
APPENDIX (WITH EXHIBITS).

EXHIBIT A.

H. R. 7837.

[Omit the part inclosed in brackets and insert the part printed in *italic*.]

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."

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.

FEDERAL RESERVE DISTRICTS.

SEC. 2. [That within ninety days after the passage of this act, or **as**] *As soon [thereafter] as practicable, the Secretary of the Treasury, [the Secretary of Agriculture, and the Comptroller of the Currency,] and not less than two members of the Federal reserve board, acting as "The reserve bank organization committee," shall designate [from among the reserve and central reserve cities now authorized by law a number of such] eight cities to be known as Federal reserve cities, and shall divide the continental United States, including Alaska, into districts, each district to contain one, and 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 [of the community] and shall not necessarily [coincide with the area of such] be coterminous with any State or States [as may be wholly or in part included in any given district]. The districts thus created may be readjusted and new districts may from time to time be created by the Federal reserve board [hereinafter established, acting upon a joint application made by not less than ten member banks desiring to be organized into a new district]. The districts thus constituted shall be known as Federal reserve districts and [shall] may be designated by number [according to the pleasure of the organization committee, and no Federal reserve district shall be abolished, nor the location of a Federal reserve bank changed, except upon the application of three-fourths of the member banks of such district]. A majority of the organization committee shall constitute a quorum with authority to act.*

[The organization committee shall, in accordance with regulations to be established by itself, proceed to organize in each of the reserve cities designated as hereinbefore specified a Federal reserve

bank. Each such Federal reserve bank shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago," and so forth. The total number of reserve cities designated by the organization committee shall be not less than twelve, and the 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 investigations as may be deemed necessary by the said committee for the purpose of determining the reserve cities to be designated and organizing the reserve districts hereinbefore provided.

Every national bank located within a given district shall be required to subscribe to the capital stock of the Federal reserve bank of that district a sum equal to twenty per centum of the capital stock of such national bank fully paid in and unimpaired, one-fourth of such subscription to be paid in cash and one-fourth within sixty days after said subscription is made. The remainder of the subscription or any part thereof shall become a liability of the member bank, subject to call and payment thereof whenever necessary to meet the obligations of the Federal reserve bank under such terms and in accordance with such regulations as the board of directors of said Federal reserve bank may prescribe: *Provided, That no*

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 determining 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," and so forth.

Under regulations to be prescribed by the organization committee, every national banking association is hereby required and every eligible bank 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 such Federal reserve bank shall have been organized, every national banking association within that district shall be required and every eligible bank may be permitted to subscribe to the capital stock thereof in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of such 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.

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.

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.

Should any national banking association now organized fail, within one year after the passage of this act, to become a member bank under the provisions hereinbefore stated, 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 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, 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.

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.

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 in and stock liability as provided for member banks.

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 \$10,000 par value of stock in any Federal reserve bank. Such stock 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.

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.

Stock not held by member banks shall not be entitled to voting power in the hands of its holders, but the voting power thereon shall be vested in and be exercised solely by the class C directors of the Federal reserve bank in which said stock may be held, and who shall

be designated as "voting trustees." The voting power on said public stock shall be limited to one vote for each \$15,000 par value thereof, fractional amounts not to be considered. The voting trustees shall exercise the same powers as member banks in voting for class A and class B directors.

The Federal reserve board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock and the exercise of the voting power thereon.

No Federal reserve bank shall commence business with a [paid-up and unimpaired] subscribed capital less in amount than [\$5,000,000] \$3,000,000. 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.

[STOCK ISSUES] BRANCH OFFICES.

SEC. 3. [That 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 or as additional banks become members, and may be decreased as member banks reduce their capital stock or cease to be members.] Each Federal reserve bank [may] shall establish branch offices [under regulations of the Federal reserve board at points within the Federal reserve district in which it is located: *Provided*, That the total number of such branches shall not exceed one for each \$500,000 of the capital stock of said Federal reserve bank] within the Federal reserve district in which it is located and also in the district of any Federal reserve bank which may have been suspended, such branches to be established and conducted at places and under regulations approved by the Federal reserve board.

FEDERAL RESERVE BANKS.

[SEC. 4. The national banks in each Federal reserve district uniting to form the Federal reserve bank therein, hereinbefore provided for, shall under their seals, make an organization certificate, which shall specifically state the name of such Federal reserve bank so organized, the territorial extent of the district over which the operations of said 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 names and places of doing business of each of the makers of said certificate and the number of shares held by each of them, and the fact that the certificate is made to enable such banks to avail themselves of the advantages of this act. The said organization certificates 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. Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank so formed shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section fifty-one hundred and thirty-six, Revised Statutes, save in so far as the same shall be limited by the provisions of this act. The Federal reserve bank so incorporated shall have succession for a period of twenty years from its organization, unless sooner dissolved by act of Congress.]

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.

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 so organized, 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 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.

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.

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank so formed shall

become a body corporate and as such, and in the name designated in such organization certificate, shall have power—

First. To adopt and use a corporate seal.

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.

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 appoint by its board of directors, elected as hereinafter provided, such officers as are not otherwise provided for in this act, to define their duties, require bonds of them and fix the penalty thereof; to dismiss such officers or any of them as may be appointed by them at pleasure, and to 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 general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

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.

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 which relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege.

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.

Every Federal reserve bank shall be conducted under the [oversight] supervision and control of a board of directors [whose powers shall be the same as those conferred upon the boards of directors of national banking associations under existing law, not inconsistent with the provisions of this act].

