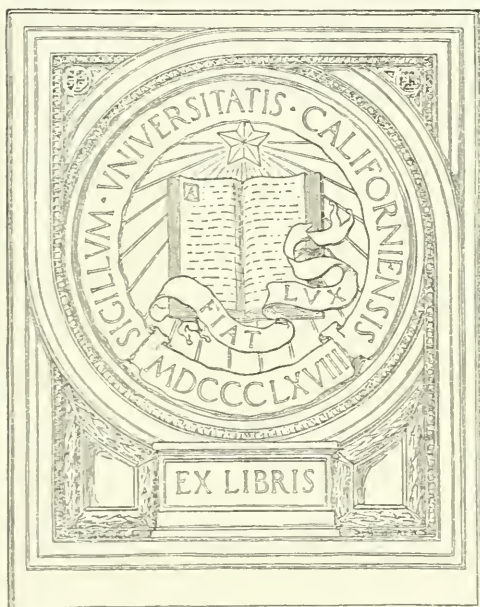




UNIVERSITY OF CALIFORNIA  
AT LOS ANGELES



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**THE NATIONAL-BANK ACT**  
**AS AMENDED**

**THE FEDERAL RESERVE ACT**

AND

**OTHER LAWS RELATING TO**  
**NATIONAL BANKS**

---

Compiled under the direction of the Comptroller of the Currency

---

**FEBRUARY, 1920**



WASHINGTON  
GOVERNMENT PRINTING OFFICE

1920

SENATE RESOLUTION 298.

Reported by Mr. Moses.

---

IN THE SENATE OF THE UNITED STATES,

*February 6, 1920.*

*Resolved*, That there be printed one thousand five hundred copies of the national banking act as amended to date for the use of the Senate document room.

Attest:

GEORGE A. SANDERSON,

*Secretary.*

AMERICAN BOOK CO. PRINTED  
BY THE SENATE DOCUMENT ROOM  
WASHINGTON, D. C.

3397  
A55  
1923

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**BUREAU OF THE COMPTROLLER OF THE  
CURRENCY.**

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# THE NATIONAL-BANK ACT AND ACTS AMENDATORY THEREOF AND SUPPLEMENTARY THERETO.

## CHAPTER I.

### BUREAU OF THE COMPTROLLER OF THE CURRENCY.

100. 324. Bureau of the Comptroller of the Currency.	District of Columbia. (See sec. 714, Code District of Columbia.)
101. 325. Comptroller of the Currency.	
102. 326. Qualification of Comptroller of the Currency. Amount of bond.	110. 333. Report of Comptroller.
103. 327. Deputy Comptroller of the Currency.	111. Act April 28, 1902. Report of Comptroller to give complete list of all employees of the office, information about failed banks, employees under receivers, etc.
104. Additional Deputy Comptroller of the Currency.	
105. 328. Clerks.	
106. 329. Interest in national banks prohibited.	112. Act January 12, 1895. Number of copies of report to be printed.
107. 330. Seal of Comptroller of the Currency.	113. Joint resolution March 4, 1907. Three thousand additional copies authorized to be printed.
108. 331. Rooms, vaults, and furniture for Currency Bureau.	
109. 332. Banks other than national in	

### BUREAU OF THE COMPTROLLER OF THE CURRENCY.

100. Sec. 324.—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 a 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.

Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99.  
Act. Dec. 23, 1913, sec. 10; 38 Stat. L., 260.

### COMPTROLLER OF THE CURRENCY.

101. Sec. 325.—The Comptroller of the Currency shall be appointed by the President, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years unless sooner removed by the President, upon reasons to be communicated by him to the Senate; and he shall be entitled to a salary of five thousand dollars a year.

Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99.  
Act Mar. 3, 1875, c. 130, sec. 2; 18 Stat. L., 398.

NOTE.—Section 10 of the Federal reserve act provides that the Comptroller of the Currency shall be an ex officio member of the Federal Reserve Board and shall, in addition to his salary as Comptroller, receive the sum of \$7,000 annually for his service on said board.

**QUALIFICATION OF COMPTROLLER OF THE CURRENCY.  
AMOUNT OF BOND.**

Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99. **102. Sec. 326.**—The Comptroller of the Currency shall, within fifteen days from the time of notice of his appointment, take and subscribe the oath of office; and he shall give to the United States a bond in the penalty of one hundred thousand dollars, with not less than two responsible sureties, to be approved by the Secretary of the Treasury, conditioned for the faithful discharge of the duties of his office.

**DEPUTY COMPTROLLER OF THE CURRENCY.**

Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 99. **103. Sec. 327.**—There shall be in the Bureau of the Comptroller of the Currency a Deputy Comptroller of the Currency, to be appointed by the Secretary, who shall be entitled to a salary of two thousand five hundred dollars a year, and who shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in the office or during the absence or inability of the Comptroller. The Deputy Comptroller shall also take the oath of office prescribed by the Constitution and laws of the United States, and shall give a like bond in the penalty of fifty thousand dollars.

NOTE.—The salary of the Deputy Comptroller has been fixed at various amounts by different appropriation bills, as follows: Act March 3, 1875 (sundry civil bill), 18 Stat. L., 398, \$3,000; act March 3, 1901, 31 Stat. L., 978, \$2,800; act March 18, 1904, 33 Stat. L., 103, \$3,000; act February 3, 1905, 33 Stat. L., 649, and all subsequent acts, \$3,500.

**ADDITIONAL DEPUTY COMPTROLLER OF THE CURRENCY.**

Act May 22, 1908, 35 Stat. L., 203. **104.** Deputy Comptroller, \$3,500; Deputy Comptroller, \$3,000, who shall be appointed by the Secretary of the Treasury, and shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in the office of Comptroller and Deputy Comptroller or during the absence or inability of the Comptroller and the Deputy Comptroller, and said assistant Deputy Comptroller shall give a like bond in the penalty of fifty thousand dollars.

NOTE.—The additional Deputy Comptroller was first provided for in the act of May 22, 1908.

**CLERKS.**

Act June 3, 1864, c. 106, sec. 1; 13 Stat. L., 100. **105. Sec. 328.**—The Comptroller of the Currency shall employ, from time to time, the necessary clerks, to be appointed and classified by the Secretary of the Treasury, to discharge such duties as the Comptroller shall direct.

**INTEREST IN NATIONAL BANKS PROHIBITED.**

**106. Sec. 329.**—It shall not be lawful for the Comptroller or the Deputy Comptroller of the Currency, either directly or indirectly, to be interested in any association issuing national currency under the laws of the United States.

Act June 3,  
1864, c. 106,  
sec. 1; 13 Stat.  
L., 100.

**NOTE.**—Section 10 of the Federal reserve act provides in part that no member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank, nor hold stock in any bank, banking institution, or trust company. As the Comptroller of the Currency is a member of the board, he is thus prohibited from being connected as an officer or shareholder with any bank, banking institution, or trust company, whether State or national. It would appear that under section 329 a Deputy Comptroller of the Currency would be prohibited from being interested not only in any national bank but in any State bank that should become a member bank and a shareholder in one of the Federal reserve banks.

**SEAL OF COMPTROLLER OF THE CURRENCY.**

**107. Sec. 330 [as amended 1875].**—The seal devised by the Comptroller of the Currency for his office, and approved by the Secretary of the Treasury, shall continue to be the seal of office of the Comptroller, and may be renewed when necessary. A description of the seal, with an impression thereof, and a certificate of approval by the Secretary of the Treasury, shall be filed in the office of the Secretary of State.

Act June 3,  
1864, c. 106,  
sec. 2; 13 Stat.  
L., 100.  
Act. Feb. 18,  
1875, c. 80; 18  
Stat. L., 317.

**ROOMS, VAULTS, AND FURNITURE FOR CURRENCY BUREAU.**

**108. Sec. 331.**—There shall be assigned, from time to time, to the Comptroller of the Currency, by the Secretary of the Treasury, suitable rooms in the Treasury building for conducting the business of the Currency Bureau, containing safe and secure fireproof vaults, in which the Comptroller shall deposit and safely keep all the plates not necessarily in the possession of engravers or printers, and other valuable things belonging to his department; and the Comptroller shall from time to time furnish the necessary furniture, stationery, fuel, lights, and other proper conveniences for the transaction of the business of his office.

Act June 3,  
1864, c. 106,  
sec. 3; 13 Stat.  
L., 100.

**109. Sec. 332.**—

Refers entirely to banks other than national in the District of Columbia and is incorporated in section 714 of the Code of the District of Columbia and has been repeatedly amended.

**REPORT OF COMPTROLLER.**

**110. Sec. 333 [as amended 1875].**—The Comptroller of the Currency shall make an annual report to Congress, at the commencement of its session, exhibiting—

First. A summary of the state and condition of every association from which reports have been received the preceding year, at the several dates to which such reports

Act June 3,  
1864, sec. 61;  
13 Stat. L.,  
117.



Act. Feb. 19, refer, with an abstract of the whole amount of banking  
 1873, sec. 1; capital returned by them, of the whole amount of their  
 17 Stat. L., debts and liabilities, the amount of circulating notes out-  
 466. standing, and the total amount of means and resources,  
 Act. Feb. 18, specifying the amount of lawful money held by them at  
 1875, c. 80: 18 the times of their several returns, and such other informa-  
 Stat. L., 317. tion in relation to such associations as, in his judgment,  
 may be useful.

Second. A statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed and the amount outstanding.

Third. Any amendment to the laws relative to banking by which the system may be improved, and the security of the holders of its notes and other creditors may be increased.

Fourth. A statement exhibiting under appropriate heads the resources and liabilities and condition of the banks, banking companies, and savings banks organized under the laws of the several States and Territories; such information to be obtained by the Comptroller from the reports made by such banks, banking companies, and savings banks to the legislatures or officers of the different States and Territories, and, where such reports can not be obtained, the deficiency to be supplied from such other authentic sources as may be available.

Fifth. The names and compensation of the clerks employed by him, and the whole amount of the expenses of the banking department during the year.

**COMPTROLLER TO GIVE COMPLETE LIST OF ALL EMPLOYEES OF THE OFFICE. INFORMATION ABOUT FAILED BANKS, EMPLOYEES, UNDER RECEIVERS, ETC. ACT APRIL 28, 1902.**

Act April 28, 1902, legisla-  
 tive, executive,  
 and judicial ap-  
 propriation  
 act; 32 Stat.  
 L., 138.

111. *Provided*, That for the fiscal year of nineteen hundred and two and thereafter, a full and complete list of all officers, agents, clerks, and other employees of the office of the Comptroller of the Currency, including bank examiners, receivers and attorneys for receivers, and clerks employed by such examiners and receivers, or any other person connected with the work of said office in Washington or elsewhere, whose salary or compensation is paid from the Treasury of the United States or assessed against or collected from existing or failed banks under their supervision or control, shall be transmitted to the Secretary of the Interior in accordance with the provisions of an Act of Congress approved January twelfth, eighteen hundred and eighty-five, relating to the Official Register: *And provided further*, That the Comptroller of the Currency is hereby directed to include in his annual report to the Speaker of the House of Representatives, expenses incurred during each year, in liquidation of each failed national bank separately.

**NUMBER OF COPIES OF REPORT TO BE PRINTED. ACT  
OF JANUARY 12, 1895.**

112. Sec. 73.—This section provides in part that there shall be printed “Of the annual report of the Comptroller of the Currency, ten thousand copies; one thousand for the Senate, two thousand for the House, and seven thousand for distribution by the Comptroller of the Currency.”

Act Jan. 12,  
1895, sec. 73;  
28 Stat. L., 616.

**THREE THOUSAND ADDITIONAL COPIES AUTHORIZED TO  
BE PRINTED. PUBLIC RESOLUTION NO. 25, MARCH 4,  
1907.**

113. That section 73 of an act “Providing for the public printing and binding, and the distribution of public documents,” approved January 12, 1895, be, and the same is hereby, so amended as to authorize the printing annually hereafter of ten thousand copies of the annual report of the Comptroller of the Currency, for distribution by the Comptroller of the Currency, instead of seven thousand copies as heretofore.

Pub. Res. 25,  
Mar. 4, 1907;  
34 Stat. L.,  
1425.



