# THE NEW CURRENCY ACT

Vitally Important Changes Made In the Banking Methods of the Nation.

Entire Act Designed to Strengthen Currency System, Making It More Elastic to Prevent Financial Panics.

Eight to Twelve Federal Reserve Banks to Be Established, Under Control of Federal Reserve Board of Seven Members.

#### FEATURES OF NEW LAW.

The new federal reserve act pro-

A federal reserve board composed of the secretary of the treasury, comptroller of the currency and five members, at a salary of \$12,000 a year, to designate not less than eight nor-more than twelve reserve districts, each with a federal reserve bank.

National banks must and other banks may subscribe to the stock of reserve banks. If the stock subscription is inadequate stock may be offered to the public.

Of kine directors of each reserve bank three are to be designated by the federal board, three chosen by member banks representing three banks and three chosen by member banks representing public interests of district.

Stockholders are to receive dividends up to 6 per cent. Reserve banks are to rediscount

paper of other reserve banks. Employees of the federal board are not protected by the civil service at time of appointment.

The government is to make deposits in federal reserve banks, which are empowered to discount notes, etc., arising from actual transac-Circulating notes are to be issued

by federal reserve banks and circulated by the member banks. Every Lederal reserve bank maintain reserves in gold or law-

ful anoney of not less than 40 per The amount of gold in each federal reserve bank, together with the amount deposited by it with the treasury, shall equal 40 per cent of

the federal reserve notes in actual Federal reserve notes shall be secured by commercial paper of pre-scribed character and maturity. Not less than 5 per cent gold for redemption of federal reserve notes

must be maintained on deposit in the treasury by each federal reserve bank. National banks not situated in reserve or federal reserve cities may

National banks may establish branches in foreign countries. Members of congress may not be officers or directors of member banks.

EREWITH is presented in full the new federal reserve act. The currency bill was signed by President Wilson after many months of consideration by congress. It is the second big piece of federal legislation under the present administration, the tariff act being the first. The new law is as follows:

An act to provide for the establishment of federal reserve banks, to furnish an elastic currency, to afford means of radiscounting commercial paper, to establish a more effective supervision of banking in the United shall be subject to call en deemed States and for other purposes. Be it enacted by the senate and

house of representatives of the United States of America in congress assem-

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 to the extent of the mount of their include state bank, banking association and trust company, except where national banks or federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this act shall be held to be synony- IF NATIONAL ANKS mous and interchangeable. The term "member bank" shall be held to mean any national bank, state bank, or bank or trust company which has become a member of one of the reserve banks shall be held to mean federal reserve within the sixty lays aforesaid shall printed out of any moneys in the treas as are not otherwise provided for inheld to mean federal reserve district; the term "reserve bank" shall be held to mean federal reserve bank.

#### FEDERAL RESERVE DISTRICT SCHEME

than twelve cities to be known as Aderal reserve cities, and shall divide the any court of the United States of comconfinental United States, excluding petent jurisdiction in a suit brought contain only one of such federal reserve ritory in which such bank is located. cities. The determination of said organ- under direction of the federal reserve ization committee shall not be subject | soard, by the comptroller of the curto review except by the federal reserve | mency in his own name before the asso-



Photos of Wilson and Owen @ 1913, b) American Press Association.

President Wilson-Representative Carter Glass (left) and Senator Robert L. Owen (right) authors of the bill.

the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states. The districts thus created may be readjusted and new districts may from time to time be created by the federal reserve board, not to exceed twelve in all Such districts shall be known as federal reserve districts and may be designated by number. A majority of the organization committee shall constitute a querum with authority to set. Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to sen-

for persons and papers, to administr oaths and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such ly located. The said committee s the cities designated of a federal serve bank which shall include in title the name of the city in which is situated, as "Federal Reserve Pa