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.

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 advancements and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

Such board of directors shall be [constituted and elected] 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.

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

Class B shall consist of three members, who shall be representative of the general public interests of the reserve district.

Class C shall consist of three members, who shall be designated by the Federal reserve board.

No director of class B or of class C shall be an officer, director, or ^{new} stockholder of a member bank.

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

[It shall be the duty of the] *The chairman of the board of directors of the Federal reserve bank of the district in which [each such] the bank is situated [to] shall classify the member banks of the [said] district into three general groups or divisions. Each [such] group shall contain as nearly as may be one-third of the aggregate number of [said] the member banks of the [said] district and shall consist, as nearly as may be, of banks of similar capitalization. The [said] groups shall be designated by number [at the pleasure of] by the chairman [of the board of directors of the Federal reserve bank].*

At a regularly called **[directors']** *meeting of the board of directors of each member bank in the [Federal reserve] district [aforesaid, the board of directors of such member bank] it shall elect by ballot one of its own members as 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 [said] chairman shall establish lists of the district reserve electors[, class A.] thus named by banks in each of the aforesaid three groups and shall transmit one list to each [such] elector in each group. [Every elector shall, within fifteen days of the receipt of the said list, select and certify to the said chairman from among the names on the list pertaining to his group, transmitted to him by the chairman, one name, not his own, as representing his choice for Federal reserve director, class A. The name receiving the greatest number of votes, not less than a majority, shall be designated by said chairman as Federal reserve director for the group to which he belongs. In case no candidate shall receive a majority of all votes cast in any group, the chairman aforesaid shall establish an eligible list, consisting of the three names receiving the greatest number of votes on the first ballot, and shall transmit said list to the electors in each of the groups of banks established by him. Each elector shall at once select and certify to the said chairman from among the three persons submitted to him his choice for Federal reserve director, class A, and the name receiving the greatest number of such votes shall be declared by the chairman as Federal reserve director, class A. In case of a tie vote the balloting shall continue in the manner hereinbefore prescribed until one candidate receives more votes than either of the others.*

Directors of class B shall be chosen by the electors of the respective groups at the same time and in the same manner prescribed for directors of class A, except that they must be selected from a list of names furnished, one by each member bank, and such names shall in no case be those of officers or directors of any bank or banking association.]

Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices upon

the list, 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.

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 to 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.

They shall not accept office as such during the term of their service as directors of the Federal reserve banks. They *Directors of class B shall be fairly representative of the commercial, agricultural, or industrial interests of their respective districts. [The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank, if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.]*

Three directors belonging to class C shall be **[chosen]** *appointed* directly by the Federal reserve board, and shall **[be]** *have been for at least two years* residents of the district for which they are **[selected]** *appointed*, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank of the district to which he is appointed and shall be designated *by said board* 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 of the district to which he is appointed, he shall be required to maintain under regulations to be established by the Federal reserve board a local office of said board, which shall be situated on the premises of the Federal reserve bank of the district. He shall make regular reports to the Federal reserve board, and shall act as its official representative for 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 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 the absence or disability of his principal.*

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 members of such boards shall be subject to review

and subsequent readjustment at any time by the Federal reserve board.

The reserve bank organization committee may, in organizing Federal reserve banks for the first time, 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.

At the first meeting of the full board of directors of each Federal reserve bank after organization it shall be the duty of the directors of classes A and 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 []; but the chairman of the board of directors of each Federal reserve bank designated by the Federal reserve board, as hereinbefore described, shall be removable at the pleasure of the said board, without notice, and his successor shall hold office during the unexpired term of the director in whose place he was appointed.] 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.

STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL.

SEC. 5. [That shares] *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 transferable, nor be [hypothecated] hypothecable. In case a member bank [increased] increase 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 [twenty] six per centum of the [bank's own] said increase [of capital,] one-half of said subscription to be paid [in cash] in the manner hereinbefore provided for original subscription, and one-half [to become a liability of the member bank according to the terms of the original subscription] subject to call of the Federal reserve board. A bank applying for stock in a Federal reserve bank at any time after the [formation of the latter] organization thereof must subscribe for an amount of the capital stock of [said] the Federal reserve bank equal to [twenty] six per centum of the paid-up capital stock and surplus of said [subscribing] applicant bank, paying therefor its par value [in accordance with the terms prescribed by section two of this act] plus one-half of one per cent a month from the period of the last dividend. When the capital stock of any Federal reserve bank [has] 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 **make and execute** *cause to be executed* a certificate to the Comptroller of the Currency showing **said** *the* increase in capital stock, the amount paid in, and by whom paid. In case 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 in case a member bank goes into voluntary liquidation 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 such 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 cent 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*.

SEC. 6. **That if any member bank shall become insolvent and a receiver be appointed, the stock held by it in said Federal reserve bank shall be canceled and the balance, after deducting from the amount of its cash-paid subscriptions all debts due by such insolvent bank to said Federal reserve bank, shall be paid to the receiver of the insolvent bank** *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, 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 **any such member** *such bank*, the board of directors shall **make and execute** *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.

