

[PUBLIC—No. 362—73D CONGRESS]

[S. 3025]

AN ACT

To amend section 12B of the Federal Reserve Act so as to extend for one year the temporary plan for deposit insurance, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 12B of the Federal Reserve Act is amended—

(1) By striking out “July 1, 1934” wherever it appears in subsections (e), (l), and (y), and inserting in lieu thereof “July 1, 1935”;

(2) By striking out “June 15, 1934” where it appears in the last sentence of the third paragraph of subsection (y) and inserting in lieu thereof “October 1, 1934”;

(3) By striking out “June 30, 1934” where it appears in the first sentence of the fifth paragraph of subsection (y), and inserting in lieu thereof “June 30, 1935”;

(4) By amending the second sentence of the fifth paragraph of subsection (y) to comprise two sentences reading as follows: “The provisions of such subsection (l) relating to State member banks shall be extended for the purposes of this subsection to members of the Fund which are not members of the Federal Reserve System, and the provisions of such subsection (l) relating to the appointment of the Corporation as receiver shall be applicable to all members of the Fund. The provisions of this subsection shall apply only to deposits of members of the Fund which have been made available since March 10, 1933, for withdrawal in the usual course of the banking business.”;

(5) By adding to the sixth paragraph of subsection (y) the following: “The Corporation shall prescribe by regulations the manner of exercise of the right of nonmember banks to withdraw from membership in the fund on July 1, 1934, except that no bank shall be permitted to withdraw unless ten days prior thereto it has given written notice to the Corporation of its election so to do. Banks which withdraw from the Fund on July 1, 1934, shall be entitled to a refund of their proportionate share of any estimated balance in the Fund on the same basis as if the Fund had terminated on July 1, 1934.”;

(6) By adding to the end of the fourth paragraph of subsection (y) the following new paragraphs:

“On and after July 1, 1934, the amount eligible for insurance under this subsection for the purposes of the October 1, 1934 certified statement, any entrance assessment, and, if levied, the additional assessment, shall be the amounts not in excess of \$5,000 of the deposits of each depositor.

“Each mutual savings bank, unless it becomes subject to the provisions of the preceding paragraph in the manner hereinafter provided, shall be excepted from the operation of the preceding

paragraph and for each such bank which is so excepted the amount eligible for insurance under this subsection for the purposes of the October 1, 1934 certified statement, any entrance assessment, and, if levied, the additional assessment, shall be the amounts not in excess of \$2,500 for the deposits of each depositor. In the event any mutual savings bank shall be closed on account of inability to meet its deposit liabilities the Corporation shall pay not more than \$2,500 on account of the net approved claim of any owner of deposits in such bank: *Provided, however*, That should any mutual savings bank make manifest to the Corporation its election to be subject to the provisions of the preceding paragraph the Corporation may, in the discretion of the board of directors, permit such bank to become so subject and the insurance of its deposits to continue on the same basis and to the same extent as that of fund members other than mutual savings banks.

"The Corporation, in the discretion of the board of directors, may open on its books solely for the benefit of mutual savings banks an additional Temporary Federal Deposit Insurance Fund (hereinafter referred to as the 'Fund For Mutuals') which, if opened, shall become operative on or after July 1, 1934, but prior to August 1, 1934, and shall continue to July 1, 1935. If the Fund For Mutuals is opened on the books of the Corporation, each mutual savings bank which is or becomes entitled to the benefits of insurance during the period of its operation shall be a member thereof and shall not be a Fund member. All assessments on each mutual savings bank, including payments heretofore made to the Corporation less an equitable deduction for liabilities and expenses of the Fund incurred prior to the opening of the Fund For Mutuals, if opened, shall be transferred or paid, as the case may be, to the Fund For Mutuals. All provisions of this section applicable to the Fund and not inconsistent with this paragraph shall be applicable to the Fund For Mutuals if opened, except that as to any period the two are in operation the Fund shall not be subject to the liabilities of the Fund For Mutuals and the Fund For Mutuals shall not be subject to the liabilities of the Fund. Each mutual savings bank admitted to the Fund shall bear its equitable share of the liabilities of the Fund for the period it is a member thereof, including expenses of operation and allowing for anticipated recoveries.";

(7) By striking out the period at the end of the first sentence of the fifth paragraph of subsection (y) and inserting in lieu thereof a comma and the following: "if the member closed on or before June 30, 1934, and not more than \$5,000 if closed on or after July 1, 1934.";

(8) By (a) striking out "July 1, 1936" in the first sentence of subsection (1) and inserting in lieu thereof "July 1, 1937", (b) striking out the words "July 1, 1936" in the seventh paragraph of subsection (y) and inserting in lieu thereof "July 1, 1937", and (c) adding after the seventh paragraph of subsection (y) the following new paragraph:

"Until July 1, 1937, any State bank may obtain the benefits of this section on and after the date the Fund is terminated upon the conditions with regard to examination, certification, and approval governing the admission of State banks to the Fund and upon purchasing

such class A stock or making such a deposit as is prescribed in the preceding paragraph for former fund members.”;

(9) By adding at the end of the first paragraph of subsection (v) the following new paragraph:

“Every insured bank shall display at each place of business maintained by it a sign or signs to the effect that its deposits are insured by the Federal Deposit Insurance Corporation. The Corporation shall prescribe by regulation the form of such sign and the manner of its display. Such regulation may impose a maximum penalty of \$100 for each day an insured bank continues to violate any lawful provisions of said regulation.”; and

(10) By amending the first sentence of the second paragraph of subsection (y) by inserting within the parentheses and immediately after the words “District of Columbia” the words “and the Territories of Hawaii and Alaska”.

SEC. 2. The first paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 321), is amended by adding after the second sentence thereof a new sentence to read as follows: “For the purposes of membership of any such bank the terms ‘capital’ and ‘capital stock’ shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation.”

SEC. 3. (a) The Reconstruction Finance Corporation Act, as amended, is amended by adding before section 6 thereof the following new section:

“SEC. 5e. (a) The Corporation is authorized and empowered to make loans upon or purchase the assets of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. If in connection with the reorganization, stabilization, or liquidation of any such bank, assets have been trustee or are otherwise held for the benefit of depositors or depositors and others, the authority, subject to regulations, as provided in the preceding sentence shall be extended for the purpose of authorizing the Corporation to purchase or make loans on such assets held for the benefit of such depositors or depositors and others. This authority shall also extend to any such institution that has reopened without payment of deposits in full. In making any purchase of or loan on the assets of any closed bank, the Corporation shall appraise such assets in anticipation of an orderly liquidation over a period of years, rather than on the basis of forced selling values in a period of business depression. This authority shall also extend to assets of the character made eligible by this section as security for loans without regard to whether the Corporation has heretofore made loans thereon.

“(b) The Corporation shall purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes: *Provided*, That the Corporation shall not purchase

or hold at any time said debentures or other obligations in excess of \$250,000,000 par value: *Provided further*, That the proceeds derived from the purchase by the Corporation of any such debentures or other such obligations shall be used by the Federal Deposit Insurance Corporation solely in carrying out its functions with respect to such insurance.

“(c) The amount of notes, bonds, debentures, and other such obligations which the Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by \$250,000,000.”

SEC. 4. So much of section 31 of the Banking Act of 1933 as relates to stock ownership by directors, trustees or members of similar governing bodies of member banks of the Federal Reserve System, is hereby repealed.

Approved, June 16, 1934.