PRINT NOTES WITHOUT AUTHORITY.

Act June 30, 1864, c. 172, sec. 11; 13 Stat. L., 221.  
 Every person having control, custody, or possession of any plate, or any part thereof, from which has been printed, or which may be prepared by direction of the Secretary of the Treasury for the purpose of printing, any obligation or other security of the United States, who uses such plate, or knowingly suffers the same to be used for the purpose of printing any such or similar obligation, or other security, or any part

thereof, except as may be printed for the use of the United States by order of the proper officer thereof; and every person who engraves, or causes or procures to be engraved, or assists in engraving, any plate in the likeness of any plate designed for the printing of such obligation or other security, or who sells any such plate, or who brings into the United States from any foreign place any such plate, except under the direction of the Secretary of the Treasury or other proper officer, or with any other intent, in either case, than that such plate be used for the printing of the obligations or other securities of the United States; or who has in his control, custody, or possession any metallic plate engraved after the similitude of any plate from which any such obligation or other security has been printed, with intent to use such plate, or suffer the same to be used in forging or counterfeiting any such obligation or other security, or any part thereof; or who has in his possession or custody, except under authority from the Secretary of the Treasury or other proper officer, any obligation or other security, engraved and printed after the similitude of any obligation or other security issued under the authority of the United States, with intent to sell or otherwise use the same; and every person who prints, photographs, or in any other manner makes or executes, or causes to be printed photographed, made, or executed, or aids in printing, photographing, making, or executing any engraving, photograph, print, or impression in the likeness of any such obligation or other security, or any part thereof, or who sells any such engraving, photograph, print, or impression, except to the United States, or who brings into the United States from any foreign place any such engraving, photograph, print, or impression, except by direction of some proper officer of the United States, or who has or retains in his control or possession, after a distinctive paper has been adopted by the Secretary of the Treasury for the obligations and other securities of the United States, any similar paper adapted to the making of any such obligation or other security, except under the authority of the Secretary of the Treasury or some other proper officer of the United States, shall be punished by a fine of not more than five thousand dollars, or by imprisonment at hard labor not more than fifteen years, or by both.

**PENALTY FOR PASSING COUNTERFEIT CIRCULATION.**

234. Sec. 5431.—Every person who, with intent to defraud, passes, utters, publishes, or sells, or attempts to pass, utter, publish, or sell, or brings into the United States with intent to pass, publish, utter, or sell, or keeps in possession or conceals, with like intent, any falsely made, forged, counterfeited, or altered obligation, or other security of the United States, shall be punished by a fine of not more than five thousand dollars and by imprisonment at hard labor not more than fifteen years.

Act June 30,  
1864, c. 172,  
sec. 10; 13 Stat.  
L., 221.

**PENALTY FOR TAKING UNAUTHORIZED IMPRESSION OF TOOLS.**

Act Feb. 5, 1867, c. 26, sec. 4; 14 Stat. L. 383. 235. Sec. 5432.—Every person who, without authority from the United States, takes, procures, or makes, upon lead, foil, wax, plaster, paper, or any other substance or material, an impression, stamp, or imprint of, from, or by the use of, any bedplate, bedpiece, die, roll, plate, seal, type, or other tool, implement, instrument, or thing used or fitted or intended to be used, in printing, stamping, or impressing, or in making other tools, implements, instruments, or things, to be used, or fitted or intended to be used, in printing, stamping, or impressing any kind or description of obligation or other security of the United States, now authorized or hereafter to be authorized by the United States, or circulating note or evidence of debt of any banking association under the laws thereof, shall be punished by imprisonment at hard labor not more than ten years, or by a fine of not more than five thousand dollars, or both.

**PENALTY FOR HAVING SUCH IMPRESSIONS.**

Act Feb. 5, 1867, c. 26, sec. 5; 14 Stat. L. 384. 236. Sec. 5433.—Every person who, with intent to defraud, has in his possession, keeping, custody, or control, without authority from the United States, any imprint, stamp, or impression, taken or made upon any substance or material whatsoever, of any tool, implement, instrument, or thing used, or fitted, or intended to be used for any of the purposes mentioned in the preceding section; or who, with intent to defraud, sells, gives, or delivers any such imprint, stamp, or impression to any other person, shall be punished by imprisonment at hard labor not more than ten years, or by a fine of not more than five thousand dollars.

**PENALTY FOR DEALING IN COUNTERFEIT CIRCULATION.**

Act Feb. 5, 1867, c. 26, sec. 1; 14 Stat. L. 383. 237. Sec. 5434.—Every person who buys, sells, exchanges, transfers, receives, or delivers any false, forged, counterfeited, or altered obligation or other security of the United States, or circulating note of any banking association organized or acting under the laws thereof, which has been or may hereafter be issued by virtue of any act of Congress, with the intent that the same be passed, published, or used as true and genuine, shall be imprisoned at hard labor not more than ten years, or fined not more than five thousand dollars, or both.

NOTE.—Sections 5435 and 5436 do not refer to national-bank circulation.

**ISSUING CIRCULATION OF EXPIRED ASSOCIATIONS, PENALTY THEREFOR.**

Act July 7, 1838, c. 185, sec. 1; 5 Stat. L. 297. 238. Sec. 5437.—In all cases where the charter of any corporation which has been or may be created by act of Congress has expired or may hereafter expire, if any director, officer, or agent of the corporation, or any trustee thereof, or any agent of such trustee, or any person having

in his possession or under his control the property of the corporation for the purpose of paying or redeeming its notes and obligations, knowingly issues, reissues, or utters as money, or in any other way knowingly puts in circulation any bill, note, check, draft, or other security purporting to have been made by any such corporation whose charter has expired, or by any officer thereof, or purporting to have been made under authority derived therefrom, or if any person knowingly aids in any such act, he shall be punished by a fine of not more than ten thousand dollars, or by imprisonment not less than one year nor more than five years, or by both such fine and imprisonment. But nothing herein shall be construed to make it unlawful for any person, not being such director, officer, or agent of the corporation, or any trustee thereof, or any agent of such trustee, or any person having in his possession or under his control the property of the corporation for the purpose hereinbefore set forth, who has received or may hereafter receive such bill, note, check, draft, or other security, bona fide and in the ordinary transactions of business to utter as money and otherwise circulate the same.