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**ORGANIZATION AND POWERS.**





## CHAPTER II.

### ORGANIZATION AND POWERS.

200. Act June 20, 1874. The national-bank act.
201. 5133. Formation of national banking associations.
202. 5134. Requisites of organization certificate.
203. 5135. How certificate shall be acknowledged and filed.
204. 5136. Corporate powers of associations.
205. Acts December 23, 1913, and September 7, 1916. Loans on improved real estate.
206. Act December 23, 1913, as amended. When national bank as a member of Federal reserve system may accept drafts or bills of exchange.
207. Act September 7, 1916. Acceptance of drafts or bills of exchange drawn upon national banks by banks or bankers in foreign countries or dependencies of the United States.
208. Act December 23, 1913, as amended. Trust company powers of national banks.
209. Act September 7, 1916. Power of national bank to act as insurance agent or as broker or agent in making or procuring loans on real estate.
210. Act December 23, 1913, as amended. Foreign branches.
211. Act May 1, 1886. Change of name and location.
212. Act May 1, 1886. Debts not affected by change.
213. Act May 1, 1886. No release from liabilities.
214. Act August 13, 1888. National banks deemed citizens of State in which located.
215. Act July 12, 1882. Extension of corporate existence.
216. Act July 12, 1882. Consent of two-thirds necessary.
217. Act July 12, 1882. Special examination of bank and issue of certificate of approval by Comptroller.
218. Act July 12, 1882. Status not changed by extension. Jurisdiction of suits by or against national banks.
219. Act July 12, 1882. Dissenting shareholders may withdraw.
220. Act July 12, 1882. Redemption of circulating notes issued prior to extension.
221. Act July 12, 1882. Dissolution of banks not extending period of succession.
222. Act April 12, 1902. Reextension of corporate existence.
223. 5137. Power to hold real property.
224. 5138. Requisite amount of capital.
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228. 5142. National banks may increase capital stock.
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231. 5144. Right of shareholders to vote. Proxies authorized.
232. 5145. Election of directors.
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234. Acts of October 15, 1914, and May 15, 1916. Interlocking directorates—when forbidden.
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236. 5147. Oath required from directors.
237. 5148. Filling vacancies.
238. 5149. Proceedings where no election is held on the proper day.
239. 5150. Election of president of the board.
240. 5151. Individual liability of shareholders.
241. Act December 23, 1913. Individual liability of shareholders. Liability of shareholders who have transferred their shares.
242. 5152. Executors, trustees, etc., not personally liable.
243. 5153. National banking associations to be depositories of public moneys.
244. Act December 23, 1913. Government deposits in Federal reserve banks.
245. 5154. Conversion of State banks into national banking associations.
246. 5155. State banks having branches.
247. 5156. Reservation of rights of associations organized under act of 1863.

**THE NATIONAL BANK ACT. ACT JUNE 20, 1874.**

Act June 20, 1874, c. 343, sec. 1; 18 Stat. L., 123. **200. Sec. 1.**—An act entitled “An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof,” approved June 3, 1864, shall hereafter be known as “the national-bank act.”

**FORMATION OF NATIONAL BANKING ASSOCIATIONS.**

Act June 3, 1864, c. 106, sec. 5; 13 Stat. L., 100. **201. Sec. 5133.**—Associations for carrying on the business of banking under this Title may be formed by any number of natural persons, not less in any case than five. They shall enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed by the persons uniting to form the association, and a copy of them shall be forwarded to the Comptroller of the Currency, to be filed and preserved in his office.

**REQUISITES OF ORGANIZATION CERTIFICATE.**

Act June 3, 1864, c. 106, sec. 6; 13 Stat. L., 101. **202. Sec. 5134.**—The persons uniting to form such an association shall, under their hands, make an organization certificate, which shall specifically state:

First. The name assumed by such association; which name shall be subject to the approval of the Comptroller of the Currency.

Second. The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or district, and the particular county and city, town, or village.

Third. The amount of capital stock and the number of shares into which the same is to be divided.

Fourth. The names and places of residence of the shareholders and the number of shares held by each of them.

Fifth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this Title.

NOTE.—For authority to change names or locations see act May 1, 1886, post, paragraph 211.

**HOW CERTIFICATES SHALL BE ACKNOWLEDGED AND FILED.**

Act June 3, 1864, c. 106, sec. 6; 13 Stat. L., 101. **203. Sec. 5135.**—The 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 record and carefully preserve the same in his office.

**CORPORATE POWERS OF ASSOCIATION.**

204. Sec. 5136.—Upon duly making and filing articles of association and an organization certificate, the association shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

Act June 3,  
1864, c. 106,  
sec. 8; 13 Stat.  
L., 101.

First. To adopt and use a corporate seal.

Second. To have succession for the period of twenty years from its organization, unless it is sooner dissolved according to the provisions of its articles or association, or by the act of its shareholders owning two-thirds of its stock, 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 elect or appoint directors, and by its board of directors to appoint a president, vice president, cashier, and other officers, define their duties, require bonds of them and fix the penalty thereof, dismiss such officers or any of them at pleasure, and 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 stock shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this Title.

But no association 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 the business of banking.

NOTE.—See sections 5169 and 5170, paragraphs 320 and 321, post, relating to issuing and publishing of certificate authorizing association to begin business.

**LOANS ON IMPROVED REAL ESTATE.**

205. Sec. 24.—Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of

Act Dec. 23,  
1913, sec. 24;  
38 Stat. L.,  
273.  
Act, Sept. 7,  
1916; 39 Stat.  
L., 754.

one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

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.

**WHEN NATIONAL BANK AS A MEMBER BANK OF FEDERAL RESERVE SYSTEM MAY ACCEPT DRAFTS OR BILLS OF EXCHANGE.**

Act Dec. 23, 1913, sec 13; 38 Stat. L., 263. Act Mar. 3, 1915; 38 Stat. L., 958. Act Sept. 7, 1916; 39 Stat. L., 752. Act June 21, 1917, sec. 5.

206. Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided, however,* That the Federal Reserve Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time



in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided, further*, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.

207. Acceptance of drafts or bills of exchange drawn upon national banks by banks or bankers in foreign countries or dependencies of the United States.

Act Sept. 7,  
1916, 39 Stat.  
L., amending  
sec. 13 of Fed.  
Res. Act.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Federal Reserve Board by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Federal Reserve Board: *Provided, however*, That no member bank shall accept such drafts or bills of exchange referred to in this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further*, That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

#### TRUST COMPANY POWERS OF NATIONAL BANKS.

208. The Federal Reserve Board is authorized by section 11, paragraph k, of the Federal reserve act "to grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

Act Dec. 23,  
1913, sec. 11, k,  
38 Stat.L., 281.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this act.

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of

the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers, but nothing in this act shall be construed as authorizing the State authorities to examine the books, records, and assets of the national bank which are not held in trust under authority of this subsection.

Act Sept. 26,  
1918.

“No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

“In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

“Whenever the laws of a State require corporations acting in a fiduciary capacity to deposit securities with the State authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits and securities so deposited shall be held for the protection of private or court trusts, as provided by the State law.

“National banks in such cases shall not be required to execute the bond usually required of individuals if State corporations under similar circumstances are exempt from this requirement.

“National banks shall have power to execute such bond when so required by the laws of the State.

“In any case in which the laws of a State require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice president, cashier, or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

“It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than \$5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

“In passing upon applications for permission to exercise the powers enumerated in this subsection, the Federal Reserve Board may take into consideration the

amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly: *Provided*, That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers."

209. Power of national bank to act as insurance agent or as broker or agent in making or procuring loans on real estate.

Act Sept. 7,  
1916, 39 Stat.  
L. 752, amend-  
ing sec. 13 of  
Fed. Res. Act.

That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however*, That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: *And provided further*, That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

**FOREIGN BRANCHES [as amended 1919].**

210. Sec. 25.—Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, either or both of the following powers:

Act Dec. 23,  
1913, sec. 25;  
38 Stat. L.,  
273.  
Act Sept. 7,  
1916, 39 Stat.  
L., 755.  
Act Sept. 17,  
1919.

First. To establish branches in foreign countries or dependencies or insular possessions 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.



Second. To invest an amount not exceeding in the aggregate ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions. Until January 1, 1921, any national banking association, without regard to the amount of its capital and surplus, may file application with the Federal Reserve Board for permission, upon such conditions and under such regulations as may be prescribed by said board, to invest an amount not exceeding in the aggregate 5 per centum of its paid-in capital and surplus in the stock of one or more corporations chartered or incorporated under the laws of the United States or of any State thereof and, regardless of its location, principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods, wares, or merchandise from the United States or any of its dependencies or insular possessions to any foreign country: *Provided, however,* That in no event shall the total investments authorized by this section by any one national bank exceed 10 per centum of its capital and surplus.

Such application shall specify the name and capital of the banking association filing it, the powers applied for, and the place or places where the banking or financial operations proposed are to be carried on. The Federal Reserve Board shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on.

Every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or corporations described above shall be required to furnish information concerning the condition of such banks or corporations to the Federal Reserve Board upon demand, and the Federal Reserve Board may order special examinations of the said branches, banks, or corporations at such time or times as it may deem best.

Before any national bank shall be permitted to purchase stock in any such corporation the said corporation shall enter into an agreement or undertaking with the Federal Reserve Board to restrict its operations or conduct its business in such manner or under such limita-

tions and restrictions as the said board may prescribe for the place or places wherein such business is to be conducted. If at any time the Federal Reserve Board shall ascertain that the regulations prescribed by it are not being complied with, said board is hereby authorized and empowered to institute an investigation of the matter and to send for persons and papers, subpoena witnesses, and administer oaths in order to satisfy itself as to the actual nature of the transactions referred to. Should such investigation result in establishing the failure of the corporation in question, or of the national bank or banks which may be stockholders therein, to comply with the regulations laid down by the said Federal Reserve Board, such national banks may be required to dispose of stock holdings in the said corporation upon reasonable notice.

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 accrued at each branch as a separate item.

Any director or other officer, agent, or employee of any member bank may, with the approval of the Federal Reserve Board, be a director or other officer, agent, or employee of any such bank or corporation above mentioned in the capital stock of which such member bank shall have invested as hereinbefore provided, without being subject to the provisions of section eight of the Act approved October fifteenth, nineteen hundred and fourteen, entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes."

#### **CHANGE OF NAME AND LOCATION OF BANK. ACT MAY 1, 1886.**

211. Sec. 2.—That any national banking association may change its name or the place where its operations of dis- Act May 1, 1886, c. 73; sec. 2; 24 Stat. L., 18. count and deposit are to be carried on, to any other place within the same State, not more than thirty miles distant, with the approval of the Comptroller of the Currency, by the vote of shareholders owning two-thirds of the stock of such association. A duly authenticated notice of the vote and of the new name or location selected shall be sent to the office of the Comptroller of the Currency; but no change of name or location shall be valid until the Comptroller shall have issued his certificate of approval of the same.

#### **DEBTS NOT AFFECTED BY CHANGE. ACT MAY 1, 1886.**

212. Sec. 3.—That all debts, liabilities, rights, provi- Act May 1, 1886, c. 73, sec. 3; 24 Stat. L., 19. sions, and powers of the association under its old name shall devolve upon and inure to the association under its new name.

**NO RELEASE FROM LIABILITIES. ACT MAY 1, 1886.**

Act May 1,  
1886, c. 73, sec.  
4; 24 Stat. L.,  
19.

**213. Sec. 4.**—That nothing in this act contained shall be so construed as in any manner to release any national banking association under its old name or at its old location from any liability, or affect any action or proceeding in law in which said association may be or become a party or interested.

NOTE.—Section 1 of this act relates to increase of capital stock and is inserted after Section 5142, United States Revised Statutes.

**NATIONAL BANKS DEEMED CITIZENS OF STATES IN WHICH LOCATED. ACT AUGUST 13, 1888.**

Act Mar. 3,  
1887, sec. 4; 24  
Stat. L., 554.  
Act Aug. 13,  
1888, c. 866,  
sec. 4; 25 Stat.  
L., 436.

**214. Sec. 4.**—That all national banking associations established under the laws of the United States shall, for the purposes of all actions by or against them, real, personal, or mixed, and all suits in equity, be deemed citizens of the States in which they are respectively located; and in such cases the circuit and district courts shall not have jurisdiction other than such as they would have in cases between individual citizens of the same State. The provisions of this section shall not be held to affect the jurisdiction of the courts of the United States in cases commenced by the United States or by direction of any officer thereof, or cases for winding up the affairs of any such bank.