SEC. 7. **That after the payment of** *After* all necessary expenses **and taxes** *of a Federal reserve bank have been paid or provided for*, the member banks shall be entitled to receive an annual dividend of **five** *six* per centum on the paid-in capital stock, which dividend shall be cumulative. **One-half of the net earnings, after the aforesaid dividend claims have been fully met, shall be paid into a surplus fund until such fund shall amount to twenty per centum of the paid-in capital stock of such bank, and of the remaining one-half sixty per centum shall be paid to the United States and forty per centum to the member banks in the ratio of their average balances with the Federal reserve bank for the preceding year. Whenever and so long as the surplus fund of a Federal reserve bank amounts to twenty per centum of the paid-in capital stock and the member banks shall have received the dividends at the rate of five per centum per annum hereinbefore provided for, sixty per centum of all excess earnings shall be paid to the United States and forty per**

centum to the member banks in proportion to their annual average balances with such Federal reserve bank; all] *After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, excepting, however, that one-half of such earnings shall be first applied to the creation and maintenance of a surplus fund equal to twenty per centum of the capital stock of said bank. All net earnings derived by the United States from Federal reserve banks shall [constitute a sinking fund to be held for] be applied to the reduction of the outstanding bonded indebtedness of the United States[, said reduction to be accomplished] under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, [the surplus fund of said bank] any surplus remaining, after the payment of all debts and dividend requirements as hereinbefore provided for, shall be paid to and become the property of the United States and shall be similarly applied.*

Every Federal reserve bank incorporated under the terms of this act [and], the capital stock therein [held by member banks], and the income derived therefrom shall be exempt from Federal, State, and local taxation, except in respect to taxes upon real estate.

SEC. 8. [That any national banking association heretofore organized may upon application at any time within one year after the passage of this act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of national banking associations organized subsequent to the passage of this act: *Provided*, That such application on the part of such associations shall be authorized by the consent in writing of stockholders owning not less than a majority of the capital stock of the association. Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved; but 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 previously been incurred.]

SEC. 9. [That any] Any bank [or banking association] 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 existing laws, may, by [the consent in writing] vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, [and] with the approval of the Comptroller of the Currency [become a] and acting through a committee, organize a national banking association with any name approved by the said comptroller, and transfer its business to such national banking association [under its former name or by any name approved by the comptroller] : *Provided, however, That said acts are not in contravention of the State or local law.* The directors thereof may continue to be the directors of the association so organized until others are elected or appointed in accordance with the provisions of the law. 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 employees, 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 this act [or] and by the national banking act for associations originally organized as national banking associations.

STATE BANKS AS MEMBERS.

SEC. 10. [That from and after the passage of this act any] Any bank [or banking association or trust company] 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 [hereinafter created] 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, [shall] may permit [such] the applying bank to become a stockholder in the Federal reserve bank of the district in which [such] the applying bank is located. Whenever the organization committee or the Federal reserve board shall permit [such] the applying bank to become a stockholder in the Federal reserve bank of the district [in which the applying bank is located], 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.

[It shall be the duty of the] The organization committee or the Federal reserve board [to] shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies [hereinbefore referred to] 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 [inspection] examination and [regulation provided for in this and other laws relating to national banks] regulations prescribed by the organization committee or by the Federal reserve board. No [such] 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 [and conforms to the provisions herein prescribed for national banking associations of similar capitalization and to the regulations of the Federal reserve board].

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 and to such rules and regulations as the Federal reserve board may, in pursuance thereof, prescribe 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.

Such banks, and the officers, agents, and employees 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 and 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.

If at any time it shall appear to the Federal reserve board that a banking association or trust company organized under the laws of any State or of the United States and having become 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 banking association or trust company to surrender its stock in the Federal reserve bank; [in which it holds stock] upon [receiving from] such surrender the Federal reserve bank shall pay the cash-paid subscriptions to the said stock [in current funds] with interest at the rate of one-half of one per centum per month interest, 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 banking association or trust company 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.

SEC. 11. [That there shall be created a] .1 Federal reserve board[,] *is hereby created* which shall consist of seven members, including the Secretary of the Treasury, [the Secretary of Agriculture, and the Comptroller of the Currency,] who shall be [members] a member ex officio, and [four] *six* members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the [four] *six* 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 [different] *the financial, commercial, and geographical divisions of the country.* The [four] *six* 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 \$10,000, together with an allowance for actual necessary traveling expenses [, and the Comptroller of the Currency, as ex officio-member of said Federal reserve board, shall, in addition to the salary now

paid him as comptroller, receive the sum of \$5,000 annually for his services as a member of said board]. Of the [four] *six* members thus appointed by the President [not more than two shall be of the same political party, and] at least [one of whom] *two* shall be [a person] *persons* experienced in banking or finance. One shall be designated by the President to serve for [two] *one*, one for [four] *two*, one for [six] *three*, [and] one for [eight years] *four*, *one for five*, and *one for six years*, respectively, and thereafter each member so appointed shall serve for a term of [eight] *six* years unless sooner removed for cause by the President. Of the [four] *six* persons thus appointed, one shall be designated by the President as [manager] *governor* and one as vice [manager] *governor* of the Federal reserve board. The [manager] *governor* of the Federal reserve board, subject to the supervision of the [Secretary of the Treasury and] Federal reserve board, shall be the active executive officer of the Federal reserve board. *In case of vacancies, temporary appointments on the Federal reserve board may be made by the President when the Senate is not in session, to be immediately submitted to the Senate when it convenes. 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.*

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

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, [or] banking institution, *trust company*, or Federal reserve bank nor hold stock in any bank, [or] 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 [four] *six* 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.

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 whenever 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.