of Chicago." Under regulations to be prescribe the organization committee ever tional banking association in the ed States is hereby required and eligible bank in the United State every trust company within the trict of Columbia is hereby auti to signify in writing within sixt after the passage of this act its ptance of the terms and provision of. When the organization contee shall have designated the which federal reserve banks organized and fixed the geof limits of the federal reserve every national banking within each district shall be within thirty days after n seribe the organization committee to to the capital stock of such eral reserve bank in a sum emp 6 per cent of the paid up capitalock and surplus of such bank, one h of the subscription to be payable call of the organization committee of the federal reserve board, one th within three months and one-six within six months thereafter, and fremainder of the subscription or an art thereof necessary by the federal serve board,

tificates. The shareholders of any federal reserve bank shall be individually responsible, equally a ratably and not one for another, I all contracts, debts and engagemen of such bank subscriptions to such tock at the par value thereof in addita to the amount under the provision of this act.

said payments to be in a or gold cer-

## FIL TO ACCEPT

Any national tok falling to signify thirty days' notic to be given within payment of such expenses, the discretion of the said organization committee or the federal reserve

ized fall withit one year after the passage of this set to become a member may have been suspended. Such and the privileges granted to it by him choice for any one candidate. bank of fail to comply with any of branches shall be operated by a board may be exercised and enjoyed. the presisions of this act applicable of directors under sudes and reguladesignate not less than eight nor more with o violation of this act shall, how-Alaska, into districts, each district to for that purpose in the district or ter-

Minimum Caoi For Each R aged by Ni

Reserve Ba Commerc Member Specified

National B er, Given Broader Loaniz

in his personal or indiy for all damages which shareholders or any cile

office shall not take away limbility or penalty which event the said organization conher bunks.

individual, copurtnership or cor flon other than a member bank its district shall be permitted to seribe for or to held at any time and may be transferred on the books chairman of the board of directors of WILLIAM O. M'ADOO, SECRETARY OF THE such bank.

ricts, ed States in such manner, at such ation | times and at such price, not less than puired par, as the secretary of the treasury

### SUBSCRIBED CAPITAL

shall not be entitled to voting power in | fice. the hands of its holders.

empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

strued as changing the present status nated in such organization cortificate and shall transmit one list to each necessary, and such expenses shall be Third.-To make contracts. payable by the treasurer of the United States upon voncher approved by plain and defend, in any court of law the secretary of the treasury, and the or equity. its acceptance of the terms of this act as may be necessary, is hearly upper directors such officers and employees

erni reserve board: the directors as manager.

Federal Reserve Banks. board when organized: Provided, That clation shall be declared dissolved. In Sec. 4. When the organization come signed as provided by law, equal is the votes cast in the third actoms for subscriptions on the shares surrender-

of such districts and the federal re- secured by bends of the United States clared. serve city designated in each of such bearing the circulating privilege, ex Class C directors shall be appointed. See, C. If any member bank shall be districts. The comptroller of the cur. cept that the issue of such notes shall by the federal reserve board. They be declared insulvent and a receiver warded to much national bank boated capital stock of such federal reserve residents of the district for which they it in said federal reserve hank shall tion committee, which blank shall consubscription to the capital stock of Subject to the federal reserve bank organizing to that district in accordance with the provisions of this net.

When the minimum amount of caplint stock prescribed by this not for high Must En- the organization of any federal rethe fallure to become such federal reserve bank, the terriunder the provisions | torial extent of the district over which ry director who partici the operations of such federal reserve ented to the same shall bank are to be carried on, the city



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Should the total subscriptions by and state in which said bank is to be conditions is made to enable those shall be chosen in the following man-

be acknowledged before a judge of district into three general groups or dicurrency, who shall file, record and capitalization. The groups shall be Stock not held by member banks extefully preserve the same in his of- designated by numbers by the chair-

### The federal reserve board is hereby | FEDERAL RESERVE

No federal reserve bank shall com- Upon the filing of such certificate mence business with a subscribed cap- with the comparedler of the currency reserve bank of the district. The chair-

subscribed, whether ch subscriptions | serve agents located therein. The or | ried of twenty years from its organizabave been paid up invhole or in part. ganization committee shall have now tion unless it is sconer dissolved by an er to appoint such assistants and in act of congress or aniess its franchise our such expenses in enrying out the becomes forfeited by some violation of

Fourth.-To sue and be sued, com-

But no federal reserve bank shall been authorized by the compredict of der the provisions of this not.