NOTE.—See act March 3, 1911, section 24, 36 Stat. L., 1092, paragraph 701, post, as to jurisdiction of United States courts in national banking cases.

**EXTENSION OF CORPORATE EXISTENCE. ACT JULY 12, 1882.**

Act July 12,  
1882, c. 290,  
sec. 1; 22 Stat.  
L., 162.

**215. Sec. 1.**—That any national banking association organized under the acts of February twenty-fifth, eighteen hundred and sixty-three, June third, eighteen hundred and sixty-four, and February fourteenth, eighteen hundred and eighty, or under sections fifty-one hundred and thirty-three, fifty-one hundred and thirty-four, fifty-one hundred and thirty-five, fifty-one hundred and thirty-six, and fifty-one hundred and fifty-four of the Revised Statutes of the United States, may, at any time within the two years next previous to the date of the expiration of its corporate existence under present law, and with the approval of the Comptroller of the Currency, to be granted, as hereinafter provided, extend its period of succession by amending its articles of association for a term of not more than twenty years from the expiration of the period of succession named in said articles of association, and shall have succession for such extended period, unless sooner dissolved by the act of shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of law, or unless hereafter modified or repealed.

NOTE.—Act of February 14, 1880, relates to the conversion of gold banks into currency banks, and is inserted after Revised Statutes 5186.

**CONSENT OF TWO-THIRDS NECESSARY. ACT JULY 12, 1882.**

216. Sec. 2.—That such amendment of said articles of association shall be authorized by the consent in writing of shareholders owning not less than two-thirds of the capital stock of the association; and the board of directors shall cause such consent to be certified under the seal of the association, by its president or cashier, to the Comptroller of the Currency, accompanied by an application made by the president or cashier for the approval of the amended articles of association by the Comptroller; and such amended articles of association shall not be valid until the Comptroller shall give to such association a certificate under his hand and seal that the association has complied with all the provisions required to be complied with, and is authorized to have succession for the extended period named in the amended articles of association.

Act July 12,  
1882, c. 290,  
sec. 2; 22 Stat.  
L., 162.

**SPECIAL EXAMINATION OF BANK AND ISSUE OF CERTIFICATE OF APPROVAL BY COMPTROLLER. ACT JULY 12, 1882.**

217. Sec. 3.—That upon the receipt of the application and certificate of the association provided for in the preceding section, the Comptroller of the Currency shall cause a special examination to be made, at the expense of the association, to determine its condition; and if after such examination or otherwise it appears to him that said association is in a satisfactory condition, he shall grant his certificate of approval provided for in the preceding section, or if it appears that the condition of said association is not satisfactory, he shall withhold such certificate of approval.

Act July 12,  
1882, c. 290,  
sec. 3; 22 Stat.  
L., 163.

**STATUS NOT CHANGED BY EXTENSION. JURISDICTION OF SUITS BY OR AGAINST NATIONAL BANKS. ACT JULY 12, 1882.**

218. Sec. 4.—That any association so extending the period of its succession shall continue to enjoy all the rights and privileges and immunities granted and shall continue to be subject to all the duties, liabilities, and restrictions imposed by the Revised Statutes of the United States and other acts having reference to national banking associations, and it shall continue to be in all respects the identical association it was before the extension of its period of succession: *Provided, however,* That the jurisdiction for suits hereafter brought by or against any association established under any law providing for national banking associations, except suits between them and the United States, or its officers and agents, shall be the same as, and not other than, the jurisdiction for suits by or against banks not organized under any law of the United States which do or might do banking business where such national banking associations may be doing business when such suits may be begun: And all laws

Act July 12,  
1882, c. 290,  
sec. 4; 22 Stat.  
L., 163.



and parts of laws of the United States inconsistent with this proviso be, and the same are hereby, repealed.

NOTE.—See also act of August 13, 1888, relating to citizenship of national banks and jurisdiction of the circuit and district courts, paragraph 214, ante, and act of Mar. 3, 1911, sec. 24, 36 Stat. L., 1092, paragraph 701, post, as to jurisdiction of United States courts in national banking cases.

**DISSENTING SHAREHOLDERS MAY WITHDRAW. ACT JULY 12, 1882.**

Act July 12,  
1882, c. 290,  
sec. 5; 22 Stat.  
L., 163.

**219. Sec. 5.**—That when any national banking association has amended its articles of association as provided in this act, and the Comptroller has granted his certificate of approval, any shareholder not assenting to such amendment may give notice in writing to the directors, within thirty days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder, he may appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall pay the expenses of said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due, and be forthwith paid, to said shareholder from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale, within thirty days after the final appraisal provided in this section: *Provided*, That in the organization of any banking association intended to replace any existing banking association, and retaining the name thereof, the holders of stock in the expiring association shall be entitled to preference in the allotment of the shares of the new association in proportion to the number of shares held by them respectively in the expiring association.

**REDEMPTION OF CIRCULATING NOTES ISSUED PRIOR TO EXTENSION. ACT JULY 12, 1882.**

Act July 12,  
1882, c. 290,  
sec. 6; 22 Stat.  
L., 163.

**220. Sec. 6.**—That the circulating notes of any association so extending the period of its succession which shall have been issued to it prior to such extension shall be redeemed at the Treasury of the United States, as provided in section three of the act of June twentieth, eighteen hundred and seventy-four, entitled “An act fixing the amount of United States notes, providing for redistribution of national bank currency, and for other purposes,” and such notes when redeemed shall be forwarded to the Comptroller of the Currency, and destroyed as now provided by law; and at the end of three years from the date

of the extension of the corporate existence of each bank the association so extended shall deposit lawful money with the Treasurer of the United States sufficient to redeem the remainder of the circulation which was outstanding at the date of its extension, as provided in sections fifty-two hundred and twenty-two, fifty-two hundred and twenty-four, and fifty-two hundred and twenty-five of the Revised Statutes; and any gain that may arise from the failure to present such circulating notes for redemption shall inure to the benefit of the United States; and from time to time, as such notes are redeemed or lawful money deposited therefor as provided herein, new circulating notes shall be issued as provided by this act, bearing such devices, to be approved by the Secretary of the Treasury, as shall make them readily distinguishable from the circulating notes heretofore issued: *Provided, however,* That each banking association which shall obtain the benefit of this act shall reimburse to the Treasury the cost of preparing the plate or plates for such new circulating notes as shall be issued to it.

NOTE.—For act of June 20, 1874, section 3, mentioned above, see paragraph 414, post. The destruction of bank notes by burning, as provided in sections 5184, 5225, Revised Statutes, is superseded by act of June 23, 1874, paragraph 340, post, which requires bank notes to be macerated.

#### DISSOLUTION OF BANKS NOT EXTENDING PERIOD OF SUCCESSION. ACT JULY 12, 1882.

221. **Sec. 7.**—That national banking associations whose corporate existence has expired or shall hereafter expire and which do not avail themselves of the provisions of this act, shall be required to comply with the provisions of sections fifty-two hundred and twenty-one and fifty-two hundred and twenty-two of the Revised Statutes in same manner as if the shareholders had voted to go into liquidation, as provided in section fifty-two hundred and twenty of the Revised Statutes; and the provisions of sections fifty-two hundred and twenty-four and fifty-two hundred and twenty-five of the Revised Statutes shall also be applicable to such associations, except as modified by this act; and the franchise of such associations is hereby extended for the sole purpose of liquidating their affairs until such affairs are finally closed.

Act July 12,  
1882, c. 290,  
sec. 7; 22 Stat.  
L., 164.

NOTE.—Other sections of act of July 12, 1882.

SEC. 8. [Relates to bond deposits and circulating notes.] Follows Revised Statutes, section 5167.

SEC. 9.—[Relates to withdrawal of circulating notes.] Follows Revised Statutes, section 5167.

SEC. 10.—Repealed sections 5171 and 5176, Revised Statutes, and was superseded by act of March 14, 1900. (See section 5171, Revised Statutes.)

SEC. 11.—Authorizes the exchange of three per cent bonds for outstanding three and one-half per cent bonds.

SEC. 12.—Authorizes the issue of gold certificates upon the deposit of gold coin. Inserted after section 5207.

SEC. 13.—[Relates to false certification of checks.] Superseded by act of Sept. 26, 1918.

**REEXTENSION OF CORPORATE EXISTENCE. ACT OF  
APRIL 12, 1902.**

Act. April 12, 1902, c. 503; 32 Stat. L., 102. **222.** That the Comptroller of the Currency is hereby authorized, in the manner provided by, and under the conditions and limitations of, the act of July 12, 1882, to extend for a further period of twenty years the charter of any national banking association extended under said act which shall desire to continue its existence after the expiration of its charter.

**POWER TO HOLD REAL PROPERTY.**

Act June 3, 1864, c. 106, sec. 28; 13 Stat. L., 107. **223. Sec. 5137.**—A national banking association may purchase, hold, and convey real estate for the following purposes, and for no others:

First. Such as shall be necessary for its immediate accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts due to it.

But no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years.

NOTE.—For power to loan on real estate see paragraph 205, ante.

**REQUISITE AMOUNT OF CAPITAL.**

Act June 3, 1864, c. 106, sec. 7; 13 Stat. L., 101. Act Mar. 14, 1900, c. 41, sec. 10; 31 Stat. L., 48. **224. Sec. 5138 [as amended 1900].**—No association shall be organized with a less capital than one hundred thousand dollars, except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed six thousand inhabitants, and except that banks with a capital of not less than twenty-five thousand dollars may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed three thousand inhabitants. No association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than two hundred thousand dollars.

**SHARES OF STOCK AND TRANSFERS.**

Act June 3, 1864, c. 106, sec. 12; 13 Stat. L., 102. **225. Sec. 5139.**—The capital stock of each association shall be divided into shares of one hundred dollars each, and be deemed personal property, and transferable on the books of the association in such manner as may be pre-



scribed in the by-laws or articles of association. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares; and no change shall be made in the articles of association by which the rights, remedies, or security of the existing creditors of the association shall be impaired.

NOTE.—See also section 23, Federal reserve act, following section 5151, United States Revised Statutes.

**HOW PAYMENT OF THE CAPITAL STOCK MUST BE MADE AND CERTIFIED.**

226. Sec. 5140.—At least fifty per centum of the capital stock of every association shall be paid in before it shall be authorized to commence business; and the remainder of the capital stock of such association shall be paid in installments of at least ten per centum each, on the whole amount of the capital, as frequently as one installment at the end of each succeeding month from the time it shall be authorized by the Comptroller of the Currency to commence business; and the payment of each installment shall be certified to the Comptroller, under oath, by the president or cashier of the association.

Act June 3,  
1864, c. 106,  
sec. 14; 13  
Stat. L., 103.

**PROCEEDINGS IF SHAREHOLDER FAILS TO PAY INSTALLMENTS.**

227. Sec. 5141.—Whenever any shareholder, or his assignee, fails to pay any installment on the stock when the same is required by the preceding section to be paid, the directors of such association may sell the stock of such delinquent shareholder at public auction, having given three weeks' previous notice thereof in a newspaper published and of general circulation in the city or county where the association is located, or if no newspaper is published in said city or county, then in a newspaper published nearest thereto, to any person who will pay the highest price therefor, to be not less than the amount then due thereon, with the expenses of advertisement and sale; and the excess, if any, shall be paid to the delinquent shareholder. If no bidder can be found who will pay for such stock the amount due thereon to the association, and the cost of advertisement and sale, the amount previously paid shall be forfeited to the association, and such stock shall be sold as the directors may order, within six months from the time of such forfeiture, and if not sold it shall be canceled and deducted from the capital stock of the association. If any such cancellation and reduction shall reduce the capital of the association below the minimum of capital required by law, the capital stock shall, within thirty days from the date of such cancellation, be increased to the required amount; in default of which a receiver may be appointed, according to the provisions

Act June 3,  
1864, c. 106,  
sec. 15; 13  
Stat. L., 103.

of section fifty-two hundred and thirty-four, to close up the business of the association.