The Federal reserve board shall annually make a *full* report of its [fiscal] operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

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, except as in this act otherwise provided, with the execution of all laws passed by Congress relating to the issue and regulation of currency issued by or through banking associations, 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, acting as the chairman of the Federal reserve board: " *Provided, however,* That nothing herein contained shall be construed to affect any power now vested by law in the Comptroller of the Currency or the Secretary of the Treasury] *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.*"

SEC. 12. [That the] *The Federal reserve board* [hereinbefore established] 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 [such] *the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the [lawful] money held as reserve and the amount, nature, and maturities of the paper and other investments owned or held by Federal reserve banks.*

(b) To permit or require[, in time of emergency,] Federal reserve banks to rediscount the discounted [prime] paper of other Federal reserve banks[, at least five members of the Federal reserve board being present when such action is taken and all present consenting to the requirement. The exercise of this compulsory rediscount power by the Federal reserve board shall be subject to an interest charge to the accommodated bank of not less than one nor greater than three per centum above the higher of the rates prevailing in the districts immediately affected] *at rates of interest to fixed each week by the Federal reserve board.*

(c) To suspend for a period not exceeding thirty days, [() and from time to time to renew such suspension for periods not [to exceed] exceeding fifteen days()], any [and every] 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, such tax to be uniform in its application to all *Federal reserve banks and to member banks, required to keep the same reserves* [; but said board

shall not suspend the reserve requirements with reference to Federal reserve notes].

(d) [To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.] *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 of the Federal reserve agents applying therefor.*

(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 [and to designate the banks therein situated as country banks at its discretion] *or to terminate their designation as such.*

(f) [To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States] *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.*

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

(h) To suspend, for cause relating to violation of any of the provisions of this act, the operations of any Federal reserve bank and [appoint a receiver therefor] *take possession thereof and administer the same during the period of suspension.*

(i) To require bonds of Federal reserve agents, perform the duties, functions, or services specified or implied in this act, and to make all rules and regulations necessary to enable said board effectively to perform the same.

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

(k) *To authorize the use, as reserves of member banks, Federal reserve notes, or bank notes based on United States bonds, to the extent that said board may find necessary.*

(l) *To grant by special permit to national banks applying therefor the right to act as trustee, executor, or to exercise general trust powers under such rules and regulations as the said board may prescribe.*

FEDERAL ADVISORY COUNCIL.

SEC. 13. 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 [no compensation for his services, but may be reimbursed for actual necessary expenses] *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 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.

The Federal advisory council shall have power, *by itself or through its officers*, (1) to **[meet and]** 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 **[complete]** 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.

POWERS OF FEDERAL RESERVE BANKS.

SEC. 14. **[That any]** *Any* Federal reserve bank may receive from any of its member **[bank]** 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 banks of the Federal reserve system, 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.

Upon the indorsement of any of its member **[bank]** banks, any Federal reserve 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 **[may]** 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 herein]. *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.

[Upon the indorsement of any member bank any Federal reserve bank may discount the paper of the classes hereinbefore described having a maturity of more than ninety and not more than one hundred and twenty days, when its own cash reserve exceeds thirty-three and one-third per centum of its total outstanding demand liabilities exclusive of its outstanding Federal reserve notes by an amount to be fixed by the Federal reserve board; but not more than fifty per centum of the total paper so discounted for any member bank shall have a maturity of more than ninety days.

Upon the indorsement of any member bank any] Any Federal reserve bank may discount acceptances of [such] member banks which are based on the exportation or importation or domestic shipments of goods and which [mature in] have a maturity at time of discount of not more than [six] three months, and bear the signature of at least one member bank in addition to that of the acceptor. The amount of acceptances so discounted shall at no time exceed one-half the capital stock and surplus of the bank for which the rediscounts are made.

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.

Any national bank may [at its discretion] accept drafts or bills of exchange drawn upon it [having not more than six months sight to run] and growing out of transactions involving the importation, [or] exportation, or domestic shipment 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 [the face value of] its paid-up [and unimpaired] capital stock and surplus.

[Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No 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 sections two, five, and fourteen of the Federal reserve act.]

The Federal reserve board may authorize the reserve bank of the district to discount the direct obligations of member banks, secured by the pledge and deposit of satisfactory securities; but in no case shall the amount so loaned by a Federal reserve bank exceed three-fourths of the actual value of the securities so pledged.

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

OPEN-MARKET OPERATIONS.

SEC. 15. [That any] 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, [prime] cable transfers and bankers' [bills] acceptances and bills

of exchange of the kinds and maturities by this act made eligible for rediscount [, and cable transfers].

Every Federal reserve bank shall have power:

(a) to deal in gold coin and bullion [both] at home [and] 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;

(b) to [invest in] *buy and sell, at home or abroad, bonds and notes of the United States [bonds], and [bonds issued by any State, county, district, or municipality] 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, or municipality of the United States, such purchases to be made in accordance with rules and regulations prescribed by the Federal reserve board;*

(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 [, payable in foreign countries; but such bills of exchange must have not exceeding ninety days to run and must bear the signature of two or more responsible parties, of which the last shall be that of a member bank];

(d) to establish [each week, or as much oftener as required] *from time to time*, subject to review and determination of the Federal reserve board, [a rate] *rates of discount to be charged by [such] the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating [the] commerce [of the country] and business; [and]*

(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 [foreign] bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, [prime foreign] bill of exchange arising out of actual commercial transactions which have not [exceeding] more than ninety days to run and which bear the signature of two or more responsible parties.*

GOVERNMENT DEPOSITS.