Every federal reserve bank shall be conducted under the supervision and control of a board of directors.

tions and all such duties as are preseribed by law.

Said Leard shall administer the afmember bank such discounts, advanceregard for the claims and demands of other member banks.

#### THREE CLASSES

OF DIRECTORS

Such board of directors shall be se lected 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 Ct.

Class A shall consist of three mem-

Chas B shall consist of three meinbers, who at the time of their election

other industrial pursuit.

No director of Class B shall be an No director of Class C shall be au

officer, director, employee or stockholder of any bank Directors of Class A and Class B

The chairman of the board of directors of the federal reserve bank of the of such federal reserve bank, to avail district in which the bank is signified STOCK ISSUES AND themselves of the advantages of this or pending the appointment of such chairman the organization committee The said organization certificate shall | shall classify the member banks of the

> nearly as may be of banks of similar At a regularly called meeting of the bank in the district it shall elect by dual certify his name to the chalman reserve electors thus named by banks

> in each of the aforesaid three groups

elector in each group. Each member bank shall be permit-

man to each elector.

Seventh .- To exercise by its hoard of all votes cost in the column of first reduces its capital shock it shall sur-Sec. 2. As soon as practicable the the pression of this act applicable of directors under rules and regulation to the secretary of the treasury the secretary the secretary that the treature the treasure that the treature that the trea secretary of the treasury, the secretary of the treasury of the secretary o of agriculture and the comptroller of the first column then there reserve bank, and when a member to it unfer the national bank act or unthe currency, acting as "the reserve bank organization committee," shall be necessary bank organization committee," shall be necessary bank organization committee, shall be necessary bank organization committee, shall be necessary bank organization committee, shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary bank organization for much powers as shall be necessary by the provisions of this necessary bank organization for much powers as shall be necessary by the provision of this necessary bank organization for much powers as shall be necessary by the provision of this necessary by the necessary by the provision of the necessary by the bank organization committee," shall thereby forfeited. Any noncompliance for such candidates in surrender all of its hoblings of under the general laws of any state or the chern powers as small be rectors of the federal reserve banks. The designate not less than eight nor more the committee, and the chern of the federal reserve banks to carry on the business of banking to carry on the business of banking to carry on the business of the federal reserve banks. by the reserve bank and three by the Within the limitations prescribed by the second column to the votes cost the capital stock of said federal rehold office during the pleasure, respect the trees colours. If any condidate then have a stock subscription not previously call. How committee pending organization. Hvely, of the purent bank and the fed. United States of any boyds impority of the electors voting by add ed. In either case the shares surof the United States in the manner Ing together the first and second rendered shall be careved and the board for the right to subscribe to the Reserve bank shall designate one of pravided by existing law relating to choices he shall be declared elected member bank shall receive in page of the federal reserve hank or national banks to receive from the lf no candidate have a majority of ment therefor, under remixtions to gamined or to be organized within the comptroller of the currency circulating electors voting when the first and sec be prescribed by the federal reserve federal reserve federal reserve federal reserve notes in blank, registered and counter, and choices shall have been added then board, a sum equal to its cash paid blank is issued. The organization

mittee shall have established federal amount to the par value of the bonds other chalces shall be mided together of and one half of 1 per second reserve districts as provided in section so deposited, such notes to be issued in like assumer, and the confidence then in only from the period of the last districts as provided in section and deposited, such notes to be issued in like assumer, and the confidence then in only from the period of the last districts as 2 of this act, a certificate shall be under the same conditions and prove having the highest gamber of votes fend, not is exceed the best value filed with the comptroller of the cur- slons of law which reinte to the issue shall be declared elect al. An insue thereof, less any diabetry of with rency showing the neegraphical limits of circulating notes of national banks diate report of election shall be de- me der bent to the federal reserve