**FRAUDULENT NOTES TO BE SO MARKED BY UNITED STATES OFFICERS AND OFFICERS OF NATIONAL BANKS. ACT JUNE 30, 1876.**

239. Sec. 5.—That all United States officers charged with the receipt or disbursement of public moneys, and all officers of national banks, shall stamp or write in plain letters the word "counterfeit," "altered," or "worthless," upon all fraudulent notes issued in the form of and intended to circulate as money which shall be presented at their places of business; and if such officer shall wrongfully stamp any genuine note of the United States, or of the national banks, they shall, upon presentation, redeem such notes at the face value thereof.

Act June 30,  
1876, sec.  
19 Stat. L., 64.

**CURRENCY ACT, APPROVED MARCH 14, 1900.**

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| 240. Section 1. Gold dollar declared to be standard unit of value.  | 245. Sec. 6. Issue of gold certificates. Issue of gold certificates payable to order.                    |
| 241. Sec. 2. Secretary of Treasury to set apart and maintain a gold reserve of one hundred and fifty million dollars in gold coin and bullion for the redemption of United States notes and notes issued under the act of July 14, 1890. May sell bonds to replenish reserve. | 246. Sec. 7. Issue of silver certificates.   |
| 242. Sec. 3. Silver dollar to remain legal tender.  | 247. Sec. 8. Subsidiary silver coinage.  |
| 243. Sec. 4. Divisions of issue and redemption established.   | 248. Sec. 9. Recoinage of uncirculated subsidiary silver coin.   |
| 244. Sec. 5. When silver dollars are coined from bullion purchased under act of July 14, 1890, and equal amount of Treasury notes to be canceled and silver certificates issued.  | 249. Sec. 10. Amends section 5138, Revised Statutes. (See said section under national-bank act.)         |
|   | 250. Sec. 11. Refunding of United States bonds.  |
|   | 251. Sec. 12. This section is inserted in national-bank act following section 5171, which it supersedes. |
|   | 252. Sec. 13. See sec. 214, Revised Statutes, under national bank act.                                   |
|   | 253. Sec. 14. International bimetallism.   |

An Act To define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes.

**GOLD DOLLAR DECLARED TO BE STANDARD UNIT OF VALUE.**

Act Mar. 14, 1900, sec. 1; 31 Stat. L., 45. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

NOTE.—See paragraph 143 Federal Reserve Act.

**SECRETARY OF TREASURY TO SET APART AND MAINTAIN A GOLD RESERVE OF ONE HUNDRED AND FIFTY MILLION DOLLARS IN GOLD COIN AND BULLION FOR THE REDEMPTION OF UNITED STATES NOTES AND NOTES ISSUED UNDER ACT OF JULY 14, 1890. MAY SELL BONDS TO REPLENISH RESERVE.**

Act Mar. 14, 1900, sec. 2; 31 Stat. L., 45. *Sec. 2.—That United States notes, and Treasury notes issued under the Act of July fourteenth, eighteen hundred and ninety, when presented to the Treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this Act, and in order to secure the prompt and certain redemption of such notes as herein provided it shall be the duty of the Secretary of the Treasury to set apart in the Treasury a reserve fund of one hundred and fifty million dollars in gold coin and bullion, which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit: First, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury; second, by accepting deposits of gold coin at the Treasury or at any subtreasury in exchange for the United States notes so redeemed; third, by procuring gold coin by the use of said notes, in accordance with the provisions of section thirty-seven hundred of the Revised Statutes of the United States. If the Secretary of the Treasury is unable to restore and maintain the gold coin in the reserve fund by the foregoing methods, and the amount of such gold coin and bullion in said fund shall at any time fall below one hundred million dollars, then it shall be his duty to restore the same to the maximum sum of one hundred and fifty million dollars by borrowing money on the credit of the United States, and for the debt thus incurred to issue and sell coupon or registered bonds of the United States, in such form as he may prescribe, in denominations of fifty dollars or any multiple*

thereof, bearing interest at the rate of not exceeding three per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after one year from the date of their issue, and to be payable, principal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well, as from taxation in any form by or under State, municipal, or local authority; and the gold coin received from the sale of said bonds shall first be covered into the general fund of the Treasury and then exchanged, in the manner hereinbefore provided, for an equal amount of the notes redeemed and held for exchange, and the Secretary of the Treasury may, in his discretion, use said notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the public interests may require, except that they shall not be used to meet deficiencies in the current revenues. That United States notes when redeemed in accordance with the provisions of this section shall be reissued, but shall be held in the reserve fund until exchanged for gold, as herein provided; and the gold coin and bullion in the reserve fund, together with the redeemed notes held for use as provided in this section, shall at no time exceed the maximum sum of one hundred and fifty million dollars.

#### SILVER DOLLAR TO REMAIN LEGAL TENDER.

242. Sec. 3.—That nothing contained in this Act shall be construed to affect the legal-tender quality as now provided by law of the silver dollar, or of any other money coined or issued by the United States.

Act Mar. 14,  
1900, sec. 3;  
31 Stat. L., 46.

#### DIVISIONS OF ISSUE AND REDEMPTION ESTABLISHED.

243. Sec. 4.—That there be established in the Treasury Department, as a part of the office of the Treasurer of the United States, divisions to be designated and known as the division of issue and the division of redemption, to which shall be assigned, respectively, under such regulations as the Secretary of the Treasury may approve, all records and accounts relating to the issue and redemption of United States notes, gold certificates, silver certificates, and currency certificates. There shall be transferred from the accounts of the general fund of the Treasury of the United States, and taken up on the books of said divisions, respectively, accounts relating to the reserve fund for the redemption of United States notes and Treasury notes, the gold coin held against outstanding gold certificates, the United States notes held against outstanding currency certificates, and the silver dollars held against outstanding silver certificates, and each of the funds represented by these accounts shall be used for the redemption of the notes and certificates for which they are respectively pledged, and shall be used for no other purpose, the same being held as trust funds.

