

The Administration's Currency Bill

The following is the full text of the Owen-Glass currency bill as approved by the democratic caucus and introduced in the house of representatives August 29, 1913. The bill was referred to the committee on banking and currency and reported back to the house September 9, 1913:

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."

FEDERAL RESERVE DISTRICTS

Section 2. That within ninety days after the passage of this act, or as soon thereafter as practicable, the secretary of the treasury, the secretary of agriculture, and the comptroller of the currency, acting as "The Reserve Bank Organization Committee," shall designate from among the reserve and central reserve cities now authorized by law a number of such cities to be known as federal reserve cities, and shall divide the continental United States into districts, each district to contain one of such federal reserve cities: 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 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 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.

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 subscriber, 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 federal reserve bank shall be organized with a paid-up and unimpaired capital at the time of beginning business less in amount than \$5,000,000. 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 appro-

riated, out of any moneys in the treasury not otherwise appropriated, for the payment of such expenses.

STOCK ISSUES

Section 3. That the capital stock of each federal reserve bank shall be divided into shares of \$100. The outstanding capital stock shall be increased from time to time as subscribing banks increase their capital or as additional banks become subscribers, and shall be decreased as subscribing banks reduce their capital or cease to be stockholders. Each federal reserve bank may 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.

FEDERAL RESERVE BANKS

Section 4. That a sufficient number of national banks in a federal reserve district having made and filed with the comptroller of the currency a certificate in the form required in sections fifty-one hundred and thirty-four and fifty-one hundred and thirty-five of the Revised Statutes of the United States, such national banks 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.

Every federal reserve bank shall be conducted under the oversight 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. Such board of directors shall be constituted and elected 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.

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

It shall be the duty of the chairman of the board of directors of the federal reserve bank of the district in which each such bank is situated to 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 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 the chairman of the board of directors of the federal reserve bank.

At a regularly called directors' meeting of each member bank in the federal reserve district aforesaid, the board of directors of such member bank 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 district, 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.

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. They shall not accept office as such during the term of their service as directors of the federal reserve bank. They 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 directly by the federal reserve board, who shall be residents of the district for which they are selected, 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 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.

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 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.

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