> not be limited to the amount of the shall have been for at least two years, appointed therefor, the stack badd by are appointed, one of whom shall be be expected without impairment of designated by said board as chairman its liability and all each poid subtransact any business except such as of the based of directors of the federal seriotions on said stock, with one-half reserve bank-oud as "federal reserve of I per centum per month from the many to its organization until it has agent." He shall be a person of tested period of fast dividend, not to exceed banking experience, and in addition to the book value thereof, shall be first the currency to commence business use his duties as chairman of the tenrel of applied to all debte of the insolvent directors of the federal reserve book member bank to the federal reserve he shall be required to mointain under hank, and the beforce, if may, shall be regulations to be established by the paid to the resider of the implement federal reserve board a local of bank. Whenever the capital stock of fice of said board on the premises a faderal reserve bank is reduced, the duties usually appectaining to the of the federal reserve bank. He either on account of a reduction in office of directors of hanking associa- shall make regular reports to the fed- capital stock of any member bank or eral reserve board and shall act as of the liquidation or insuitency of its official representative for the per such bank, the board of directors formunes of the functions conferred shall cause to be executed a certificate fairs of said hank fairly and impar- mean it by this act. He shall receive to the comptroller of the currency tially and without discrimination in an annual compensation to be fixed by showing such reduction of capital favor of or against any member bank the federal reserve board and paid stock and the amount reputit to such or banks and shall, subject to the pro monthly by the federal reserve bank to bank. visions of law and the orders of the which he is designated. One of the difederal reserve board, extend to each rectors of Class C, who shall be a person of fested banking experience, shall DIVISION OF EARNINGS ments and accommodations as may be to appointed by the federal reserve safely and reasonably made with disc board as deputy cimirman and deputy federal reserve agent to exercise the powers of the chairman of the bourd and federal reserve agent in case of of a federal reserve bank have been the absence or disability of his princi- paid or provided for, the stockhold-

pensation otherwise provided a reason- dend shall be cumulative. After the alds allowance for becoming expenses aforesaid dividend claims have been in attending magtings of their respect fully met all not enraings shall be publi tive lounds, which amount shall be to the United States as a franchise representative of the slockholding flows or employees shall be subject to stock of such bunk. The net curre

shall be netively engaged in their dis- mittee may in equalizing federal re- used to supplement the gold reservatrict in commerce, agriculture or some serve backs call such trections of bank held against outstanding United States federal reserve board. When the new functions herein conferred upon the der regulations to be prescribed by the escury subscriptions to the capital chairman of the board of directors of secretary of the treasury. Should a stock have been obtained for the or each federal reserve bank pending the federal reserve bank by dissolved or

designate one of such directors as bank it shall be the duty of the inhefore provided, and the per value chairman of the board to be selected directors of Classes A. B and C re- of the stock, shaft be public and be-Pending the designation of such chair- spectively to designate one of the come the property of the United States bers of such class whose term and shall be similarly applied. talbling to the office of chairman in from the 1st of January nearest to the capital stock and surplus therein the organization of such federal re- date of such meeting, one whose term and the income derived therefrom of office shall expire at the end of two shall be exempt from federal, state No senctor or representative in con- years from said date and one whose and local taxation, except times mean gress shall be a member of a federal term of office shall expire at the end of real estate reserve board or an officer or director three years from said date. Thereafter | Sec. 8 Section 5154 United States reevery director of a federal reserve vised statutes is hereby amended to bunk chosen as hereinbefore provided fend as follows: shall hold office for a term of three years. Vacuacies that may occur in law of any state or of the United eral reserve banks may be filled in the laws of any state or of the United tion of such directors, such appointers ital sufficient to estitle it to become

directors bylaws not inconsistent with second and other choices for a director rectors shall cause to be executed a banking set for associations originally ation is the United States now organ located and may do so in the district law regulating the manner in which its of Class & and for a director of Class extillence to the exemptroller of of any federal reserve bank which general business may be conducted B. Last shall not vote more than one correspond the increase in capi tal stock, the amount pold in and by Any candidate having a andority of whom puld. When a member bank for the several candidates in the first serve bank and he released from its cation to the reserve bank organiza-