Sec. 16. [That all] *The moneys [now] 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 [shall] may, upon the direction of the Secretary of the Treasury, [within twelve months after the passage of this act.] be deposited in Federal reserve banks, which banks [shall,] when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and [thereafter] the revenues of the Government or any part thereof [shall] may be [regularly] deposited in such banks, and disbursement [shall] may be made by checks drawn against such deposits.*

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 depositaries.

[The Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time, apportion the funds of the Government among the said Federal reserve banks, distributing them, as far as practicable, equitably between different sections, and may, at their joint discretion, charge interest thereon and fix, from month to month, a rate which shall be regularly paid by the banks holding such deposits: *Provided, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.*

No Federal reserve bank shall receive or credit deposits except from the Government of the United States, its own member banks, and, to the extent permitted by this act, from other Federal reserve banks. All domestic transactions of the Federal reserve banks involving loans made by such banks, rediscount operations or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.]

NOTE ISSUES.

SEC. 17. 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 hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable for all taxes [customs,] and other public dues, *except customs.* They shall be redeemed in gold [or lawful money] 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.

Any Federal reserve bank may [upon vote of its directors,] make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may [deem best] *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 14 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 shall be authorized at any time to call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

[Whenever any Federal reserve bank shall pay out or disburse Federal reserve notes issued to it as hereinbefore provided, it shall segregate in its own vaults and shall carry to a special reserve account on

its books gold or lawful money equal in amount to thirty-three and one-third per centum of the reserve notes so paid out by it, such reserve to be used for the redemption of said reserve notes as presented; but any Federal reserve bank so using any part of such reserve to redeem notes shall immediately carry to said reserve account an amount of gold or lawful money sufficient to make said reserve equal to thirty-three and one-third per centum of its outstanding Federal reserve notes.]

Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and its Federal reserve notes in actual circulation, but the amount of gold in the Federal reserve bank, together with the amount deposited by it with the Treasury, shall be at least equal to thirty-three and one-third per centum of the Federal reserve notes issued to said bank and 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 [immediately] promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued [or shall be charged off against Government deposits and returned to the Treasury of the United States, or shall be presented to the said Treasury for redemption]. 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, if fit for circulation, returned to the Federal reserve banks through which they were originally issued. Federal reserve notes received by the Treasury, otherwise than for redemption, [shall] may be exchanged for [lawful money] gold out of the [five per centum] redemption fund hereinafter provided and returned [as hereinbefore provided] 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.

The Federal reserve board shall [have power, in its discretion, to] require each Federal reserve [banks] bank to maintain on deposit in the Treasury of the United States a sum in gold [equal to five per centum of] sufficient in the judgment of the Secretary of the Treasury for the redemption of [such amount of] the Federal reserve notes [as may be] issued to [them under the provisions of this act] such bank but in no event less than five per centum; but such [five per centum] deposit of gold shall be counted and included as part of the thirty-three and one-third per centum reserve hereinbefore required. The [said] board shall [also] 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 [and in the amount] that such application may be granted the Federal reserve board shall, through its local Federal reserve agent [deposit] supply Federal reserve notes [with] to the [banks] bank so apply-

ing, 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, [which rate shall not be less than one-half of one per centum per annum,] and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by [the deposit of] *depositing, with its Federal reserve agent, Federal reserve notes, [whether issued to such bank or to some other reserve bank, or lawful money of the United States,] gold certificates, or gold [bullion, with any Federal reserve agent, or with the Treasurer of the United States, and such reduction shall be accompanied by a corresponding reduction in the required reserve fund of lawful money set apart for the redemption of said notes and by the release of a corresponding amount of the collateral security deposited with the local Federal reserve agent].*

The Federal reserve agent shall hold such gold certificates and gold available 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 said gold to the Treasury of the United States for the redemption of such notes.

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 [value] amount approved by the Federal reserve agent under regulations to be prescribed by the Federal reserve board.

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 in blank of the denominations of \$1, \$2, \$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.

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.

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.

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 Federal reserve notes herein provided for.

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.

[It shall be the duty of every Federal reserve bank to receive on deposit, at par and without charge for exchange or collection, checks and drafts drawn upon any of its depositors or by any of its depositors upon any other depositor and checks and drafts drawn by any depositor in any other Federal reserve bank upon funds to the credit of said depositor in said reserve bank last mentioned, nothing herein contained to be construed as prohibiting member banks from making reasonable charges to cover actual expenses incurred in collecting and remitting funds for their patrons.]

Every Federal reserve bank shall receive on deposit 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 making reasonable charges for checks and drafts so debited to its account, or for collecting and remitting funds, or for exchange sold to its patrons. The Federal reserve board may, by rule, fix the charges 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.

The Federal reserve board shall make and promulgate from time to time regulations governing the transfer of funds **[at par]** 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.

Sec. 18. That 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 association 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 be, and the same is hereby, repealed.

REFUNDING BONDS.

