

The Administration's Currency Bill

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INCREASE AND DECREASE OF CAPITAL

Section 5. That shares of the capital stock of federal reserve banks shall not be transferable, nor be hypothecated. In case a subscribing bank increases its capital, it shall thereupon subscribe for an additional amount of capital stock of the federal reserve bank of its district equal to twenty per centum of the bank's own increase of capital, ten per centum of said subscription to be paid in cash in the manner hereinbefore provided for original subscription, and ten per centum to become a liability of the subscribing bank according to the terms of the original subscription. A bank applying for stock in a federal reserve bank at any time after the formation of the latter must subscribe for an amount of the capital of said reserve bank equal to twenty per centum of the capital of said subscribing bank, paying therefor its par value in accordance with the terms prescribed by section two of this act. When the capital of any federal reserve bank has been increased either on account of the increase of capital of the banks holding stock therein or on account of the increase in the number of stockholding banks, the board of directors shall make and execute a certificate to the comptroller of the currency showing said increase in capital, the amount paid in, and by whom paid. In case a subscribing bank reduces its capital it shall surrender a proportionate amount of its holdings in the capital of said federal reserve bank, and in case a bank goes into voluntary liquidation it shall surrender all of its holdings of the capital of said federal reserve bank. In either case the shares surrendered shall be canceled and the bank shall receive in payment therefor a sum equal to its cash paid subscriptions on the shares surrendered.

Section 6. That if any shareholder of a federal reserve 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. Whenever the capital stock of a federal reserve bank is reduced, either on account of a reduction in capital of any bank or of the liquidation or insolvency of any such bank, the board of directors shall make and execute a certificate to the comptroller of the currency showing such reduction of capital stock and the amount repaid to such bank.

DIVISION OF EARNINGS

Section 7. That after the payment of all necessary expenses and taxes of a federal reserve bank, the shareholders shall be entitled to receive an annual dividend of five per centum on the paid-in capital, 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 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 and the shareholders 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 earnings derived by the United States from federal reserve banks shall constitute a sinking fund to be held for 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, 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.

Every federal reserve bank incorporated under the terms of this act and the stock therein held by member banks shall be exempt from federal, state, and local taxation, except in respect to taxes upon real estate.

Section 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.

Section 9. That 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 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 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 national banking association under its former name or by any name approved by the comptroller. 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 shall 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 by the national banking act

for associations originally organized as national banking associations.

STATE BANKS AS MEMBERS

Section 10. That from and after the passage of this act 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 the United States, may make application to the federal reserve board herein-after 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 federal reserve board, under such rules and regulations as it may prescribe, subject to the provisions of this section, shall permit such applying bank to become a stockholder in the federal reserve bank of the district in which such applying bank is located. Whenever the federal reserve board shall permit such an 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 federal reserve board to 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 requirements and submit to the inspection and regulation provided for in this and other laws relating to national banks. No such applying bank shall be admitted to stock ownership 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.

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 has failed to comply with the provisions of this section or the regulations of the board, it shall be within the power of the said board to require such banking association or trust company to surrender its stock in the federal reserve bank in which it holds shares upon receiving from such bank the cash-paid subscriptions to the said shares in current funds, and said federal reserve bank shall upon notice from the federal reserve board be required to suspend the designated 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.

FEDERAL RESERVE BOARD

Section 11. That there shall be created a federal reserve board, 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 ex officio, and four members chosen by the president of the United States, by and with the advice and consent of the senate. In selecting the four 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 geographical divisions of the country. The four members of the federal reserve board chosen 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 members thus appointed by the president not more than two shall be of the same political party, and at least one shall be a person experienced in banking. One shall be designated by the president to serve for two, one for four, one for six, and one for eight years, respectively, and thereafter each member so appointed shall serve for a term of eight years unless sooner removed for cause by the president. Of the four persons thus appointed, one shall be designated by the president as manager and one as vice manager of the federal reserve board. The manager of the federal reserve board, subject to the supervision of the secretary of the treasury and board, shall be the active executive officer of the federal reserve board.

The federal reserve board shall have power to levy semi-annually upon the federal reserve banks, in proportion to capital, an assessment sufficient to pay its estimated expenses 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 or federal reserve bank nor hold stock in any bank or banking institution; 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 members of the federal reserve board chosen 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 chosen shall hold office for the unexpired term of the member whose place he is selected to fill.

The federal reserve board shall annually make a 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