

United States shall be paid and returned to the federal reserve banks through which they were originally issued, and federal reserve notes received by the treasury otherwise than for redemption shall be exchanged for lawful money 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.

The federal reserve board shall have power, in its discretion, to require federal reserve banks to maintain on deposit in the treasury of the United States a sum in gold equal to five per centum of such amount of federal reserve notes as may be issued to them under the provisions of this act; but such five per centum 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 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 federal reserve notes with the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the federal reserve board, 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 federal reserve notes, whether issued to such bank or to some other reserve bank, or lawful money of the United States, 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.

Any federal reserve bank may at its discretion withdraw collateral deposited with the local federal reserve agent for the protection of federal reserve notes deposited with it and shall at the same time substitute other collateral of equal value approved by the federal reserve agent under regulations to be prescribed by the federal reserve board.

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. The federal reserve board shall make and promulgate from time to time regulations governing the transfer of funds at par among federal reserve banks, and may at its discretion exercise 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 shareholding banks.

Section 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 20, 1874, and section eight of the act of July 12, 1882, 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

Section 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.

#### BANK RESERVES

Section 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-five 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-eighths 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-five 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; and at least one-fourth 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.

Section 21. That so much of sections two and three of the act of June 20, 1874, entitled "An act fix-

ing the amount of United States notes, providing for a redistribution of the national bank currency, and for other purposes," as provides that the funds 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.

Section 22. That every federal reserve bank shall at all times have on hand in its own vaults, in gold or lawful money, a sum equal to not less than thirty-three and one-third per centum of its outstanding demand liabilities.

The federal reserve board may notify any federal reserve bank whose lawful reserve shall be below the amount required to be kept on hand, 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.

#### BANK EXAMINATIONS

Section 23. That the examination of the affairs of every national banking association authorized by existing law shall take place 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 may, however, at any time direct the holding of a special examination. The person assigned to the making of such examination of the affairs of any national banking association shall have power to call together a quorum of the directors of such association, 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 federal reserve board and annually reported to congress. But the expense of the examinations herein provided for shall be assessed by the federal reserve board upon the associations examined in proportion to assets or resources held by such associations 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.

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 board, arrange 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 banking association located within the district of the said federal reserve bank.

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 de-