Act Mar. 14,  
1900, sec. 4;  
31 Stat. L., 46.

**WHEN SILVER DOLLARS ARE COINED FROM BULLION PURCHASED UNDER ACT OF JULY 14, 1890, AN EQUAL AMOUNT OF TREASURY NOTES TO BE CANCELED AND SILVER CERTIFICATES ISSUED.**

*Act Mar. 14, 1900, sec. 5; 31 Stat. L., 47.* **244. Sec. 5.**—That it shall be the duty of the Secretary of the Treasury, as fast as standard silver dollars are coined under the provisions of the Acts of July fourteenth, eighteen hundred and ninety, and June thirteenth, eighteen hundred and ninety-eight, from bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, to retire and cancel an equal amount of Treasury notes whenever received into the Treasury, either by exchange in accordance with the provisions of this Act or in the ordinary course of business, and upon the cancellation of Treasury notes silver certificates shall be issued against the silver dollars so coined.

**ISSUE OF GOLD CERTIFICATES. ISSUE OF GOLD CERTIFICATES PAYABLE TO ORDER.**

*Act Mar. 14, 1900, sec. 6; 31 Stat. L., 47.* *Act Mar. 4, 1907, sec. 1; 34 Stat. L., 1289.* **245. Sec. 6** [as amended by acts of March 4, 1907 and March 2, 1911].—That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer or any assistant treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve: *Provided*, That whenever and so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars the authority to issue certificates as herein provided shall be suspended: *And provided further*, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for: *And provided further*, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less: *And provided further*, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order. *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer in New York and the assistant treasurer in San Francisco, deposits of foreign gold coin at their bullion value in amounts of not less than one thousand dollars in value and issue gold certificates therefor of the description herein authorized: *And provided further*,

That the Secretary of the Treasury may, in his discretion, <sup>Act Mar. 2,  
1911.</sup> receive, with the Treasurer or any assistant treasurer of the United States, deposits of gold bullion bearing the stamp of the coinage mints of the United States, or the assay office in New York, certifying their weight, fineness, and value, in amounts of not less than one thousand dollars in value, and issue gold certificates therefor of the description herein authorized. But the amount of gold bullion and foreign coin so held shall not at any time exceed one-third of the total amount of gold certificates at such time outstanding. And section fifty-one hundred and ninety-three of the Revised Statutes of the United States is hereby repealed.

#### ISSUE OF SILVER CERTIFICATES.

**246. Sec. 7.**—That hereafter silver certificates shall be <sup>Act Mar. 14,  
1900, sec. 7;  
31 Stat. L., 47.</sup> issued only of denominations of ten dollars and under <sup>31</sup> except that not exceeding in the aggregate ten per centum of the total volume of said certificates, in the discretion of the Secretary of the Treasury, may be issued in denominations of twenty dollars, fifty dollars, and one hundred dollars; and silver certificates of higher denomination than ten dollars, except as herein provided, shall, whenever received at the Treasury or redeemed, be retired and canceled, and certificates of denominations of ten dollars or less shall be substituted therefor, and after such substitution, in whole or in part, a like volume of United States notes of less denomination than ten dollars shall from time to time be retired and canceled, and notes of denominations of ten dollars and upward shall be reissued in substitution therefor, with like qualities and restrictions as those retired and canceled.

NOTE.—The act of February 28, 1878, authorized the issue of silver certificates in sums of not less than ten dollars. The act of March 3, 1887, authorized the issue of one, two, and five dollar certificates. This section supersedes these acts as to all new issues.

#### SUBSIDIARY SILVER COINAGE.

**247. Sec. 8.**—That the Secretary of the Treasury is <sup>Act Mar. 14,  
1900, sec. 8;  
31 Stat. L., 47.</sup> hereby authorized to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the Act of July fourteenth, eighteen hundred and ninety, for coinage into such denominations of subsidiary silver coin as may be necessary to meet the public requirements for such coin: *Provided*, That the amount of subsidiary silver coin outstanding shall not at any time exceed in the aggregate one hundred millions of dollars. Whenever any silver bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, shall be used in the coinage of subsidiary silver coin, an amount of Treasury notes issued under said Act equal to the cost of the bullion contained in such coin shall be canceled and not reissued.

### RECOINAGE OF UNCURRENT SUBSIDIARY SILVER COIN.

*Act Mar. 14,  
1900, sec. 9;  
31 Stat. L., 48.* 248. Sec. 9.—That the Secretary of the Treasury is hereby authorized and directed to cause all worn and uncurrent subsidiary silver coin of the United States now in the Treasury, and hereafter received, to be recoined, and to reimburse the Treasurer of the United States for the difference between the nominal or face value of such coin and the amount the same will produce in new coin from any moneys in the Treasury not otherwise appropriated.

### 249. Sec. 10.—

Amends section fifty-one hundred and thirty-eight, Revised Statutes. (See said section under National-bank act.)