### OF RESERVE BANKS

Sec. 7. After all necessary expenses ers shall be entitled to receive an Idrectors of federal reserve banks general dividend of 6 per centum on shall receive in addition to any com- the paid in capital stock, which divipaid by the respective federal reserve fax, except that one-half of such net hands. Any compensation that may earnings shall be paid into a surbe provided by boards of directors of plus fund until it shall amount to federal reserve banks for directors, of- 40 per centum of the pold in expital the approval of the federal reserve lags derived by the United States from federal reserve bonks shell, in The reserve back organization com- the discretion of the secretary, be directors in the several districts us notes, or shall be applied to the remay be necessary to every our the pur- duction of the ourstanding bonded intosses of this net and may exercise the debtedness of the United States, anganization for any federal reserve complete organization of such bank. go fato Equidation any surplus rebank the federal reserve board shall. At the first specific of the full board, maining, after the payment of all appoint the Class C directors and shan of directors of such federal reserve debts, dividend requirements as here-

"Any bank incorporated by special

the several classes of directors of fed. States or organized under the general manner provided for the original solecy States and having an enimpoired expto hold office for the unexpired terms a national banking association under the provisions of the existing laws may, by the vote of the shareholders. owning not less than 55 per centure of the capital stock of such boult or benking association, with the sporougi of the comptroller of the currency, be converted into a national benting association, with any name approved by Sec. 5. The capital stock of each the comptroller of the currency; Profederal reserve bank shall be divided vided, however. That said conversion into shares of \$100 each. The out- shall not be in contravention of the standing capital stock shall be its state law. In such case the articles crased from time to time as metaber of association and organization certifibunks increase their capital stock and cate may be executed by a majority of surplus or as additional banks become the directors of the bank or banking members and may be decreased as institution, and the certificate shall member banks reduce their capital declare that the owners of 51 per stock or surplus or cense to be mem- centum of the capital stock have ambers. Shares of the capital stock of thorized the directors to make such federal reserve banks owned by mem- certificate and to change or convert ber banks shall not be transferred the bank or banking institution into or hypothecated. When a member a notional association. A majority of bank increases its capital stock or the directors, after executing the artisurplus, it shall thereupon subscribe cles of resociation and the organiza for an additional amount of capital tion certificate, shall have power to stock of the federal reserve bank of execute all other papers and to do its district equal to 6 per centum of whatever may be required to make the said increase, one-half of said sub- its organization perfect and complete scription to be paid in the manner as a national association. The slures tel to nominate to the chalrman one bereinbefore provided for original sub- of any such bank may continue to be candidate for director of Class A and scription, and one half subject to call for the same amount each as they of the federal reserve bound. A bunk were before the conversion, and the The candidate so nominated shall be applying for stock in a federal reserve directors may configure to be directors listed by the chairman indicating by bank at any time after the organiza- of the association until others are whom nominated, and copy of said that then thereof must subscribe for an elected or appointed in severdance shall, within fifteen days after its amount of the capital stock of the fed- with the provisions of the statutes of completion, be furnished by the chair eral reserve bank equal to 6 per the United States. When the completion centum of the paid up capital stock troller has given to such bank or Every elector shall within fifteen and surplus of said applicant bank, tenking association a certificate that lays after the receipt of the said list paying therefor its par walne plus one the provisions of this set have been bulf of I per centum a mouth from compiled with, such bank or banking and other choices of a director of the period of the last dividend. When association, and all its stockholders, Cines A and Class B respectively upon the capital stock of any federal re- officers and employees shall have the board; the term "district" shall be that a reserve agent upon the this set, to define their dulles require a preferential ballot on a form fur serve bank shall have been increased same powers and privileges and shall be that the contract of the contract thereof and to dismiss at pleasure such directors of the federal reserve bank capital stock of member banks or on the and regulations in all respects as of the district. Each elector shall make account of the increase in the num- shall have been prescribed by the fest-

### HOW STATE BANKS