#### NATIONAL BANKS MAY INCREASE CAPITAL STOCK.

Act June 3, 1864, c. 106, sec. 13; 13 Stat. L., 103. **228. Sec. 5142.**—Any association formed under this title may, by its articles of association, provide for an increase of its capital from time to time, as may be deemed expedient, subject to the limitations of this title. But the maximum of such increase to be provided in the articles of association shall be determined by the Comptroller of the Currency; and no increase of capital shall be valid until the whole amount of such increase is paid in, and notice thereof has been transmitted to the Comptroller of the Currency, and his certificate obtained specifying the amount of such increase of capital stock, with his approval thereof, and that it has been duly paid in as part of the capital of such association.

#### INCREASE OF CAPITAL STOCK. ACT MAY 1, 1886.

Act May 1, 1886, c. 73, sec. 1; 24 Stat. L., 18. **229. Sec. 1.**—That any national banking association may, with the approval of the Comptroller of the Currency, by the vote of shareholders owning two-thirds of the stock of such association, increase its capital stock, in accordance with existing laws, to any sum approved by the said Comptroller, notwithstanding the limit fixed in its original articles of association and determined by said Comptroller; and no increase of the capital stock of any national banking association either within or beyond the limit fixed in its original articles of association shall be made except in the manner herein provided.

NOTE.—For other sections of this act see paragraphs 211, 212, and 213, ante.

#### REDUCTION OF CAPITAL STOCK.

Act June 3, 1864, c. 106, sec. 13; 13 Stat. L., 103. **230. Sec. 5143.**—Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Federal Reserve Board, or by the organization committee pending the organization of the Federal Reserve Board.

Act Dec. 23, 1913; sec. 28; 38 Stat. L., 274.

#### RIGHT OF SHAREHOLDERS TO VOTE; PROXIES AUTHORIZED.

Act June 3, 1864, c. 106, sec. 11; 13 Stat. L., 102. **231. Sec. 5144.**—In all elections of directors, and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of

stock held by him. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such association shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

NOTE.—The Circuit Court of the United States, in *United States v. Barry* (36 F. R., 246), held that the words "liability past due and unpaid" referred only to unpaid subscriptions for stock.

**ELECTION OF DIRECTORS.**

232. Sec. 5145.—The affairs of each association shall be managed by not less than five directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking; and afterward at meetings to be held on such day in January of each year as is specified therefor in the articles of association. The directors shall hold office for one year, and until their successors are elected and have qualified.

Act June 3,  
1864, c. 100,  
secs. 9, 10; 13  
Stat. L., 102.

**REQUISITE QUALIFICATION OF DIRECTORS.**

233. Sec. 5146 [amended 1905].—Every director must, during his whole term of service, be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election and must be residents therein during their continuance in office. Every director must own in his own right at least ten shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed twenty-five thousand dollars, in which case he must own in his own right at least five shares of such capital stock. Any director who ceases to be the owner of the required number of shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place.

Act June 3,  
1864, c. 100,  
secs. 9, 10; 13  
Stat. L., 102  
Act Feb. 28,  
1905; c. 1163,  
33 Stat. L.,  
818.

**INTERLOCKING DIRECTORATES—WHEN FORBIDDEN.**

234. Sec. 8.—That from and after two years from the date of the approval of this act no person shall at the same time be a director or other officer or employee of more than one bank, banking association, or trust company, organized or operating under the laws of the United States, either of which has deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000; and no private banker or person who is a director in any bank or trust company, organized and operating under the laws of a State, having deposits, capital, surplus, and undivided profits aggregating more than \$5,000,000, shall be eligible to be a director in any bank or banking associa-

Act Oct. 15,  
1914, sec. 8; 38  
Stat. L., 732.



tion organized or operating under the laws of the United States. The eligibility of a director, officer, or employee under the foregoing provisions shall be determined by the average amount of deposits, capital, surplus, and undivided profits as shown in the official statements of such bank, banking association, or trust company filed as provided by law during the fiscal year next preceding the date set for the annual election of directors, and when a director, officer, or employee has been elected or selected in accordance with the provisions of this Act it shall be lawful for him to continue as such for one year thereafter under said election or employment.

No bank, banking association, or trust company, organized or operating under the laws of the United States, in any city or incorporated town or village of more than two hundred thousand inhabitants, as shown by the last preceding decennial census of the United States, shall have as a director or other officer or employee any private banker or any director or other officer or employee of any other bank, banking association, or trust company located in the same place: *Provided*, That nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares: *Provided further*, That a director or other officer or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States or any State where the entire capital stock of one is owned by stockholders in the other: *And provided further*, That nothing contained in this section shall forbid a director of class A of a Federal reserve bank, as defined in the Federal reserve act, from being an officer or director or both an officer and director in one member bank: *And provided further*, That nothing in this act shall prohibit any officer, director, or employee of any member bank or class A director of a Federal reserve bank, who shall first procure the consent of the Federal Reserve Board, which board is hereby authorized, at its discretion, to grant, withhold, or revoke such consent, from being an officer, director, or employee of not more than two other banks, banking associations, or trust companies, whether organized under the laws of the United States or any State, if such other bank, banking association, or trust company is not in substantial competition with such member bank.

The consent of the Federal Reserve Board may be procured before the person applying therefor has been elected as a class A director of a Federal reserve bank or as a director of any member bank.

That from and after two years from the date of the approval of this act no person at the same time shall be a director in any two or more corporations, any one of which has capital, surplus, and undivided profits aggre-

Act May 15,  
1916; 39 Stat.  
L., 121.

gating more than \$1,000,000, engaged in whole or in part in commerce, other than banks, banking associations, trust companies and common carriers subject to the act to regulate commerce, approved February fourth, eighteen hundred and eighty-seven, if such corporations are or shall have been theretofore, by virtue of their business and location of operation, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the antitrust laws. The eligibility of a director under the foregoing provision shall be determined by the aggregate amount of the capital, surplus, and undivided profits, exclusive of dividends declared but not paid to stockholders, at the end of the fiscal year of said corporation next preceding the election of directors, and when a director has been elected in accordance with the provisions of this act it shall be lawful for him to continue as such for one year thereafter.

When any person elected or chosen as a director or officer or selected as an employee of any bank or other corporation subject to the provisions of this act is eligible at the time of his election or selection to act for such bank or other corporation in such capacity his eligibility to act in such capacity shall not be affected and he shall not become or be deemed amenable to any of the provisions hereof by reason of any change in the affairs of such bank or other corporation from whatsoever cause, whether specifically excepted by any of the provisions hereof or not, until the expiration of one year from the date of his election or employment.

NOTE.—See Sec. 25, Federal reserve act, page 165, post, in reference to directors of foreign branches.

#### ENFORCEMENT OF ACT IN REFERENCE TO INTERLOCKING DIRECTORATES.

235. Sec. 11.—That authority to enforce compliance with sections two, three, seven and eight of this act by the persons respectively subject thereto is hereby vested: in the Interstate Commerce Commission where applicable to common carriers, in the Federal Reserve Board where applicable to banks, banking associations and trust companies, and in the Federal Trade Commission where applicable to all other character of commerce, to be exercised as follows:

Whenever the commission or board vested with jurisdiction thereof shall have reason to believe that any person is violating or has violated any of the provisions of sections two, three, seven, and eight of this act, it shall issue and serve upon such person a complaint stating its charges in that respect, and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The

Act Oct. 15,  
1914, sec. 11;  
38 Stat. L.,  
734.

person so complained of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the commission or board requiring such person to cease and desist from the violation of the law so charged in said complaint. Any person may make application, and upon good cause shown may be allowed by the commission or board, to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the commission or board. If upon such hearing the commission or board, as the case may be, shall be of the opinion that any of the provisions of said sections have been or are being violated, it shall make a report in writing in which it shall state its findings as to the facts, and shall issue and cause to be served on such person an order requiring such person to cease and desist from such violations, and divest itself of the stock held or rid itself of the directors chosen contrary to the provisions of sections seven and eight of this act, if any there be, in the manner and within the time fixed by said order. Until a transcript of the record in such hearing shall have been filed in a circuit court of appeals of the United States, as hereinafter provided, the commission or board may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section.

If such person fails or neglects to obey such order of the commission or board while the same is in effect, the commission or board may apply to the circuit court of appeals of the United States, within any circuit where the violation complained of was or is being committed or where such person resides or carries on business, for the enforcement of its order, and shall certify and file with its application a transcript of the entire record in the proceeding, including all the testimony taken and the report and order of the commission or board. Upon such filing of the application and transcript the court shall cause notice thereof to be served upon such person and thereupon shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, testimony, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the commission or board. The findings of the commission or board as to the facts, if supported by testimony, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the commission or board, the court may order such additional evidence to be taken before the commission or



board and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The commission or board may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by testimony, shall be conclusive, and its recommendations, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari as provided in section two hundred and forty of the Judicial Code.

Any party required by such order of the commission or board to cease and desist from a violation charged may obtain a review of such order in said circuit court of appeals by filing in the court a written petition praying that the order of the commission or board be set aside. A copy of such petition shall be forthwith served upon the commission or board, and thereupon the commission or board forthwith shall certify and file in the court a transcript of the record as hereinbefore provided. Upon the filing of the transcript the court shall have the same jurisdiction to affirm, set aside, or modify the order of the commission or board as in the case of an application by the commission or board for the enforcement of its order, and the findings of the commission or board as to the facts, if supported by testimony, shall in like manner be conclusive.

The jurisdiction of the circuit court of appeals of the United States to enforce, set aside, or modify orders of the commission or board shall be exclusive.

Such proceedings in the circuit court of appeals shall be given precedence over other cases pending therein, and shall be in every way expedited. No order of the commission or board or the judgment of the court to enforce the same shall in any wise relieve or absolve any person from any liability under the antitrust acts.

Complaints, orders, and other processes of the commission or board under this section may be served by anyone duly authorized by the commission or board, either (a) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or to the president, secretary, or other executive officer or a director of the corporation to be served; or (b) by leaving a copy thereof at the principal office or place of business of such person; or (c) by registering and mailing a copy thereof addressed to such person at his principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post-office receipt for said complaint, order, or other process registered and mailed as aforesaid shall be proof of the service of the same.



**OATH REQUIRED FROM DIRECTORS.**

Act June 3, 1864, c. 106, sec. 9; 13 Stat. L., 102. **236. Sec. 5147.**—Each director, when appointed or elected, shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this title, and that he is the owner in good faith, and in his own right, of the number of shares of stock required by this title, subscribed by him, or standing in his name on the books of the association, and that the same is not hypothecated, or in any way pledged, as security for any loan or debt. Such oath, subscribed by the director making it, and certified by the officer before whom it is taken, shall be immediately transmitted to the Comptroller of the Currency, and shall be filed and preserved in his Office.

**FILLING VACANCIES.**

Act June 3, 1864, c. 106, sec. 10; 13 Stat. L., 102. **237. Sec. 5148.**—Any vacancy in the board shall be filled by appointment by the remaining directors, and any director so appointed shall hold his place until the next election.

**PROCEEDINGS WHERE NO ELECTION IS HELD ON THE PROPER DAY.**

Act June 3, 1864, c. 106, sec. 10; 13 Stat. L., 102. **238. Sec. 5149.**—If, from any cause, an election of directors is not made at the time appointed, the association shall not for that cause be dissolved, but an election may be held on any subsequent day, thirty days' notice thereof in all cases having been given in a newspaper published in the city, town, or county in which the association is located; and if no newspaper is published in such city, town, or county, such notice shall be published in a newspaper published nearest thereto. If the articles of association do not fix the day on which the election shall be held, or if no election is held on the day fixed, the day for the election shall be designated by the board of directors in their by-laws, or otherwise; or if the directors fail to fix the day, shareholders representing two-thirds of the shares may do so.

**ELECTION OF PRESIDENT OF THE BOARD.**

Act June 3, 1864, c. 106, sec. 9; 13 Stat. L., 102. **239. Sec. 5150.**—One of the directors, to be chosen by the board, shall be the president of the board.