### REFUNDING OF UNITED STATES BONDS.

*Act Mar. 14,  
1900, sec. 11;  
31 Stat. L., 48.* 250. Sec. 11.—That the Secretary of the Treasury is hereby authorized to receive at the Treasury any of the outstanding bonds of the United States bearing interest at five per centum per annum, payable February first, nineteen hundred and four, and any bonds of the United States bearing interest at four per centum per annum, payable July first, nineteen hundred and seven, and any bonds of the United States bearing interest at three per centum per annum, payable August first, nineteen hundred and eight, and to issue in exchange therefor an equal amount of coupon or registered bonds of the United States in such form as he may prescribe, in denominations of fifty dollars or any multiple thereof, bearing interest at the rate of two per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after thirty years from the date of their issue, and said bonds to be payable, principal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority: *Provided*, That such outstanding bonds may be received in exchange at a valuation not greater than their present worth to yield an income of two and one-quarter per centum per annum; and in consideration of the reduction of interest effected, the Secretary of the Treasury is authorized to pay to the holders of the outstanding bonds surrendered for exchange, out of any money in the Treasury not otherwise appropriated, a sum not greater than the difference between their present worth, computed as aforesaid, and their par value, and the payments to be made hereunder shall be held to be payments on account of the sinking fund created by section thirty-six hundred and ninety-four of the Revised Statutes: *And provided further*, That the two per centum bonds to be issued under the provisions of this Act shall be issued at not less than par, and they shall be numbered consecutively in the order of their issue, and when payment is made the

last numbers issued shall be first paid, and this order shall be followed until all the bonds are paid, and whenever any of the outstanding bonds are called for payment interest thereon shall cease three months after such call; and there is hereby appropriated out of any money in the Treasury not otherwise appropriated, to effect the exchanges of bonds provided for in this Act, a sum not exceeding one-fifteenth of one per centum of the face value of said bonds, to pay the expense of preparing and issuing the same and other expenses incident thereto.

**251. Sec. 12.—**

This section is inserted in the national-bank act following section fifty-one hundred and seventy-one, which it supersedes.

**252. Sec. 13.—**

See section 5214, Revised Statutes.

**INTERNATIONAL BIMETALLISM.**

**253. Sec. 14.—**That the provisions of this Act are not intended to preclude the accomplishment of international bimetallism whenever conditions shall make it expedient and practicable to secure the same by concurrent action of the leading commercial nations of the world and at a ratio which shall insure permanence of relative value between gold and silver.

**ACT MARCH 4, 1907.**

254. Sec. 1. Amends section 6 of act of March 14, 1900.	257. Sec. 4. Amends section 9 of act of July 12, 1882. The amended section follows section 5167 of the Revised Statutes.
255. Sec. 2. Issue of Treasury notes.	
256. Sec. 3. Amends section 5153 of the Revised Statutes.	

**254. Sec. 1, Act March 4, 1907.—**

Amends section 6 of act of March 14, 1900. This amended section is incorporated in said act, paragraph 245, ante.

**ISSUE OF TREASURY NOTES. ACT MARCH 4, 1907.**

**255. Sec. 2.—**That whenever and so long as the outstanding silver certificates of the denominations of one dollar, two dollars, and five dollars, issued under the provisions of section seven of an Act entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," approved March fourteenth, nineteen hundred, shall be, in the opinion of the Secretary of the Treasury, insufficient to meet the public demand therefor, he is hereby authorized to issue United States notes of the denominations of one dollar, two dollars, and five dollars, and upon the issue of United States notes of such denominations an equal amount of United States notes of higher denominations shall be retired and canceled: *Provided, however,* That the aggregate amount of United States notes at

Act Mar. 4,  
1907, sec. 2,  
34 Stat. L.,  
1280.

any time outstanding shall remain as at present fixed by law: *And provided further*, That nothing in this Act shall be construed as affecting the right of any national bank to issue one-third in amount of its circulating notes of the denomination of five dollars, as now provided by law.

**256. Sec. 3.—**

Amends section 5153, Revised Statutes, paragraph 50, ante.

**257. Sec. 4.—**

Amends section 9 of act of July 12, 1882, as amended by act of March 14, 1900.

**NOTE.**—This section was further amended by section 10 of act of May 30, 1908, as set forth following Revised Statutes, 5167, paragraph 69, ante.

**TARIFF ACT APPROVED AUGUST 5, 1909.**

**258. Sec. 38.—Corporation tax.**

**259. Sec. 39.—Panama bonds.**

**NOTE.**—Other sections relate to customs duties and internal revenue.

**EXCISE TAX ON CORPORATIONS.**

**Act Aug. 5, 1909, sec. 38; 38 Stat. L. 112.** **258. Sec. 38.—**That every corporation, joint stock company or association, organized for profit and having a capital stock represented by shares, and every insurance company, now or hereafter organized under the laws of the United States or of any State or Territory of the United States or under the acts of Congress applicable to Alaska or the District of Columbia, or now or hereafter organized under the laws of any foreign country and engaged in business in any State or Territory of the United States or in Alaska or in the District of Columbia, shall be subject to pay annually a special excise tax with respect to the carrying on or doing business by such corporation, joint stock company or association or insurance company, equivalent to one per centum upon the entire net income over and above five thousand dollars received by it from all sources during such year, exclusive of amounts received by it as dividends upon stock of other corporations, joint stock companies or associations, or insurance companies, subject to the tax hereby imposed; or if organized under the laws of any foreign country, upon the amount of net income over and above five thousand dollars received by it from business transacted and capital invested within the United States and its Territories, Alaska, and the District of Columbia during such year, exclusive of amounts so received by it as dividends upon stock of other corporations, joint stock companies or associations, or insurance companies, subject to the tax hereby imposed: *Provided, however*, That nothing in this section contained shall apply to labor, agricultural or horticultural organizations, or to fraternal beneficiary societies, orders, or associations operating under the lodge system, and pro-

viding for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations, and dependents of such members, nor to domestic building and loan associations, organized and operated exclusively for the mutual benefit of their members, nor to any corporation or association organized and operated exclusively for religious, charitable, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual.