[SEC. 19. That upon application the Secretary of the Treasury shall exchange the two per centum bonds of the United States bearing the circulation privilege deposited by any national banking association with the Treasurer of the United States as security for circulating notes for three per centum bonds of the United States without the circulation privilege, payable after twenty years from date of issue, and exempt from Federal, State, and municipal taxation both as to income and principal. No national bank shall, in any one year, present two per centum bonds for exchange in the manner hereinbefore provided to an amount exceeding five per centum of the total amount of bonds on deposit with the Treasurer by said bank for circulation purposes. Should any national bank fail in any one year to so exchange its full quota of two per centum bonds under the terms of this act, the Secretary of the Treasury may permit any other national bank or banks to exchange bonds in excess of the five per centum aforesaid in an amount equal to the deficiency caused by the failure of any one or more banks to make exchange in any one year, allotment to be made to applying banks in proportion to their holdings of bonds. At the expiration of twenty years from the passage of this act every holder of United States two per centum bonds then outstanding shall receive payment at par and accrued interest. After twenty years from the date of the passage of this act national bank notes still remaining outstanding shall be recalled and redeemed by the national banking associations issuing the same within a period and under regulations to be prescribed by the Federal reserve board, and notes still remaining in circulation at the end of such period shall be secured by an equal amount of lawful money to be deposited in the Treasury of the United States by the banking associations originally issuing such notes. Meanwhile every national bank may continue to apply for and receive circulating notes from the Comptroller of the Currency based upon the deposit of two per centum bonds or of any other bonds bearing the circulation privilege; but no national bank shall be permitted to issue other circulating notes except such as are secured as in this section provided or to issue or to make use of any substitute for such circulating notes in the form of clearing-house loan certificates, cashier's checks, or other obligation.]

Sec. 19. Upon application by a Federal reserve bank the Secretary of the Treasury shall, for the account of such bank, assume the redemption of circulating notes of any national bank requesting the same and surrendering in writing the two per centum bonds held in trust by the Treasurer of the United States as security for its circulation. Such two per centum bonds shall, at the option of such Federal reserve bank, be reissued by the Secretary of the Treasury as bonds bearing three per centum interest, due July first, nineteen hundred and thirty-three, or as one-year notes renewable from year to year

until July first, nineteen hundred and thirty-three, and bearing interest at the rate of three per centum per annum. The amount of the redemption of such notes shall not exceed \$36,000,000 per annum and shall be apportioned pro rata among the national banks applying for such redemption at the end of each quarterly period of any fiscal year. The circulating notes of any national bank, the redemption of which is so assumed, shall, when delivered to the Treasury for redemption, be canceled and redeemed out of funds to be furnished the Secretary of the Treasury by the Federal reserve bank making the application aforesaid; and the Federal reserve board shall thereupon deliver to the Federal reserve bank an equal amount of Federal reserve notes without interest or penalty of any kind, and the two per centum bonds aforesaid, or the three per centum bonds or notes issued in lieu thereof, shall be held in trust for such Federal reserve bank by the Treasurer of the United States as security for the redemption of such notes.

BANK RESERVES.

[SEC. 20. That from and after the date when the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the fact that a Federal reserve bank has been established in any designated district, every banking association within said district which shall have subscribed for stock in such Federal reserve bank shall be required to establish and maintain reserves as follows:

(a) If a country bank as defined by existing law, it shall hold and maintain a reserve equal to twelve per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for. Five-twelfths of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults; and for a period of fourteen months from the date aforesaid at least three-twelfths and thereafter at least five-twelfths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the twelve per centum reserve hereinbefore required may, for a period of thirty-six months from and after the date fixed by the Secretary of the Treasury as hereinbefore provided, consist of balances due from national banks in reserve or central reserve cities as now defined by law. From and after a date thirty-six months subsequent to the date fixed by the Secretary of the Treasury as hereinbefore provided the said remainder of the twelve per centum reserve required of each country bank shall consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(b) If a reserve city bank as defined by existing law, it shall hold and maintain, for a period of sixty days from the date fixed by the Secretary of the Treasury as hereinbefore provided, a reserve equal to twenty per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter eighteen per centum. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults. After sixty days from the date aforesaid, and for a period of one year, at least three-eighths and permanently thereafter at least five-

eighteenths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the reserve in this paragraph required may, for a period of thirty-six months from and after the date fixed by the Secretary of the Treasury as hereinbefore provided, consist of balances due from national banks in central reserve cities as now defined by law. From and after a date thirty-six months subsequent to the date fixed by the Secretary of the Treasury as hereinbefore provided, the said remainder of the eighteen per centum reserve required of each reserve city bank shall consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(c) If a central reserve city bank as defined by existing law, it shall hold and maintain for a period of sixty days from the date fixed by the Secretary of the Treasury as hereinbefore provided a reserve equal to twenty per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter eighteen per centum. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults. After sixty days from the date aforesaid, and thereafter for a period of one year, at least three-eighteenths and permanently thereafter at least five-eighteenths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the eighteen per centum reserve required of each central reserve city bank shall consist either in whole or in part of reserve money actually held in its own vaults or of credit balance with the Federal reserve bank of its district.]

Sec. 20. Demand liabilities within the meaning of this act shall comprise all liabilities maturing within thirty days, and time deposits shall comprise all deposits payable after thirty days.

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:

(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 liabilities and five per centum of its time deposits, as follows:*

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

In the Federal reserve bank for a period of fourteen months after said date two-twelfths, and permanently thereafter five-twelfths.

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 banks in reserve or central reserve city banks as now defined by law.

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

(b) *A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to eighteen per centum of the aggregate*

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

In its vaults six-eighteenths thereof.

In the Federal reserve bank for a period of fourteen months after the date aforesaid at least three-eighteenths and permanently thereafter six-eighteenths of said reserve.

For a period of thirty-six months after said date the balance of said reserves shall be held in its vaults, in the Federal reserve bank, or in central reserve city banks 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 Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at its option.

(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 liabilities and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank for a period of fourteen months after the date aforesaid at least three-eighteenths, and permanently thereafter six-eighteenths.