**INDIVIDUAL LIABILITY OF SHAREHOLDERS.**

Act June 3, 1864, c. 106, sec. 12; 13 Stat. L., 102. **240. Sec. 5151.**—The shareholders of every national banking association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in

such shares; except that shareholders of any banking association now existing under State laws, having not less than five millions of dollars of capital actually paid in, and a surplus of twenty per centum on hand, both to be determined by the Comptroller of the Currency, shall be liable only to the amount invested in their shares; and such surplus of twenty per centum shall be kept undiminished, and be in addition to the surplus provided for in this title; and if at any time there is a deficiency in such surplus of twenty per centum, such association shall not pay any dividends to its shareholders until the deficiency is made good; and in case of such deficiency, the Comptroller of the Currency may compel the association to close its business and wind up its affairs under the provisions of chapter four<sup>1</sup> of this title.

NOTE.—See act of June 30, 1876, paragraph 521, post, for enforcement of liability prescribed by this section in cases of voluntary liquidation.

#### INDIVIDUAL LIABILITY OF SHAREHOLDERS—LIABILITY OF SHAREHOLDERS WHO HAVE TRANSFERRED THEIR SHARES.

241. Sec 23.—The stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, 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 who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such association 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.

Act Dec. 23,  
1913, sec. 23;  
38 Stat. L.,  
273.

#### EXECUTORS, TRUSTEES, ETC., NOT PERSONALLY LIABLE.

242. Sec. 5152.—Persons holding stock as executors, administrators, guardians, or trustees, shall not be personally subject to any liabilities as stockholders; but the estates and funds in their hands shall be liable in like manner and to the same extent as the testator, intestate, ward, or person interested in such trust-funds would be, if living and competent to act and hold the stock in his own name.

Act June 3,  
1864, c. 106,  
sec. 63; 13  
Stat. L., 118.

<sup>1</sup> Chapter 5 of this compilation.

**NATIONAL BANKING ASSOCIATIONS TO BE DEPOSITARIES OF PUBLIC MONEYS.**

Act June 3, 1864, c. 106, sec. 45; 13 Stat. L., 113.  
 Act. Mar. 3, 1901, c. 871, sec. 1; 31 Stat. L., 1448.  
 Act. Mar. 4, 1907, c. 2913, sec. 3; 34 Stat. L., 1290.

**243. Sec. 5153 [as amended 1907].**—All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government: *Provided*, That the Secretary shall, on or before the first of January of each year, make a public statement of the securities required during that year for such deposits. And every association so designated as receiver or depositary of the public money shall take and receive at par all of the national currency bills, by whatever association issued, which have been paid into the Government for internal revenue, or for loans or stocks: *Provided*, That the Secretary of the Treasury shall distribute the deposits herein provided for, as far as practicable, equitably between the different States and sections.

**NOTE.**—For other provisions relating to duties and liabilities of depositaries see following sections of the Revised Statutes of the United States:

- Sec. 3640. Transfer of moneys from depositaries to Treasury authorized.
  - Sec. 3641. Transfer of postal deposits.
  - Sec. 3642. Accounts of postal deposits.
  - Sec. 3643. Entry of each deposit, transfer, and payment.
  - Sec. 3644. Public moneys in Treasury and depositaries subject to draft of Treasurer.
  - Sec. 3645. Regulations for presentment of drafts.
  - Sec. 3646. Duplicates for lost or stolen checks authorized.
  - Sec. 3647 and amendments. Duplicate check when officer who issued is dead.
  - Sec. 3648 and amendments. Advances of public money prohibited.
  - Sec. 3649. Examination of depositaries.
- See also Government Depositaries, paragraphs 730-738, post.

**GOVERNMENT DEPOSITS IN FEDERAL RESERVE BANKS.**

Act Dec. 23, 1913, sec. 15; 38 Stat. L., 265.

**244. Sec. 15.**—The moneys 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 may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks,



which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements 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 depositories.

NOTE.—Section 7 of the act approved April 24, 1917, known as "An act to authorize an issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend credit to foreign governments, and for other purposes." authorizes the Secretary to deposit proceeds of sale of such bonds in nonmember banks under certain circumstances. For full text of section 7 see page 184, post.

**CONVERSION OF STATE BANKS INTO NATIONAL BANKING ASSOCIATIONS.**

245. Sec. 5154.—Any bank 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 the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency:

Act June 3,  
1864, c. 106,  
sec. 44; 13  
Stat. L., 112.  
Act Dec. 23,  
1913, sec. 8;  
38 Stat. L.,  
258.

*Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. 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 the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

NOTE.—The act of 1864 authorized any State bank which was a stockholder in any other bank, by authority of State laws, to continue to hold its stock, although either bank or both might have become converted into national banks. This provision was incorporated in section 5154, United States Revised Statutes, but was stricken out in the revision of this section by the act of December 23, 1913.

#### STATE BANKS HAVING BRANCHES.

Act Mar. 3, 1865, c. 78, sec. 7; 13 Stat. L., 484. **246. Sec. 5155.**—It shall be lawful for any bank or banking association organized under State laws, and having branches, the capital being joint and assigned to and used by the mother bank and branches in definite proportions, to become a national banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable at the mother bank, and each branch, to be regulated by the amount of capital assigned to and used by each.

#### RESERVATION OF RIGHTS OF ASSOCIATIONS ORGANIZED UNDER ACT OF 1863.

Act June 3, 1864, c. 106, sec. 62; 13 Stat. L., 118. **247. Sec. 5156.**—Nothing in this title shall effect any appointments made, acts done, or proceedings had or commenced prior to the third day of June, eighteen hundred and sixty-four, in or toward the organization of any national banking association under the act of February twenty-five, eighteen hundred and sixty-three; but all associations which, on the third day of June, eighteen hundred and sixty-four, were organized or commenced to be organized under that act, shall enjoy all the rights and privileges granted, and be subject to all the duties, liabilities, and restrictions imposed by this title, notwithstanding all the steps prescribed by this title for the organization of associations were not pursued, if such associations were duly organized under that act.







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**OBTAINING AND ISSUING CIRCULATING NOTES.**

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## CHAPTER III.

### OBTAINING AND ISSUING CIRCULATING NOTES.

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**WHAT ASSOCIATIONS ARE GOVERNED BY PROVISIONS OF CHAPTERS TWO, THREE, AND FOUR.**

Sec. 5157, R. S. **300. Sec. 5157.**—The provisions of chapters two, three, and four<sup>1</sup> of this title, which are expressed without restrictive words, as applying to “national banking associations,” or to “associations,” apply to all associations organized to carry on the business of banking under any act of Congress.

NOTE.—Federal reserve banks are not governed by this act, but by the Federal reserve act.

**REGISTERED BONDS INTENDED BY THE TERM “UNITED STATES BONDS.”**

Act June 3, 1864, c. 106, sec. 4; 13 Stat. L., 100. **301. Sec. 5158.**—The term “United States bonds,” as used throughout this chapter, shall be construed to mean registered bonds of the United States.

**DEPOSIT OF BONDS NOT REQUIRED BEFORE ISSUANCE OF CERTIFICATE AUTHORIZING THE COMMENCEMENT OF BUSINESS.**

Act Dec. 23, 1913, sec. 17; 38 Stat. L., 208. Act June 21, 1917, sec. 9. **302. Sec. 17.**—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, and so much of those provisions or of

<sup>1</sup> Chapters three, four, and five of this compilation.

any other provisions of existing statutes as require any national banking association now or hereafter organized to maintain a minimum deposit of such bonds with the Treasurer is hereby repealed.

NOTE.—Section 5159 referred to above is as follows: “Every association, after having complied with the provisions of this title, preliminary to the commencement of the banking business, and before it shall be authorized to commence banking business under this title, shall transfer and deliver to the Treasurer of the United States any United States registered bonds, bearing interest, to an amount not less than thirty thousand dollars and not less than one-third of the capital stock paid in. Such bonds shall be received by the Treasurer upon deposit, and shall be by him safely kept in his office, until they shall be otherwise disposed of, in pursuance of the provisions of this title.” (See also note under section 5160.)

**TWO PER CENT PANAMA CANAL BONDS HAVE ALL RIGHTS AND PRIVILEGES ACCORDED TO OTHER TWO PER CENT BONDS OF THE UNITED STATES. ACT DECEMBER 21, 1905.**

303. Sec. 1.—That the two per cent bonds of the United States authorized by section eight of the act entitled “An act to provide for the construction of a canal connecting the waters of the Atlantic and Pacific oceans,” approved June twenty-eight, nineteen hundred and two, shall have all the rights and privileges accorded by law to other two per cent bonds of the United States, and every national banking association having on deposit, as provided by law, such bonds issued under the provisions of said section eight of said act approved June twenty-eight, nineteen hundred and two, to secure its circulating notes, shall pay to the Treasurer of the United States, in the months of January and July, a tax of one-fourth of one per cent each half year upon the average amount of such of its notes in circulation as are based upon the deposit of said two per cent bonds; and such taxes shall be in lieu of existing taxes on its notes in circulation imposed by section fifty-two hundred and fourteen of the Revised Statutes.

Act Dec. 21,  
1905; sec. 1,  
34 Stat. L., 5.

NOTE.—Only bonds available as security for national bank circulation are the consols of 1930 2 per cent Panama Canal bonds, and 4 per cent bonds of 1925.

**INCREASE OR REDUCTION OF DEPOSIT TO CORRESPOND WITH CAPITAL.**

304. Sec. 5160.—[*The deposit of bonds made by each association shall be increased as its capital may be paid up or increased, so that every association shall at all times have on deposit with the Treasurer registered United States bonds to the amount of at least one-third of its capital stock actually paid in*]. And any association that may desire to reduce its capital or close up its business and dissolve its organization, may take up its bonds upon returning to the Comptroller its circulating notes in the proportion hereinafter required, or may take up

Act June 3,  
1864, c. 106,  
sec. 16; 13  
Stat. L., 104.



any excess of bonds beyond [*one-third of its capital stock*], and upon which no circulating notes have been delivered.

NOTE.—All provisions of law requiring national banking associations to maintain a minimum deposit of bonds were repealed by the act of June 21, 1917. See paragraph 302 ante. Prior to the passage of that act provisions of sections 5159 and 5160 requiring national banks organized prior to December 23, 1913, to deposit bonds to an amount not less than \$30,000 and not less than one-third of the capital stock paid in were held to be modified by the acts of June 20, 1874, and July 12, 1882. Section 4 of the act of June 20, 1874, which follows section 5167, provided in part that the amount of bonds on deposit for circulation should not be reduced below \$50,000. That fixed the amount of bonds required to be deposited by national banks organized prior to December 23, 1913, and having a capital of over \$150,000. National banks having a capital of \$150,000 or less were not required to keep on deposit bonds in excess of one-fourth of their capital stock as security for their circulating notes by act of July 12, 1882, chapter 290, section 8. This act follows section 5167, Revised Statutes. All national banks having a capital of \$150,000 or less and organized prior to December 23, 1913, were required to keep on deposit bonds equal to one-fourth of their capital stock, and if any bank of such capitalization organized since December 23, 1913, desired to take out circulation it was required to deposit bonds in like amount as under the old law. Similarly all banks organized prior to December 23, 1913, with capital stock of over \$150,000 were required to keep on deposit bonds equal to \$50,000, and any bank of such capitalization organized since December 23, 1913, if it desired to take out circulation, was required to deposit bonds in that amount.

Section 18 of the Federal Reserve act provides that after December 23, 1915, which is 2 years from the passage of that act, and at any time during a period of 20 years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired. This section further provides that the Federal Reserve Board, may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section 4 of that act by the Federal reserve bank.

#### EXCHANGE OF COUPON FOR REGISTERED BONDS.

Act June 3, 1864, c. 106, sec. 16; 13 Stat. L., 104. **305. Sec. 5161.**—To facilitate a compliance with the two preceding sections, the Secretary of the Treasury is authorized to receive from any association, and cancel, any United States coupon bonds, and to issue in lieu thereof registered bonds of like amount, bearing a like rate of interest, and having the same time to run.

#### MANNER OF MAKING TRANSFERS OF BONDS.

Act June 3, 1864, c. 106, sec. 19; 13 Stat. L., 105. **306. Sec. 5162.**—All transfers of United States bonds, made by any association under the provisions of this title, shall be made to the Treasurer of the United States in trust for the association, with a memorandum written or printed on each bond, and signed by the

cashier, or some other officer of the association making the deposit. A receipt shall be given to the association, by the Comptroller of the Currency, or by a clerk appointed by him for that purpose, stating that the bond is held in trust for the association on whose behalf the transfer is made, and as security for the redemption and payment of any circulating notes that have been or may be delivered to such association. No assignment or transfer of any such bond by the Treasurer shall be deemed valid unless countersigned by the Comptroller of the Currency.