Second. Such net income shall be ascertained by deducting from the gross amount of the income of such corporation, joint stock company or association, or insurance company, received within the year from all sources, (first) all the ordinary and necessary expenses actually paid within the year out of income in the maintenance and operation of its business and properties, including all charges such as rentals or franchise payments, required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation of property, if any, and in the case of insurance companies the sums other than dividends, paid within the year on policy and annuity contracts and the net addition, if any, required by law to be made within the year to reserve funds; (third) interest actually paid within the year on its bonded or other indebtedness to an amount of such bonded and other indebtedness not exceeding the paid-up capital stock of such corporation, joint stock company or association, or insurance company, outstanding at the close of the year, and in the case of a bank, banking association, or trust company, all interest actually paid by it within the year on deposits; (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the government of any foreign country as a condition to carrying on business therein; (fifth) all amounts received by it within the year as dividends upon stock of other corporations, joint stock companies or associations, or insurance companies, subject to the tax hereby imposed: *Provided*, That in the case of a corporation, joint stock company or association, or insurance company, organized under the laws of a foreign country, such net income shall be ascertained by deducting from the gross amount of its income received within the year from business transacted and capital invested within the United States and any of its Territories, Alaska, and the District of Columbia, (first) all the ordinary and necessary expenses actually paid within the year out of earnings in the maintenance and operation of its business and property within the United States and its Territories, Alaska, and the District of Columbia, including all charges such as rentals or franchise payments required to be made as a condition to the continued use or possession of property; (second) all losses actually sustained within the year in

business conducted by it within the United States or its Territories, Alaska, or the District of Columbia not compensated by insurance or otherwise, including a reasonable allowance for depreciation of property, if any, and in the case of insurance companies the sums other than dividends, paid within the year on policy and annuity contracts and the net addition, if any, required by law to be made within the year to reserve funds; (third) interest actually paid within the year on its bonded or other indebtedness to an amount of such bonded and other indebtedness, not exceeding the proportion of its paid-up capital stock outstanding at the close of the year which the gross amount of its income for the year from business transacted and capital invested within the United States and any of its Territories, Alaska, and the District of Columbia bears to the gross amount of its income derived from all sources within and without the United States; (fourth) the sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof; (fifth) all amounts received by it within the year as dividends upon stock of other corporations, joint stock companies or associations, and insurance companies subject to the tax hereby imposed. In the case of assessment insurance companies the actual deposit of sums with State or Territorial officers, pursuant to law, as additions to guaranty or reserve funds shall be treated as being payments required by law to reserve funds.

Third. There shall be deducted from the amount of the net income of each of such corporations, joint stock companies or associations, or insurance companies, ascertained as provided in the foregoing paragraphs of this section, the sum of five thousand dollars, and said tax shall be computed upon the remainder of said net income of such corporation, joint stock company or association, or insurance company, for the year ending December thirty-first, nineteen hundred and nine, and for each calendar year thereafter; and on or before the first day of March, nineteen hundred and ten, and the first day of March in each year thereafter, a true and accurate return under oath or affirmation of its president, vice-president, or other principal officer, and its treasurer or assistant treasurer, shall be made by each of the corporations, joint stock companies or associations, and insurance companies, subject to the tax imposed by this section, to the collector of internal revenue for the district in which such corporation, joint stock company or association, or insurance company has its principal place of business, or, in the case of a corporation, joint stock company or association, or insurance company, organized under the laws of a foreign country, in the place where its principal business is carried on within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, setting forth (first) the total amount of the paid-up capital stock of such corporation, joint stock company or association, or insur-

ance company, outstanding at the close of the year; (second) the total amount of the bonded and other indebtedness of such corporation, joint stock company or association, or insurance company at the close of the year; (third) the gross amount of the income of such corporation, joint stock company or association, or insurance company, received during such year from all sources, and if organized under the laws of a foreign country the gross amount of its income received within the year from business transacted and capital invested within the United States and any of its Territories, Alaska, and the District of Columbia; also the amount received by such corporation, joint stock company or association, or insurance company, within the year by way of dividends upon stock of other corporations, joint stock companies or associations, or insurance companies, subject to the tax imposed by this section; (fourth) the total amount of all the ordinary and necessary expenses actually paid out of earnings in the maintenance and operation of the business and properties of such corporation, joint stock company or association, or insurance company, within the year, stating separately all charges such as rentals or franchise payments required to be made as a condition to the continued use or possession of property, and if organized under the laws of a foreign country the amount so paid in the maintenance and operation of its business within the United States and its Territories, Alaska, and the District of Columbia; (fifth) the total amount of all losses actually sustained during the year and not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in the case of insurance companies the sums other than dividends, paid within the year on policy and annuity contracts and the net addition, if any, required by law to be made within the year to reserve funds; and in the case of a corporation, joint stock company or association, or insurance company, organized under the laws of a foreign country, all losses actually sustained by it during the year in business conducted by it within the United States or its Territories, Alaska, and the District of Columbia, not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in the case of insurance companies the sums other than dividends, paid within the year on policy and annuity contracts and the net addition, if any, required by law to be made within the year to reserve fund; (six) the amount of interest actually paid within the year on its bonded or other indebtedness to an amount of such bonded and other indebtedness not exceeding the paid-up capital stock of such corporation, joint stock company or association, or insurance company, outstanding at the close of the year, and in the case of a bank, banking association, or trust company, stating separately all interest paid by it within the year on deposits; or in case of a corporation, joint stock company or association, or insurance company, organized under the laws of a foreign coun-

try, interest so paid on its bonded or other indebtedness to an amount of such bonded and other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States and any of its Territories, Alaska, and the District of Columbia, bears to the gross amount of its income derived from all sources within and without the United States; (seventh) the amount paid by it within the year for taxes imposed under the authority of the United States or any State or Territory thereof, and separately the amount so paid by it for taxes imposed by the government of any foreign country as a condition to carrying on business therein; (eighth) the net income of such corporation, joint stock company or association, or insurance company, after making the deductions in this section authorized. All such returns shall as received be transmitted forthwith by the collector to the Commissioner of Internal Revenue.

