

TO AMEND THE FEDERAL RESERVE ACT

JUNE 4 (calendar day, JUNE 8), 1934.—Ordered to be printed

Mr. STEAGALL, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 3025]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3025) to amend section 12B of the Federal Reserve Act so as to extend for 1 year the temporary plan for deposit insurance, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

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 (l) 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. 5l. (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 trusted 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.

And the House agree to the same.

HENRY B. STEAGALL,
T. ALAN GOLDSBOROUGH,
ROBERT LUCE,

Managers on the part of the House.

DUNCAN U. FLETCHER,
CARTER GLASS,
ROBERT J. BULKLEY,
JOHN G. TOWNSEND, Jr.,
F. C. WALCOTT,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill (S. 3025) to amend section 12B of the Federal Reserve Act, so as to extend for 1 year the temporary plan for deposit insurance, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conference and recommended in the accompanying conference report:

The House amendment strikes out all of the Senate bill after the enacting clause. The Senate recedes from its disagreement to the amendment of the House, with an amendment which is a substitute for both the Senate bill and the House amendment. The differences between the House amendment and the substitute agreed upon by the conferees are noted in the following outline, except for incidental changes made necessary by reason of the agreement reached by the conferees, and minor and clarifying changes.

The House amendment (sec. 1 (5)) added a new sentence to the sixth paragraph of subsection (y) of section 12B of the Federal Reserve Act giving to the Federal Deposit Insurance Corporation the power to prescribe by regulations the manner of exercise of the right of non-member banks to withdraw from membership in the Temporary Federal Deposit Insurance Fund on July 1, 1934, but provided specifically that no bank should be permitted to withdraw unless 20 days' notice of such withdrawal prior to such date was given by the bank to each of its depositors and to the Corporation. The substitute (sec. 1 (5)) adopts the provision of the House amendment except that the requirement of 20 days is reduced to 10 days owing to the nearness of the date for withdrawal, and eliminates the requirement of written notice to each of the depositors of the bank, due to the obvious difficulty which large savings banks would meet in complying with such requirement. In this connection it should be noted that the substitute (sec. 1 (9)) retains the provision for the protection of depositors contained in the House amendment which requires members of the fund to display at their places of business a sign or signs to the effect that their deposits are insured by the Federal Deposit Insurance Corporation.

The House amendment (sec. 1 (6)) contained a provision placing mutual savings banks in a separate category as to insurance under the temporary plan, their deposits to be insured only to the extent of \$2,500 unless they make definite application to the Corporation to continue on the same basis and to the same extent as other fund members. The substitute (sec. 1 (6)) retains this provision, but amplifies the underlying principle thereof by conferring upon the Corporation discretionary power to open on its books an additional temporary fund to be known as the "fund for mutuals", of which, if opened, all mutual savings banks which are or become entitled to the benefits of insurance shall be members. If opened, the fund for mutuals is to become operative on or after July 1, 1934, but before August 1, 1934,

and is to continue until July 1, 1935; and during its operation no mutual savings bank is to be a fund member.

The House amendment (sec. 1 (8)) amended subsection (l), and the seventh paragraph of subsection (y), of section 12B by removing therefrom the limitation (July 1, 1936) as to the insurance of deposits in State banks not members of the Federal Reserve System, and added a new paragraph to subsection (y) expressly permitting such nonmember banks to obtain the benefits of insurance after the temporary 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 deposit as is prescribed" for former fund members. The substitute (sec. 1(8)) modifies these provisions of the House amendment so as to postpone the termination of insurance of such nonmember banks until July 1, 1937, and to permit nonmember banks to obtain the benefits of the permanent insurance after the fund is terminated (July 1, 1935) until July 1, 1937.

The House amendment (sec. 1 (9) and (10)) provided for an increase in the amount of notes, debentures, bonds or other such obligations which the corporation is authorized to have outstanding under subsection (o) of section 12B from three times the amount of its capital to five times the amounts of its "subscribed capital"; and further provided for the guarantee by the United States of the principal and interest of such of the obligations of the corporation as the corporation, with the approval of the Secretary of the Treasury, might determine. The substitute eliminates these provisions, but includes (sec. 3 (b)) a direction to the Reconstruction Finance Corporation to purchase the obligations of the Federal Deposit Insurance Corporation, upon request of the board of directors of the Insurance Corporation whenever the latter is in need of additional funds for insurance purposes, to the extent of \$250,000,000; and it is also provided that the proceeds from such purchase shall be used by the Insurance Corporation solely for insurance purposes. The borrowing power of the Reconstruction Finance Corporation under existing law is increased (sec. 3 (c)) by \$250,000,000.

The House amendment (sec. 4 (a)) conferred upon the Federal Deposit Insurance Corporation the power to make loans upon or purchase the assets of any bank, savings bank, or trust company, which was 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, the appraisal of assets for such purposes to be made "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." The substitute (sec. 3 (a)) places this power in the Reconstruction Finance Corporation (retaining, however, the same standards for the exercise thereof as are contained in the House amendment).

The House amendment (sec. 4 (b)) amended subsection (l) of section 12B with respect to the division, as between the depositors of the bank and the Corporation, of the amounts realized upon the liquidation by the Corporation of the assets of an insured bank which has been closed. This amendment would change the existing law which provides that the Corporation shall take all such dividends until it has reimbursed itself to the full amount of the insured liability

of each depositor and shall then pay any further dividends to each depositor on the basis of the bank's deposit liability to him, so as to provide that in case the amount of the bank's deposit liability to any depositor exceeds the amount of the insured deposit liability, the Corporation and the depositor "shall share ratably in the dividends insofar as the same are based upon deposit liability to such depositor according to the ratio that the insured liability to such depositor bears to the total amount of the net approved claim of such depositor." The substitute eliminates this provision.

HENRY B. STEAGALL,
T. ALAN GOLDSBOROUGH,
ROBERT LUCE,
Managers on the part of the House.