#### REGISTRY OF TRANSFERS.

307. Sec. 5163.—The Comptroller of the Currency shall keep in his office a book in which he shall cause to be entered, immediately upon countersigning it, every transfer or assignment by the Treasurer of any bonds belonging to a national banking association, presented for his signature. He shall state in such entry the name of the association from whose accounts the transfer is made, the name of the party to whom it is made, and the par value of the bonds transferred.

Act June 3,  
1864, c. 106,  
secs. 19-20; 13  
Stat. L., 105.

#### NOTICE OF TRANSFER TO BE GIVEN TO ASSOCIATION INTERESTED.

308. Sec. 5164.—The Comptroller of the Currency shall, immediately upon countersigning and entering any transfer or assignment by the Treasurer, of any bonds belonging to a national banking association, advise by mail the association from whose accounts the transfer is made, of the kind and numerical designation of the bonds, and the amount thereof so transferred.

Act June 3,  
1864, c. 106,  
sec. 19; 13  
Stat. L., 105.

#### EXAMINATION OF REGISTRY AND BONDS.

309. Sec. 5165.—The Comptroller of the Currency shall have at all times, during office hours, access to the books of the Treasurer of the United States for the purpose of ascertaining the correctness of any transfer or assignment of the bonds deposited by an association, presented to the Comptroller to countersign; and the Treasurer shall have the like access to the book mentioned in section fifty-one hundred and sixty-three, during office hours, to ascertain the correctness of the entries in the same; and the Comptroller shall also at all times have access to the bonds on deposit with the Treasurer, to ascertain their amount and condition.

Act June 3,  
1864, c. 106,  
sec. 20; 13  
Stat. L., 105.

#### ANNUAL EXAMINATION OF BONDS BY ASSOCIATION.

310. Sec. 5166.—Every association having bonds deposited in the office of the Treasurer of the United States shall, once or oftener in each fiscal year, examine and compare the bonds pledged by the association with the books of the Comptroller of the Currency and with the

Act June 3,  
1864, c. 106,  
sec. 25; 13  
Stat. L., 106.

accounts of the association, and, if they are found correct, to execute to the Treasurer a certificate setting forth the different kinds and the amounts thereof, and that the same are in the possession and custody of the Treasurer at the date of the certificate. Such examination shall be made at such time or times, during the ordinary business hours, as the Treasurer and the Comptroller, respectively, may select, and may be made by an officer or agent of such association, duly appointed in writing for that purpose; and his certificate before mentioned shall be of like force and validity as if executed by the president or cashier. A duplicate of such certificate, signed by the Treasurer, shall be retained by the association.

#### GENERAL PROVISIONS RESPECTING BONDS.

Act June 3,  
1864, c. 106,  
sec. 26; 13  
Stat. L., 107.

**311. Sec. 5167.**—The bonds transferred to and deposited with the Treasurer of the United States, by any association, for the security of its circulating notes, shall be held exclusively for that purpose, until such notes are redeemed, except as provided in this title. The Comptroller of the Currency shall give to any such association powers of attorney to receive and appropriate to its own use the interest on the bonds which it has so transferred to the Treasurer; but such powers shall become inoperative whenever such association fails to redeem its circulating notes. Whenever the market or cash value of any bonds thus deposited with the Treasurer is reduced below the amount of the circulation issued for the same, the Comptroller may demand and receive the amount of such depreciation in other United States bonds at cash value, or in money, from the association, to be deposited with the Treasurer as long as such depreciation continues. And the Comptroller, upon the terms prescribed by the Secretary of the Treasury, may permit an exchange to be made of any of the bonds deposited with the Treasurer by any association, for other bonds of the United States authorized to be received as security for circulating notes, if he is of opinion that such an exchange can be made without prejudice to the United States; and he may direct the return of any bonds to the association which transferred the same, in sums of not less than one thousand dollars, upon the surrender to him and the cancellation of a proportionate amount of such circulating notes: *Provided*, That the remaining bonds which shall have been transferred by the association offering to surrender circulating notes are equal to the amount required for the circulating notes not surrendered by such association, and that the amount of bonds in the hands of the Treasurer is not diminished below the amount required to be kept on deposit with him, and that there has been no failure by the association to redeem its circulating notes, nor any other violation by it of the provisions of this title, and



that the market or cash value of the remaining bonds is not below the amount required for the circulation issued for the same.

NOTE.—All provisions of law requiring national banking associations to maintain a minimum deposit of bonds were repealed by the act of June 21, 1917. See paragraph 302, ante.

**WITHDRAWAL OF CIRCULATING NOTES ON DEPOSIT OF LAWFUL MONEY AND WITHDRAWAL OF BONDS. ACT JUNE 20, 1874.**

312. Sec. 4.—That any association organized under this act, or any of the acts of which this is an amendment, desiring to withdraw its circulating notes, in whole or in part, may, upon the deposit of lawful money with the Treasurer of the United States in sums of not less than nine thousand dollars, take up the bonds which said association has on deposit with the Treasurer for the security of such circulating notes; which bonds shall be assigned to the bank in the manner specified in the nineteenth section of the national-bank act; and the outstanding notes of said association, to an amount equal to the legal-tender notes deposited, shall be redeemed at the Treasury of the United States, and destroyed as now provided by law: *Provided*, That the amount of the bonds on deposit for circulation shall not be reduced below fifty thousand dollars.

Act June 20,  
1874, c. 343,  
sec. 4; 18 Stat.  
L., 124.

NOTE.—Other sections of this act referred to under paragraphs 401 and 402, post. Section 19 of the national-bank act is incorporated in Revised Statutes, sections 5162-5164. See also note under section 5160, paragraph 304, ante.

**AMOUNT OF BONDS REQUIRED TO BE ON DEPOSIT; REDUCTION OF AMOUNT OR RETIREMENT IN FULL OF CIRCULATING NOTES. ACT JULY 12, 1882.**

313. Sec. 8.—That national banks now organized (*or hereafter organized*), having a capital of one hundred and fifty thousand dollars, or less, shall not be required to keep on deposit or deposit with the Treasurer of the United States United States bonds in excess of one-fourth of their capital stock as security for their circulating notes; but such banks shall keep on deposit or deposit with the Treasurer of the United States the amount of bonds as herein required. And such of those banks having on deposit bonds in excess of that amount are authorized to reduce their circulation by the deposit of lawful money as provided by law; [*provided That the amount of such circulating notes shall not in any case exceed ninety per centum of the par value of the bonds deposited as herein provided:*] *Provided further*, That the national banks which shall hereafter make deposits of lawful money for the retirement in full of their circulation shall at the time of their deposit be assessed for the cost of transporting and redeeming their notes then outstanding, a sum equal to the average cost of the re-

Act July 12,  
1882, c. 290,  
sec. 8; 22 Stat.  
L., 164.

demption of national-bank notes during the preceding year, and shall thereupon pay such assessment. And all national banks which have heretofore made or shall hereafter make deposits of lawful money for the reduction of their circulation shall be assessed and shall pay an assessment in the manner specified in section three of the act approved June 20, 1874, for the cost of transporting and redeeming their notes redeemed from such deposits subsequently to June 30, 1881.

NOTE.—The limitation of the circulation not to exceed ninety per cent of the bonds deposited is superseded by act March 14, 1900, which follows Revised Statutes 5171. For act June 20, 1874, section 3, mentioned in this section, see paragraph 414, post.

All provisions of law requiring national banking associations to maintain a minimum deposit of bonds were repealed by the act of June 21, 1917, paragraph 302, ante.

#### LIMITATION ON WITHDRAWAL OF BONDS—CONSENT OF COMPTROLLER OF CURRENCY AND SECRETARY OF THE TREASURY NECESSARY.

Act July 12, 1882, c. 290, sec. 9; 22 Stat. L., 164.  
Act Mar. 4, 1907, sec. 4; 34 Stat. L., 1290.

314. Sec. 9.—That any national banking association now organized, or hereafter organized, desiring to withdraw its circulating notes, upon a deposit of lawful money with the Treasurer of the United States, as provided in section four of the act of June twentieth, eighteen hundred and seventy-four, or as provided in this act, is authorized to deposit lawful money and, with the consent of the Comptroller of the Currency and the approval of the Secretary of the Treasury, withdraw a proportionate amount of the bonds held as security for its circulating notes in the order of such deposits: *Provided*, That not more than nine millions of dollars of lawful money shall be deposited during any calendar month for this purpose: *And provided further*, That the provisions of this section shall not apply to bonds called for redemption by the Secretary of the Treasury, nor to withdrawal of circulating notes in consequence thereof.

#### REFUNDING OF BONDS UNDER THE FEDERAL RESERVE ACT; RETIREMENT OF CIRCULATING NOTES.

Act Dec. 23, 1913, sec. 18; 38 Stat. L., 268.

315. Sec. 18.—After two years from the passage of this act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

#### PURCHASE OF UNITED STATES BONDS BY FEDERAL RESERVE BANKS.

Act Dec. 23, 1913, sec. 18; 38 Stat. L., 268.

316. The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have



been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this act by the Federal reserve bank.

*Provided further*, That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member banks selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

**ISSUE OF CIRCULATING NOTES TO FEDERAL RESERVE BANKS ON SECURITY OF UNITED STATES BONDS; CIRCULATING NOTES SO ISSUED OBLIGATIONS OF FEDERAL RESERVE BANK.**

317. The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds. Act Dec. 23,  
1913, sec. 18;  
38 Stat. L.,  
269.

Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this act, any Federal reserve bank making such deposit in the manner provided by existing law, shall be entitled 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 shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national bank notes, except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

**ISSUE OF TREASURY GOLD NOTES OF THE UNITED STATES IN EXCHANGE FOR CERTAIN UNITED STATES BONDS.**

318. Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary of the Treasury may issue, in exchange for United States Act Dec. 23,  
1913, sec. 18;  
38 Stat. L.,  
269.

two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal reserve bank, to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

For the purpose of making the exchange herein provided for, the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form as he may prescribe in denominations of one hundred dollars, or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

Act June 3,  
1864, c. 106,  
sec. 17; 13  
Stat. L., 104.

**COMPTROLLER TO DETERMINE IF ASSOCIATION CAN COMMENCE BUSINESS.**

**319. Sec. 5168.**—Whenever a certificate is transmitted to the Comptroller of the Currency, as provided in this title, and the association transmitting the same notifies the Comptroller that at least fifty per centum of its capi-

tal stock has been duly paid in, and that such association has complied with all the provisions of this title required to be complied with before an association shall be authorized to commence the business of banking, the Comptroller shall examine into the condition of such association, ascertain especially the amount of money paid in on account of its capital, the name and place of residence of each of its directors, and the amount of the capital stock of which each is the owner in good faith, and generally whether such association has complied with all the provisions of this title required to entitle it to engage in the business of banking; and shall cause to be made and attested by the oaths of a majority of the directors, and by the president or cashier of the association, a statement of all the facts necessary to enable the Comptroller to determine whether the association is lawfully entitled to commence the business of banking.

#### CERTIFICATE OF AUTHORITY TO COMMENCE BANKING TO BE ISSUED.

320. Sec. 5169.—If, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it appears that such association is lawfully entitled to commence the business of banking, the Comptroller shall give to such association a certificate, under his hand and official seal, that such association has complied with all the provisions required to be complied with before commencing the business of banking, and that such association is authorized to commence such business. But the Comptroller may withhold from an association his certificate authorizing the commencement of business, whenever he has reason to suppose that the shareholders have formed the same for any other than the legitimate objects contemplated by this title.

Act June 3,  
1864, c. 106,  
secs. 12, 18; 13  
Stat. L., 102,  
104.

#### PUBLICATION OF CERTIFICATE.

321. Sec. 5170.—The association shall cause the certificate issued under the preceding section to be published in some newspaper printed in the city or county where the association is located, for at least sixty days next after the issuing thereof; or, if no newspaper is published in such city or county, then in the newspaper published nearest thereto.

Act June 3,  
1864, c. 106,  
sec. 18; 13  
Stat. L., 104.