Fourth. Whenever evidence shall be produced before the Commissioner of Internal Revenue which in the opinion of the commissioner justifies the belief that the return made by any corporation, joint stock company or association, or insurance company, is incorrect, or whenever any collector shall report to the Commissioner of Internal Revenue that any corporation, joint stock company or association, or insurance company has failed to make a return as required by law, the Commissioner of Internal Revenue may require from the corporation, joint stock company or association, or insurance company making such return, such further information with reference to its capital, income, losses, and expenditures as he may deem expedient; and the Commissioner of Internal Revenue, for the purpose of ascertaining the correctness of such return or for the purpose of making a return where none has been made, is hereby authorized, by any regularly appointed revenue agent specially designated by him for that purpose, to examine any books and papers bearing upon the matters required to be included in the return of such corporation, joint stock company or association, or insurance company, and to require the attendance of any officer or employe of such corporation, joint stock company or association, or insurance company, and to take his testimony with reference to the matter required by law to be included in such return, with power to administer oaths to such person or persons; and the Commissioner of Internal Revenue may also invoke the aid of any court of the United States having jurisdiction to require the attendance of such officers or employes and the production of such books and papers. Upon the information so acquired the Commissioner of Internal Revenue may amend any return or make a return where none has been made. All proceedings taken by the Commissioner of Internal Revenue under the provisions of this section shall be subject to the approval of the Secretary of the Treasury.

Fifth. All returns shall be retained by the Commissioner of Internal Revenue, who shall make assessments thereon; and in case of any return made with false or fraudulent intent, he shall add one hundred per centum of such tax, and in case of a refusal or neglect to make a return or to verify the same as aforesaid he shall add fifty per centum of such tax. In case of neglect occasioned by the sickness or absence of an officer of such corporation, joint stock company or association, or insurance company, required to make said return, or for other sufficient reason, the collector may allow such further time for making and delivering such return as he may deem necessary, not exceeding thirty days. The amount so added to the tax shall be collected at the same time and in the same manner as the tax originally assessed, unless the refusal, neglect, or falsity is discovered after the date for payment of said taxes, in which case the amount so added shall be paid by the delinquent corporation, joint stock company or association, or insurance company, immediately upon notice given by the collector. All assessments shall be made and the several corporations, joint stock companies or associations, or insurance companies, shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessments shall be paid on or before the thirtieth day of June, except in cases of refusal or neglect to make such return, and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as above provided for, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such corporation, joint stock company or association, or insurance company immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the thirtieth day of June in any year, and for ten days after notice and demand thereof by the collector, there shall be added the sum of five per centum on the amount of tax unpaid and interest at the rate of one per centum per month upon said tax from the time the same becomes due.

Sixth. When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the Commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such.

Seventh. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employe of the United States to divulge or make known in any manner whatever not provided by law to any person any information obtained by him in the discharge of his official duty, or to divulge or make known in any manner not provided by law any document received, evidence taken, or report made under this section except upon the special direction of the

President; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding one thousand dollars, or by imprisonment not exceeding one year, or both, at the discretion of the court.

Eighth. If any of the corporations, joint stock companies or associations, or insurance companies aforesaid, shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, or shall render a false or fraudulent return, such corporation, joint stock company or association, or insurance company, shall be liable to a penalty of not less than one thousand dollars and not exceeding ten thousand dollars.

Any person authorized by law to make, render, sign, or verify any return who makes any false or fraudulent return, or statement, with intent to defeat or evade the assessment required by this section to be made, shall be guilty of a misdemeanor, and shall be fined not exceeding one thousand dollars or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

All laws relating to the collection, remission, and refund of internal-revenue taxes, so far as applicable to and not inconsistent with the provisions of this section, are hereby extended and made applicable to the tax imposed by this section.

Jurisdiction is hereby conferred upon the circuit and district courts of the United States for the district within which any person summoned under this section to appear to testify or to produce books, as aforesaid, shall reside, to compel such attendance, production of books, and testimony by appropriate process.

**PANAMA CANAL BONDS—ADDITIONAL ISSUE AUTHORIZED AT RATE OF INTEREST NOT TO EXCEED 3 PER CENT. PER ANNUM.**

*Act Aug. 5, 1903, sec. 39; 36 Stat. L., 117.* 259. Sec. 39.—That the Secretary of the Treasury is hereby authorized to borrow on the credit of the United States from time to time, as the proceeds may be required to defray expenditures on account of the Panama Canal and to reimburse the Treasury for such expenditures already made and not covered by previous issues of bonds, the sum of two hundred and ninety million five hundred and sixty-nine thousand dollars (which sum together with the eighty-four million six hundred and thirty-one thousand nine hundred dollars already borrowed upon issues of two per cent. bonds under section eight of the Act of June twenty-eight, nineteen hundred and two, equals the estimate of the Isthmian Canal Commission to cover the entire cost of the Canal from its inception to its completion), and to prepare and issue therefor coupon or registered bonds of the United States in such form as he may prescribe, and in denominations of one hundred dollars, five hundred dollars, and one thousand dollars, payable fifty years from the date of issue, and bearing interest payable quarterly in gold coin

at a rate not exceeding three per centum per annum; and the bonds herein authorized shall be exempted from all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority: *Provided*, That said bonds may be disposed of by the Secretary of the Treasury at not less than par, under such regulations as he may prescribe, giving to all citizens of the United States an equal opportunity to subscribe therefor, but no commissions shall be allowed or paid thereon; and a sum not exceeding one-tenth of one per centum of the amount of the bonds herein authorized is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to pay the expenses of preparing, advertising, and issuing the same; and the authority contained in section eight of the Act of June twenty-eight, nineteen hundred and two, for the issue of bonds bearing interest at two per centum per annum, is hereby repealed.

### ACT MARCH 2, 1911.

#### PANAMA CANAL BONDS ISSUED UNDER ACT OF AUGUST 5, 1909, NOT RECEIVABLE AS SECURITY FOR THE ISSUE OF CIRCULATING NOTES TO NATIONAL BANKS.

*260. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury be, and he is hereby, authorized to insert in the bonds to be issued by him under section thirty-nine of an Act entitled "An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," approved August fifth, nineteen hundred and nine, a provision that such bonds shall not be receivable by the Treasurer of the United States as security for the issue of circulating notes to national banks; and the bonds containing such provision shall not be receivable for that purpose.

Act Mar. 2, 1911.