For a period of thirty-six months after said date the balance of said reserves shall be held in its own vaults or in the Federal reserve bank at its option.

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

Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of said installment thereof, eligible discounted paper properly indorsed and acceptable to the said reserve bank.

If a State bank or trust company is required by the laws 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 extend directly or indirectly the benefits of this system to a nonmember bank, except upon written permission of the Federal reserve board, under penalty of suspension.

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.

SEC. 21. [That so] *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, be, and the same 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.*

SEC. 22. [That every Federal reserve bank] *In addition to the reserve required against the Federal reserve notes emitted by a Federal reserve bank, it shall [at all times have on hand] maintain in its own vaults, in gold, or lawful money other than Federal reserve notes, a sum [equal to] not less than thirty-three and one-third per centum of its outstanding demand liabilities other than its Federal reserve notes.*

The Federal reserve board may notify any Federal reserve bank whose lawful reserve shall be below the amount required to be [kept on hand] *maintained*, to make good such reserve; and if such bank shall fail for thirty days thereafter so to make good its lawful reserve, the Federal reserve board may [appoint a receiver to wind up the business of said bank] *suspend and take possession of such reserve bank and administer the same during the period of suspension.*

BANK EXAMINATIONS.

SEC. 23. [That the examination of the affairs of every national banking association authorized by existing law] *Every member bank shall [take place] be examined by the Comptroller of the Currency at least twice in each calendar year and as much oftener as the Federal reserve board shall consider necessary [, in order to furnish a full and complete knowledge of its condition]. [The Secretary of the Treasury] The Federal reserve board may authorize examinations by the State authorities to be accepted in the case of State banks and trust companies and may [, however,] at any time direct the holding of a special examination. The person [assigned to the] making [of such] the examination [of the affairs] of any [national banking association] member bank shall have power to call together a quorum of the directors of such [association] bank, who shall, under oath, state to such examiner the character and circumstances of such of its loans or discounts as he may designate [; and from and after the passage of this act all bank examiners shall receive fixed salaries, the amount whereof shall be determined by the]. The Federal reserve board shall fix the salaries of all bank examiners and [annually reported] make report thereof to Congress. [But the] The expense of the examinations herein provided for shall be assessed by authority of the Federal reserve board upon the [associations] banks examined in proportion to assets or resources held by such [associations] banks upon [a date during the year in which such examinations are held to be established by the Federal reserve board. The Comptroller of the Currency shall so arrange the duties*

of national-bank examiners that no two successive examinations of any association shall be made by the same examiner] *the dates when the various banks are examined.*

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 of the Federal reserve board*, [arrange] provide for special [or periodical] examination of [the] member banks within its district. Such examination shall be so conducted as to inform the Federal reserve bank under whose auspices it is carried on 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 by the latter concerning the condition of any [national bank located] *member bank* within the district of the said Federal reserve bank.

No association 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 either House thereof, or any committee thereof.

[The Federal reserve board shall as often as it deems best, and in any case not less frequently than four times each year, order an examination of national banking associations in reserve cities. Such examinations shall show in detail the total amount of loans made by each bank on demand, on time, and the different classes of collateral held to protect the various loans, and the lines of credit which are being extended by them.] 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.

Sec. 24. [That no national] *No member bank or any officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any examiner of such bank. Any bank officer, director, or employee thereof [offending against] 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 fined a further sum equal to the money so loaned or gratuity given [; and the officer or officers of a bank making such loan or granting such gratuity shall be likewise deemed guilty of a misdemeanor and each shall be fined not to exceed \$5,000]. Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee 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 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 employee thereof.*

[No officer or director of a national bank shall receive or be beneficiary, either directly or indirectly, of any fee (other than a legitimate fee paid an attorney at law for legal services), commission, gift, or other consideration for or on account of any loan, purchase, sale,

payment, exchange, or transaction with respect to stocks, bonds, or other investment securities or notes, bills of exchange, acceptances, bankers' bills, cable transfers or mortgages made by or on behalf of a national bank of which he is such officer or director.】 *Other than the usual salary or director's fee paid to any officer, director, or employee of a member bank and other than a reasonable fee paid to such officer, director, or employee acting as an attorney at law for legal services rendered to such bank, no officer, director, employee, 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, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or either House thereof, or any committee thereof. Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding [five years] one year, or both [such fine and imprisonment, in the discretion of the court having jurisdiction].*

Except so far as already provided in existing laws this provision shall not take effect until [six months] *sixty days* after the passage of this act.

SEC. 25. [That from and after the passage of this act the] *The* stockholders of every [national banking association] *member bank* shall be held individually responsible for all contracts, debts, and engagements of such [association] *bank*, 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] *member bank* who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such [association] *bank* 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. [Section fifty-one hundred and fifty-one, Revised Statutes of the United States, is hereby reenacted except in so far as modified by this section.]

LOANS ON FARM LANDS.

SEC. 26. [That any] *Any* national banking association not situated in a reserve city or 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 [twelve months] *five years*, nor for an amount exceeding fifty per centum of the actual value of the property offered as security [and such property shall be situated within the Federal reserve district in which the bank is located]. Any such bank may make such

loans in an aggregate sum equal to twenty-five per centum of its capital and surplus.

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.

[SAVINGS DEPARTMENT.]