#### 322. Sec. 5171.—

This section was originally section 21 of the act of June 3, 1864. It was amended by the act of March 3, 1865, and was later incorporated in the Revised Statutes as section 5171. This section



was repealed by the act of July 12, 1882, and the repealing section was superseded by section 12 of the act of March 14, 1900, which follows:

**DELIVERY OF CIRCULATING NOTES. ACT OF MARCH 14, 1900. AS AMENDED OCTOBER 5, 1917.**

Act Mar. 14,  
1900, c. 41, sec.  
12; 31 Stat. L.,  
49; act Oct. 5,  
1917.

**323. Sec. 12.**—That upon the deposit with the Treasurer of the United States, by any national banking association, of any bonds of the United States in the manner provided by existing law, such association shall be entitled 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; and any national banking associations now having bonds on deposit for the security of circulating notes, and upon which an amount of circulating notes has been issued less than the par value of the bonds, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the circulating notes held by such association to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of law affecting such notes: *Provided*, That nothing herein contained shall be construed to modify or repeal the provision of section fifty-one hundred and sixty-seven of the Revised Statutes of the United States, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security: *And provided further*, That the circulating notes furnished to national banking associations under the provisions of this act shall be of the denominations prescribed by law: *And provided further*, That the total amount of such notes issued to any such association may equal at any time but shall not exceed the amount at such time of its capital stock actually paid in: *And provided further*, That under regulations to be prescribed by the Secretary of the Treasury any national banking association may substitute the two per centum bonds issued under the provisions of this act for any of the bonds deposited with the Treasurer to secure circulation or to secure deposits of public money; and so much of an act entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July twelfth, eighteen hundred and eighty-two, as prohibits any national bank which makes any deposit of lawful money in order to withdraw its circulating notes from receiving any increase of its circulation for the period of six months from the time it made such deposit of lawful money for

the purpose aforesaid, is hereby repealed, and all other acts or parts of acts inconsistent with the provisions of this section are hereby repealed.

**PRINTING DENOMINATIONS AND FORM OF THE CIRCULATING NOTES.**

324. Sec. 5172.—That in order to furnish suitable notes for circulation, 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 counterfeiting and fraudulent alterations, and shall have printed therefrom and numbered such quantity of circulating notes in blank, or bearing engraved signatures of officers as herein provided, of the denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000, as may be required to supply the associations entitled to receive the same. Such notes shall express upon their face that they are secured by United States bonds deposited with the Treasurer of the United States, by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the Treasury; and shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the written or engraved signatures of the president or vice president and cashier; and shall bear such devices and such other statements and shall be in such form as the Secretary of the Treasury shall, by regulation, direct.

Act June 3,  
1864, c. 106,  
sec. 22; 13  
Stat. L., 105.  
Act Mar. 3,  
1919.

**CHARTER NUMBER TO BE PRINTED ON NOTES. ACT JUNE 20, 1874.**

325. Sec. 5.—That the Comptroller of the Currency shall, under such rules and regulations as the Secretary of the Treasury may prescribe, cause the charter numbers of the association to be printed upon all national-bank notes which may be hereafter issued by him.

Act June 20,  
1874, c. 343,  
sec. 5; 18 Stat.  
L., 124.

NOTE.—Other sections of this act will be found in note under paragraphs 401 and 402, post.

**DISTINCTIVE PAPER FOR PRINTING NOTES. ACT MARCH 3, 1875.**

326. Sec. 1.—\* \* \* That the national-bank notes shall be printed under the direction of the Secretary of the Treasury, and upon the distinctive or special paper which has been, or may hereafter be, adopted by him for printing United States notes.

Act Mar. 3,  
1875, c. 130,  
sec. 1; 18 Stat.  
L., 372; sun-  
dry civil bill.

**PLATES AND DIES TO BE UNDER THE CONTROL OF THE COMPTROLLER. EXPENSES OF CURRENCY BUREAU TO BE PAID OUT OF PROCEEDS OF TAXES, OR DUTIES, ASSESSED AND COLLECTED ON THE CIRCULATION OF NATIONAL BANKING ASSOCIATIONS.**

327. Sec. 5173.—The plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his con-

Act June 3,  
1864, c. 106,  
sec. 41; 13  
Stat. L., 111.



trol and direction, and the expenses necessarily incurred in executing the laws respecting the procuring of such notes, and all other expenses of the Bureau of the Currency, shall be paid out of the proceeds of the taxes or duties assessed and collected on the circulation of national banking associations under this title.

NOTE.—See act June 20, 1874, paragraph 414, post, and act July 12, 1882, paragraph 220, ante, requiring banks to pay cost of their plates. On April 30, 1914, at the request of the Comptroller of the Currency, the Secretary of the Treasury designated the Director of Bureau of Engraving and Printing as custodian of the dies, rolls, and plates, etc., used for the printing of circulating notes of the Federal reserve and national banks.

#### EXAMINATION OF PLATES AND DIES.

Act Mar. 3, 1873, c. 269, sec. 4; 17 Stat. L., 603.  
Act Feb. 27, 1877, c. 69; 19 Stat. L., 252.

**328. Sec. 5174** [as amended 1877].—The Comptroller of the Currency shall cause to be examined, each year, the plates, dies, bed pieces, and other material from which the national-bank circulation is printed, in whole or in part, and file in his office annually a correct list of the same. Such material as shall have been used in the printing of the notes of associations which are in liquidation, or have closed business, shall be destroyed, under such regulations as shall be prescribed by the Comptroller of the Currency and approved by the Secretary of the Treasury. The expenses of any such examination or destruction shall be paid out of any appropriation made by Congress for the special examination of national banks and bank-note plates.

#### LIMIT TO ISSUE OF NOTES UNDER FIVE DOLLARS.

Act Oct. 5, 1917.

**329. Sec. 3.** That from and after the passage of this Act any national banking association, upon compliance with the provisions of law applicable thereto, shall be entitled to receive from the Comptroller of the Currency, or to issue or reissue, or place in circulation notes in denominations of \$1, \$2, \$5, \$10, \$20, \$50, and \$100 in such proportion as to each of said denominations as the bank may elect: *Provided, however,* That no bank shall receive or have in circulation at any one time more than \$25,000 in notes of the denominations of \$1 and \$2.

NOTE.—Section 5175, Revised Statutes, providing that not more than one-sixth part of the notes furnished to any association should be of a less denomination than \$5 was repealed by section 2 of the act of October 5, 1917. Section 5172, Revised Statutes, as amended March 3, 1919, authorizes the issuance of notes of the denomination of \$500 and \$1,000.

#### 330. Sec. 5176.—

Repealed by act July 12, 1882, which in turn was superseded by act March 14, 1900. (See section 5171.)

#### 331. Sec. 5177.—

Repealed by act January 14, 1875.

**AGGREGATE AMOUNT OF CIRCULATING NOTES NOT LIMITED. ACT JANUARY 14, 1875.**

**332. Sec. 3.**—That section 5177 of the Revised Statutes of the United States, limiting the aggregate amount of circulating notes of national banking associations, be and is hereby, repealed; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and new banking associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national bank currency among the several States and Territories are hereby repealed.

Act Jan. 14,  
1875, c. 15, sec.  
3; 18 Stat. L.,  
296.

**333. Sec. 5178.**—

Repealed by act January 14, 1875.

**334. Sec. 5179.**—

Repealed by act January 14, 1875.

**335. Sec. 5180.**—

Repealed by act January 14, 1875.

**336. Sec. 5181.**—

Repealed by act January 14, 1875.

**FOR WHAT DEMANDS NATIONAL-BANK NOTES MAY BE RECEIVED.**

**337. Sec. 5182 [as amended 1919].**—Any association receiving circulating notes under this title may, if its promise to pay such notes on demand is expressed thereon attested by the written or engraved signatures of the president or vice president and the cashier thereof in such manner as to make them obligatory promissory notes payable on demand at its place of business, issue, and circulate the same as money. Such written or engraved signatures of the president or vice president and the cashier of such association may be attached to such notes either before or after the receipt of such notes by such association. And such notes shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency.

Act Jan. 13,  
1920

**ISSUE OF POST NOTES, ETC., PROHIBITED.**

**338. Sec. 5183 [as amended 1875].**—No national banking association shall issue post notes or any other notes to circulate as money than such as are authorized by the provisions of this Title.

Act June 3,  
1864, c. 106,  
sec. 23; 13  
Stat. L., 106.  
Act Feb. 18,  
1875, c. 80; 18  
Stat. L., 320.

**DESTROYING AND REPLACING WORN-OUT AND MUTILATED NOTES.**

Act June 3, 1864, c. 106, sec. 24; 13 Stat. L., 106. **339. Sec. 5184.**—It shall be the duty of the Comptroller of the Currency to receive worn-out or mutilated circulating notes issued by any banking association, and also, on due proof of the destruction of any such circulating notes, to deliver in place thereof to the association other blank circulating notes to an equal amount. Such worn-out or mutilated notes, after a memorandum has been entered in the proper books, in accordance with such regulations as may be established by the Comptroller, as well as all circulating notes which shall have been paid or surrendered to be canceled [*shall be burned to ashes*] in presence of four persons, one to be appointed by the Secretary of the Treasury, one by the Comptroller of the Currency, one by the Treasurer of the United States, and one by the association, under such regulations as the Secretary of the Treasury may prescribe. A certificate of [*such burning*] signed by the parties so appointed, shall be made in the books of the Comptroller, and a duplicate thereof forwarded to the association whose notes are thus canceled.

NOTE.—Act June 23, 1874, provides for maceration in place of burning.

**MACERATION OF NATIONAL-BANK NOTES. ACT JUNE 23, 1874.**

Provision in sundry civil appropriation act June 23, 1874; c. 455, sec. 1; 18 Stat. L., 206. **340. \* \* \*** For the maceration of national bank notes \* \* \* ; and that all such issues hereafter destroyed may be destroyed by maceration instead of burning to ashes, as now provided by law; and that so much of sections twenty-four and forty-three of the national currency act as requires national bank notes to be burned to ashes is hereby repealed; that the pulp from such macerated issue shall be disposed of only under the direction of the Secretary of the Treasury.

**ORGANIZATION OF ASSOCIATIONS TO ISSUE GOLD NOTES.**

Act July 12, 1870, c. 282, sec. 3; 16 Stat. L., 252. Act Jan. 19, 1875, c. 19; 18 Stat. L., 302. **341. Sec. 5185 [as amended 1875].**—Associations may be organized in the manner prescribed by this Title for the purpose of issuing notes payable in gold; and upon the deposit of any United States bonds bearing interest payable in gold with the Treasurer of the United States, in the manner prescribed for other associations, it shall be lawful for the Comptroller of the Currency to issue to the association making the deposit circulating notes of different denominations, but none of them less than five dollars, and not exceeding in amount eighty per centum of the par value of the bonds deposited, which shall express the promise of the association to pay them, upon presentation at the office at which they are issued, in gold coin of the United States, and shall be so redeemable.

(But no such association shall have a circulation of more than one million of dollars.)

NOTE.—The limitation of circulation of banking associations issuing notes payable in gold was repealed by the act of January 19, 1875.

#### RESERVE REQUIREMENTS FOR GOLD BANKS.

342. Sec. 5186.—Every association organized under the preceding section shall at all times keep on hand not less than twenty-five per centum of its outstanding circulation, in gold or silver coin of the United States; and shall receive at par in the payment of debts the gold notes of every other such association which at the time of such payment is redeeming its circulating notes in gold coin of the United States, and shall be subject to all the provisions of this Title: *Provided*, That, in applying the same to associations organized for issuing gold notes, the terms “lawful money” and “lawful money of the United States” shall be construed to mean gold or silver coin of the United States; and the circulation of such association shall not be within the limitation of circulation mentioned in this Title.

Act July 12,  
1870, c. 282,  
secs. 3-5; 16  
Stat. L., 252,  
253.

#### CONVERSION OF NATIONAL GOLD BANKS INTO CURRENCY BANKS. ACT FEBRUARY 14, 1880.

343. That any national gold bank organized under the provisions of the laws of the United States, may, in the manner and subject to the provisions prescribed by section fifty-one hundred and fifty-four of the Revised Statutes of the United States, for the conversion of banks incorporated under the laws of any State, cease to be a gold bank, and become such an association as is authorized by section fifty-one hundred and thirty-three, for carrying on the business of banking, and shall have the same powers and privileges, and shall be subject to the same duties, responsibilities, and rules, in all respects, as are by law prescribed for such associations: *Provided*, That all certificates of organization which shall be issued under this act shall bear the date of the original organization of each bank respectively as a gold bank.