#### CERTIFIED CHECKS DRAWN ON NATIONAL AND STATE BANKS RECEIVABLE FOR DUTIES ON IMPORTS AND INTERNAL TAXES.

*261. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That it shall be lawful for collectors of customs and of internal revenue to receive for duties on imports and internal taxes certified checks drawn on national and State banks, and trust companies during such time and under such regulations as the Secretary of the Treasury may prescribe. No person, however, who may be indebted to the United States on account of duties on imports or internal taxes who shall have tendered a certified check or checks as provisional payment for such duties or taxes, in accordance with the terms of this Act, shall be released from the obligation to make ultimate payment thereof until such certified check so received has been duly paid; and if

Act Mar. 2, 1911.

any such check so received is not duly paid by the bank on which it is drawn and so certifying, the United States shall, in addition to its right to exact payment from the party originally indebted therefor, have a lien for the amount of such check upon all the assets of such bank; and such amount shall be paid out of its assets in preference to any other claims whatsoever against said bank, except the necessary costs and expenses of administration and the reimbursement of the United States for the amount expended in the redemption of the circulating notes of such bank.

SEC. 2. That this Act shall be effective on and after June first, nineteen hundred and eleven.

NOTE.—The above Act was amended March 3, 1913, as follows: "That it shall be lawful for collecting officers to receive certified checks drawn on national and state banks and trust companies, during such time and under such regulations as the Secretary of the Treasury may prescribe, in payment for duties on imports, internal taxes and all public dues, including special customs deposits; and the Act of March second, nineteen hundred and eleven, entitled, 'An Act to authorize the receipt of certified checks for duties on imports and internal taxes,' is hereby amended accordingly."

## CHAPTER VII.

### SPECIAL ACTS RELATING TO NATIONAL BANKS.

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| 262. Act May 2, 1890. Qualifications of directors in Oklahoma.            | 265. Act April 30, 1900. National banking laws applicable to Hawaii.        |
| 263. Act May 2, 1890. National banking laws extended to Indian Territory. | 266. Special Acts authorizing change of name or location of National banks. |
| 264. Act April 12, 1900. National banking laws applicable to Porto Rico.  |   |

### QUALIFICATIONS OF DIRECTORS IN OKLAHOMA. ACT MAY 2, 1890.

262. Sec. 17.—That the provisions of Title sixty-two of the Revised Statutes of the United States relating to national banks, and all amendments thereto, shall have the same force and effect in the Territory of Oklahoma as elsewhere in the United States:

*"Provided*, That persons otherwise qualified to act as directors shall not be required to have resided in said Territory for more than three months immediately preceding their election as such."

### NATIONAL BANKING LAWS EXTENDED TO INDIAN TERRITORY. ACT MAY 2, 1890.

263. Sec. 31.—\* \* \* That all laws relating to national banking associations shall have the same force and effect in Indian Territory as elsewhere in the United States.

NOTE.—The act of May 2, 1890, is "An act to provide a temporary government for the Territory of Oklahoma, to enlarge the jurisdiction of the United States court in the Indian Territory, and for other purposes." Sections 17 and 31 are the only sections which relate to national banks.

### NATIONAL BANKING LAWS APPLICABLE TO PORTO RICO. ACT APRIL 12, 1900.

264. Sec. 14.—That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Porto Rico as in the United States, except the internal-revenue laws, which, in view of the provisions of section 3, shall not have force and effect in Porto Rico.

NOTE.—The Attorney-General of the United States in an opinion rendered June 2, 1900, held "There seems to be in the structure of the national banking laws no general provisions which can not be carried into force and effect in Porto Rico equally with all of the various States and Territories to which the laws were originally applied. I can find no reason to hold that the statutes relative to the organization and powers of national banks

have not, by section 14 of the Porto Rican act, above referred to, been extended to that island. The language of that section is broad enough, and in my opinion does, authorize the organization and carrying on of national banks in Porto Rico."

#### NATIONAL BANKING LAWS APPLICABLE TO HAWAII. ACT APRIL 30, 1900.

Act Apr. 30, 1900, sec. 5; 31 Stat. L. 141. 265. Sec. 5.—That the Constitution, and except as herein otherwise provided, all the laws of the United States which are not locally inapplicable, shall have the same force and effect within the said Territory as elsewhere in the United States: *Provided*, That sections eighteen hundred and fifty and eighteen hundred and ninety of the Revised Statutes of the United States shall not apply to the Territory of Hawaii.

NOTE.—The Attorney-General of the United States in an opinion rendered June 23, 1900, held "That the act of April 30, 1900, \* \* \* extended the national banking acts to the Territory of Hawaii, and would authorize the Comptroller to grant permission for the organization of national banks therein. (See my opinion of June 2, 1900, relative to the same question as applied to Porto Rico.) But I do not think that the provisions of section 5154 apply to banks existing in Hawaii prior to the passage of the act of April 30, 1900. Sections 5154 and 5155 seem, by their especial terms, to refer only to banking institutions organized under special or general laws of a State, and do not seem to apply at all to banks organized under the laws of any Territory. I think the object of these two sections was to enable the banks that were previously strictly State institutions to become national corporations, and the operation of the act in that respect is to be so restricted."

266. Sec. 1, Act June 7, 1872.—Special acts authorizing change of name or location of national banks.

## CHAPTER VIII.

### OPINIONS OF THE ATTORNEY-GENERAL.

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| 267. Opinion of Attorney-General of<br>United States on Oklahoma<br>deposit guarantee law. | 269. Opinion of Attorney-General of<br>the United States on power<br>of a national bank to enter<br>into a contract with an insur-<br>ance company guaranteeing<br>the solvency of the bank. |
| 268. Opinion of Attorney-General of<br>United States on Kansas<br>deposit guarantee law.   |  |

### THE OKLAHOMA DEPOSIT GUARANTEE LAW.

267.—The Attorney-General of the United States, in an opinion rendered July 28, 1908, said:

The business of insuring deposits is a wholly separate business from that of banking \* \* \*. A national bank has no power to guarantee the obligations of a third party, unless in connection with the sale or transfer of its own property and as an incident to the business of the bank \* \* \*

But a contract guaranteeing the payment by another corporation or individual of obligations in no wise connected with the business of the bank is entirely ultra vires. I hold \* \* \* that it is illegal for the officers of a national bank to enter into any such agreement as that contemplated by section 4 of the Oklahoma statutes, and any wilful action to this effect on the part of any national bank is sufficient cause for the forfeiture of charter.