[SEC. 27. That any national banking association may, subsequent to a date one year after the organization of the Federal reserve board, make application to the Comptroller of the Currency for permission to open a savings department. Such application shall set forth that the directors of said national bank have by a majority vote apportioned a specified percentage of their paid-in capital and surplus to said savings department, and to that end have segregated specified assets for the uses of said department, or that cash capital for the said savings department has been obtained by subscription to additional issues of the capital stock of said national bank: *Provided*, That the capital thus set apart for the uses of the proposed savings department aforesaid shall in no case be less than \$15,000, or than a sum equal to twenty per centum of the paid-up capital and surplus of the said national bank.

In making the application aforesaid any national banking association may further apply for power to act as trustee for mortgage loans subject to the conditions and limitations herein prescribed or to be established as hereinafter provided.

Whenever the Comptroller of the Currency shall have approved any such application as hereinbefore provided, he shall so inform the applying bank, and thereafter it shall be authorized to receive savings deposits as so defined, and the organization and business conducted or possessed by said bank at the time of making said application, except such as has been specifically segregated for the savings department, and subsequent expansions thereof shall be known as the commercial department of the said bank. The said departments shall, to all intents and purposes, be separate and distinct institutions save and except as hereinafter expressly provided. The capital, surplus, deposits, securities, investments, and other property, effects, and assets of each of said departments shall, in no event, be mingled with those of the other department, or used, either in whole or in part, to pay any of the deposits of the other department until all of the deposits of its own department have been fully paid and satisfied. National banks may increase or diminish their capital stock in the manner now provided by law, but whenever such general increase or reduction of the capital stock of any national bank operating upon the provisions of this section shall be made such increase or reduction shall be apportioned between the commercial and savings departments of the said bank as its board of directors shall prescribe, notice of such increase or reduction, and of the apportionment thereof, being forthwith given to the Comptroller of the Currency; and any such national bank may increase or diminish the capital already apportioned to either its savings or commercial department to an extent not inconsistent with the provisions of this section,

notifying the Comptroller of the Currency as hereinbefore provided. The savings department for which authority has been solicited and granted shall have control of the cash or assets apportioned to it as hereinbefore provided, and shall be organized under rules and regulations to be prescribed by the Comptroller of the Currency.

Both the savings and commercial departments so created shall, however, be under the control and direction of a single board of directors and of the general officers of said bank.

All business transacted by the commercial department of any such national bank shall be in every respect subject to the limitations and requirements provided in the national banking act as modified by this act, and such business shall henceforward be known as commercial business.

The savings department of each such national bank shall be authorized to accumulate and loan the funds of its depositors, to receive deposits of current funds, to purchase securities authorized by the Federal reserve board, to loan any funds in its possession upon real estate or other authorized security, and to collect the same with interest, and to declare and pay dividends or interest upon its deposits. The Federal reserve board is hereby authorized to exempt the savings departments of national banking associations from any and every restriction upon classes or kinds of business laid down in the national banking act, and it shall be the duty of the said board within one year after its organization to prepare and publish rules and regulations for the conduct of business by such savings departments. The said regulations shall require every national bank which shall conduct a savings department and a commercial department to segregate in its own vaults the cash and assets belonging to such departments, respectively, and shall prescribe the general forms of separate books of account to be used by each such department for its exclusive and individual use. The regulations aforesaid shall further specify the period of notice for the withdrawal of deposits made in the said savings department and shall forbid the acceptance of deposits by one department of such national bank from the other department of such bank. The Federal reserve board shall make and publish at its discretion lists of securities, paper, bonds, and other forms of investment, which the saving departments of national banks shall be authorized to buy or loan upon; and said lists need not be uniform throughout the United States, but shall be adapted to the conditions of business in different sections of the country.

It shall be the duty of every national bank to maintain, with respect to all deposit liabilities of its savings department, a reserve in money which may under existing law be counted as reserve, equal to not less than five per centum of the total deposit liabilities of such department, and every national bank authorized to maintain a savings department is hereby exempted from the reserve requirements of the national banking act and of this act in respect to the said deposit liabilities of its savings department, except as in this section provided. Every regulation made in pursuance of this section shall be duly published, and also posted in every member bank having a savings department.

Every officer, director, or employee of any member bank who shall knowingly or willfully violate any of the provisions of this section,

or any of the regulations of the Federal reserve board, or of the Comptroller of the Currency, made under and by virtue of the provisions of this section, shall be guilty of a felony, and on conviction thereof shall be punished by a fine not exceeding \$5,000 or by imprisonment not exceeding two years, or both, in the discretion of the court.]

FOREIGN BRANCHES.

SEC. 28. That 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 circumstances 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 [foreign country or countries or the dependencies of the United States] *place or places* where the banking operations proposed are to be carried on and the amount of capital set aside by the said banking association filing such application for the conduct of its foreign business at the branches proposed by it to be established in [foreign countries] *such place or places*. 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.

Every national banking association which shall receive authority to establish *foreign* branches [in foreign countries] shall be required at all times to furnish information concerning the condition of such branches as 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 [such] branch as a separate item.

SEC. 29. [That all] *All* provisions of law inconsistent with or superseded by any of the provisions of this act [be, and the same are] *are to that extent and to that extent only* hereby [.] repealed[: *Provided*, That nothing]. *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 such purposes, or to strengthen the gold reserve, borrow gold on the security of United States bonds or for one-year 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.

Sec. 29a. 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 December thirty-first, nineteen hundred and fourteen, 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 twentieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May twentieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this act.

Sec. 30. That the right to amend, alter, or repeal this act is hereby expressly reserved.