### THE KANSAS DEPOSIT GUARANTEE LAW.

268. The Attorney General of the United States, in an opinion rendered April 6, 1909, said:

The question of the power of a national bank to avail of the invitation extended to it by this act involves primarily a consideration of the nature of the agreement contemplated by it. Attorney General Bonaparte, in an opinion rendered to the Secretary of the Treasury, under date of July 28, 1908, considering an act of the Legislature of the State of Oklahoma (27 Op. A. G., p. 38), determined that a national bank could not lawfully enter into the plan or scheme contemplated by that act, because it involved essentially a guaranty to the depositors of all State banks in Oklahoma, and other national banks in that State which might accept the terms of the law, that their respective depositors should be paid in full; a contract which he deemed to be clearly ultra vires.

The act now under consideration attempts to avoid this objection by limiting the amount for which any bank may become liable, but within such limitation the same principle is involved, for to the extent of the contribution and liability required by the statute each bank becomes liable to creditors of the other banks which are parties to the plan. But even if a proper construction of the act would, as contended, make it a guaranty by each bank of payments to its own depositors, and not a general guaranty within the limits of contribution prescribed by the act, of all deposits in all the banks which are parties to the scheme, never-

theless I am strongly of the opinion that a national bank is without corporate power to expend its moneys for the purpose of providing insurance that its depositors shall be paid in full. It may, of course, insure its own property against loss or destruction; it may insure itself against loss of property through theft or other dishonesty, but the application of its funds for the purpose of securing a collateral guaranty by third parties that it will pay in full its debts to its depositors is, it appears to me, beyond its corporate power.

Such contract would fall within the principles asserted in *Commercial National Bank v. Pirie* (82 Fed., 799), *Bowen v. Needles National Bank* (94 Fed., 925), for if, as is well established, a national bank has no power to guarantee the obligation of another, it certainly has no power to employ another to guarantee its own obligation to a third person.

**POWER OF NATIONAL BANK TO ENTER INTO A  
CONTRACT WITH AN INSURANCE COMPANY  
GUARANTEEING THE SOLVENCY OF THE BANK.**

269. The Attorney General of the United States in an opinion rendered May 7, 1909, said:

Relying to yours of the 29th ultimo, in which, at the request of the Comptroller of the Currency, you ask for an opinion as to the power of a national bank to enter into a contract with an insurance company guaranteeing the solvency of the bank, and transmitting to me a form of policy which is proposed to be issued by an insurance company proposed to be organized, I beg to say that, as a general principle, I have no doubt that it is entirely within the powers of a national bank to contract for the insurance of its assets against loss. The form of the proposed policy submitted in your letter is somewhat peculiar. It purports to insure to the bank the payment of "a sum of money sufficient to indemnify the bank for any and all losses suffered by it by reason of theft, embezzlement, losses in realizing upon loans and investments, shrinkage in value of assets or otherwise, in an amount equal to but not exceeding the net excess of its obligations, other than by reason of the stock of the bank, over the total aggregate value of the assets of the bank thus reduced by such losses; provided that there shall be included in the assets of the bank all net sums which have been realized by reason of the additional liability of the stockholders of the bank."

Such contract is, in effect, an agreement to pay to the bank any deficiency in its assets upon ultimate realization necessary to enable it to pay all of its liabilities of every kind. The policy is to run for a period of three months, but to be renewable thereafter for periods of three months each with the consent of the insurance company, and at such premiums as the insurance company may fix at least one month before the expiration of the then current term of the insurance, the premium in every case to be a percentage of the average indebtedness of the bank during the period covered by such renewal, with the provision that, if such rate shall be in excess of one-sixteenth of 1 per cent. upon such average indebtedness, then and in such event the insurance company shall be liable to account to the bank for the application of such premium paid by the bank in excess of one-sixteenth of 1 per cent., "which excess shall be applicable only to the payment of actual losses incurred by the company by reason of claims under this and similar policies, and any excess over such extra claims shall be divided pro rata among the banks paying such extra rate of premium as a participation in the profits during which period such extra rate of premium has been paid."

It is somewhat uncertain precisely what this paragraph means and what its effect may be. It seems to me to be objectionable as committing the bank to a profit-sharing feature, which might be contended to entail a corresponding liability for losses; and,

as the attorney for the promoters of the proposed insurance company informs me that this is not regarded as an essential part of the plan, I should advise that it had better be eliminated from the policy.

Another provision contained in the policy subjects the bank to a periodical examination by the examiners of the insurance company without notice and at such times as the company may elect, one of such examinations to be within each period of six months covered by the policy and all renewals thereof. This period is probably inadvertently placed at six months, as the policy is proposed to be written for periods of three months only. Aside from that, I very much question the legality of this clause, or at least its enforceability. Section 5241 of the Revised Statutes provides that, "No association shall be subject to any visitatorial powers other than such as are authorized by this title, or are vested in the courts of justice."

While this statute does not prohibit the bank from permitting an examination of its books, in my opinion it does operate to prohibit it from obligating itself to permit such examination; and if the covenant to insure can be considered as in any respect dependent upon this agreement to permit examinations, it might be vitiated by the unlawful provision. I should advise that the clause be reframed so as to make it clear that the agreement to insure is not dependent upon the failure to permit the examination, although it might be stipulated that in case, at any time, the examiner of the company should not be allowed access to the books of the bank for the purpose of making an examination the company should have the option, upon reasonable notice, to terminate the contract.

In my opinion, therefore, it is a matter for the discretion of the directors and officers of a bank to determine whether or not they will enter into any such contract in any given instance, this discretion to be exercised in view of the solvency and general financial condition of the company making the insurance and the reasonableness of the rate of premium; and the form of the policy being modified to conform to the foregoing suggestions, I see no legal reason why a bank may not enter into it.