Act Feb. 14,  
1880, c. 25; 21  
Stat. L., 66.

#### PENALTY FOR ISSUING CIRCULATING NOTES TO UNAUTHORIZED ASSOCIATIONS.

344. Sec. 5187.—No officer acting under the provisions of this title shall countersign or deliver to any association, or to any other company or person, any circulating notes contemplated by this title, except in accordance with the true intent and meaning of its provisions. Every officer who violates this section shall be deemed guilty of a high misdemeanor, and shall be fined not more than double the amount so countersigned and delivered, and imprisoned not less than one year and not more than fifteen years.

Act June 3,  
1864, c. 106,  
sec. 27; 13  
Stat. L., 107.



**PENALTY FOR IMITATING BANK CIRCULATION. USE OF SAME FOR ADVERTISING PURPOSES.**

Act Mar. 4, 1909, c. 321, sec. 175; 35 Stat. L., 1122. **345. Sec. 5188.**—Superseded by section 175 of the act of March 4, 1909.

This section originally enacted Feb. 5, 1867. **SECTION 175.** It shall not be lawful to design, engrave, print, or in any manner make or execute, or to utter, issue, distribute, circulate, or use any business or professional card, notice, placard, circular, hand-bill, or advertisement in the likeness or similitude of any circulating note or other obligation or security of any banking association organized or acting under the laws of the United States which has been or may be issued under any act of Congress, or to write, print, or otherwise impress upon any such note, obligation, or security, any business or professional card, notice or advertisement, or any notice or advertisement of any matter or thing whatever. Whoever shall violate any provision of this section shall be fined not more than one hundred dollars, or imprisoned not more than six months, or both.

**PENALTY FOR MUTILATING CIRCULATION.**

Act Mar. 4, 1909, c. 321, sec. 176; 35 Stat. L., 1122. **346. Sec. 5189.**—Superseded by section 176 of the act of March 4, 1909.

This section was originally enacted June 3, 1864. **SECTION 176.** Whoever shall mutilate, cut, deface, disfigure, or perforate with holes, or unite or cement together, or do any other thing to any bank bill, draft, note, or other evidence of debt, issued by any national banking association, or shall cause or procure the same to be done, with intent to render such bank bill, draft, note, or other evidence of debt unfit to be reissued by said association, shall be fined not more than one hundred dollars, or imprisoned not more than six months, or both.



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**REGULATION OF THE BANKING BUSINESS.**

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## CHAPTER IV.

### REGULATION OF THE BANKING BUSINESS.

400. 5190. Place of business.
401. Central reserve cities.—Explanatory note.
402. Reserve cities.—Explanatory note.
403. Act Dec. 23, 1913, as amended. Demand and time deposits defined.
404. Act Dec. 23, 1913, as amended. Reserve requirements—when effective.
405. Act Dec. 23, 1913, as amended. Reserve requirements for banks not in reserve cities.
406. Act Dec. 23, 1913, as amended. Reserve requirements for banks in reserve cities.
407. Act Dec. 23, 1913, as amended. Reserve requirements for banks in central reserve cities.
408. Act Dec. 23, 1913, as amended. Member bank forbidden to keep on deposit with non-member bank a sum in excess of 10 per cent of its own capital and surplus or to secure discounts for nonmember bank.
409. Act Dec. 23, 1913, as amended. Withdrawal of reserve by member bank.
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411. Act Dec. 23, 1913, as amended. Reserve requirements for national banks located in Alaska or outside the continental United States.
412. Act December 23, 1913. Redemption fund not counted as reserve.
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414. Act June 20, 1874. Provisions for redeeming circulation. Five per cent redemption fund.
415. Act March 3, 1875. Clerical force for redemption of circulating notes.
416. Act July 14, 1890. Disposition of redemption account.
417. Act July 28, 1892. Redemption of lost or stolen notes and of notes not properly signed.
418. 5193. Repealed by act March 14, 1900.
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420. 5195. Place for redemption of circulating notes to be designated.
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429. 5204. Prohibition upon withdrawal of capital. Unearned dividends prohibited.
430. 5205. Assessment for failure to pay up capital stock or for impairment of capital.
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432. 5207. United States notes not to be held as collateral.
433. Act July 12, 1882. Issue of gold certificates.
434. 5208. Penalty for falsely certifying checks.
435. Act July 12, 1882. Punishment for falsely certifying checks.
436. 5209. Penalty for embezzlement, abstraction, willful misapplication, false entries, etc.
437. Act January 26, 1907. National banks not permitted to make contributions in connection with election to political office.

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| <p>438a. Member bank can not make loan or grant a gratuity to any national bank examiner.</p> <p>438b. National bank examiner can not perform any services for compensation for any bank or officer. Examiner can not disclose the names of borrowers or collateral without first obtaining written consent of Comptroller.</p> <p>438c. Penalty for officer, director, or employee of member bank who receives any commission or gift in connection with any loan.</p> <p>438d. Purchase of securities or property from one of its directors, or sales to a director by a member bank.</p> <p>438e. Rate of interest paid directors, officers, or employees not to exceed that paid to other depositors.</p> | <p>438f. Penalty for violation of any of the provisions of section 22 of the Federal reserve act.</p> <p>439. 5210. List of shareholders.</p> <p>440. 5211. Reports to Comptroller of Currency.</p> <p>441. Act February 26, 1881. Verification of reports.</p> <p>442. 5212. Report of dividends.</p> <p>443. 5213. Penalty for failure to make reports.</p> <p>444-445. 5214 and act March 14, 1900. Taxes on circulation payable to the United States.</p> <p>446. 5215. Half-yearly return of circulation.</p> <p>447. 5216. Penalty for failure to make return.</p> <p>448. 5217. Enforcing tax on circulation.</p> <p>449. 5218. Refunding excess tax.</p> <p>450. Act March 1, 1879. No tax to be paid by insolvent banks.</p> <p>451. 5219. State taxation.</p> |
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#### PLACE OF BUSINESS.

**400. Sec. 5190.**—The usual business of each national banking association shall be transacted at an office or banking house located in the place specified in its organization certificate.

Act June 3,  
1864, c. 106,  
sec. 8; 13 Stat.  
L., 101.

NOTE.—See act May 1, 1886, paragraph 211, ante, in reference to change in place of business. For authority of national bank to establish branches in foreign countries or dependencies of the United States, see section 25, Federal reserve act.

#### CENTRAL RESERVE CITIES—EXPLANATORY NOTE.

**401.** [Each association organized in any of the cities named in section 5191, United States Revised Statutes, was authorized by section 5195, United States Revised Statutes, to select, subject to the approval of the Comptroller of the Currency, an association in the city of New York where it might keep one-half of its lawful money reserve. This section originally provided for the redemption of circulating notes at such selected bank in that city, but all provisions other than that authorizing the keeping of a portion of the reserve with such bank were repealed by the act of June 20, 1874. Since the passage of the act of June 21, 1917, however, a member bank can not count any balances as reserve except those due from the Federal reserve bank of its district.

Explanatory  
note.

Under the provisions of section 2 of the act of March 3, 1887, whenever three-fourths in number of the national banks located in any city of the United States having a population of 200,000 shall have made application to the Comptroller of the Currency, asking that such

city be made a central reserve city, like the city of New York, the Comptroller of the Currency, with the approval of the Secretary of the Treasury, was authorized to grant such request, and under the provisions of this section the cities of St. Louis and Chicago were designated as additional central reserve cities on March 18 and May 2, 1887, respectively.

The Federal reserve act confers authority upon the Federal Reserve Board to add to the number of cities classified as central reserve cities, to reclassify existing reserve and central reserve cities, or to terminate their designation as such. (See section 11, paragraph E, Federal reserve act.)

NOTE.—Section 5195 and section 2 of the act of March 3, 1887, heretofore referred to, are as follows:

“Sec. 5195. Each association organized in any of the cities named in section fifty-one hundred and ninety-one shall select, subject to the approval of the Comptroller of the Currency, an association in the city of New York, at which it will redeem its circulating notes at par, and may keep one-half of its lawful money reserve in cash deposits in the city of New York. But the foregoing provision shall not apply to associations organized and located in the city of San Francisco for the purpose of issuing notes payable in gold. Each association not organized within the cities named shall select, subject to the approval of the Comptroller, an association in either of the cities named, at which it will redeem its circulating notes at par. The Comptroller shall give public notice of the names of the associations selected, at which redemptions are to be made by the respective associations, and of any change that may be made of the association at which the notes of any association are redeemed. Whenever any association fails either to make the selection or to redeem its notes as aforesaid, the Comptroller of the Currency may, upon receiving satisfactory evidence thereof, appoint a receiver, in the manner provided for in section fifty-two hundred and thirty-four, to wind up its affairs. But this section shall not relieve any association from its liability to redeem its circulating notes at its own counter, at par, in lawful money on demand.”

Section 3 of the act of June 20, 1874, amending section 5195, Revised Statutes, provides—

“That so much of section thirty-two (section 5195, Revised Statutes) of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this section, is hereby repealed.”

Section 2, act of March 3, 1887, provides:

“That whenever three-fourths in number of the national banks located in any city of the United States having a population of two hundred thousand people shall make application to the Comptroller of the Currency, in writing, asking that such city may be a central reserve city, like the city of New York, in which one-half of the lawful-money reserve of the national banks located in other reserve cities may be deposited, as provided in section fifty-one hundred and ninety-five of the Revised Statutes, the Comptroller shall have authority, with the approval of the Secretary of the Treasury, to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, twenty-five per centum of its deposits, as provided in section fifty-one hundred and ninety-one of the Revised Statutes.”



## RESERVE CITIES—EXPLANATORY NOTE.

Explanatory  
note.

402. [Section 5191, United States Revised Statutes, names certain cities in which national banks located therein were required to have on hand in lawful money an amount equal to at least twenty-five per cent of the aggregate amount of their deposits, and provided that every other association should have on hand in lawful money an amount equal to fifteen per cent of the aggregate amount of its deposits. Section 5191 further provided that the Comptroller of the Currency, with the concurrence of the Secretary of the Treasury, might appoint a receiver for any association for failure to make good any deficiency in its reserve within thirty days after the date when the Comptroller of the Currency has notified the association to make good the deficiency. Section 5192, United States Revised Statutes, provided that three-fifths of the reserve of fifteen per cent required to be kept by country banks might consist of balances due to such associations from associations approved by the Comptroller of the Currency in one of the reserve cities mentioned in said section. Since the passage of the act of June 21, 1917, however, a member bank can not count any balances as reserve except those due from the Federal Reserve Bank of its district.

The following are the reserve cities designated in sections 5191 and 5192:

Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, and Washington.

In addition to the cities listed in the preceding paragraph, the city of Leavenworth, Kansas, was named in sections 5191 and 5192, but this designation was repealed by special act of date March 1, 1872. The cities of Charleston and Richmond were also named as reserve cities in section 5192, but were not included in the list of reserve cities enumerated in section 5191. The Comptroller of the Currency, therefore, did not approve any banks in those cities as reserve agents. On April 27, 1914, however, three-fourths of the banks in Richmond having requested that that city be designated as a reserve city, it was so designated under authority of the act of March 3, 1887.

The Comptroller of the Currency was authorized under the act of March 3, 1887, to designate additional reserve cities whenever three-fourths in number of national banks located in any city of the United States having a population of 50,000 requested that the city in question be so designated. This limit of population was reduced to 25,000 by the act of March 3, 1903.

The city of New York listed as a reserve city in sections 5191 and 5192 was designated as a central reserve city by section 5195, and the cities of St. Louis and Chicago

named as reserve cities under sections 5191 and 5192 were designated, on March 18 and May 2, 1887, respectively, as central reserve cities by the Comptroller of the Currency with the concurrence of the Secretary of the Treasury, under the authority granted by the act of March 3, 1887.

In conformity with the provisions of the acts of March 3, 1887, and March 3, 1903, the following cities have been designated by the Comptroller as additional reserve cities: Atlanta, Brooklyn, Cedar Rapids, Columbus, Dallas, Denver, Des Moines, Dubuque, Fort Worth, Galveston, Houston, Indianapolis, Kansas City (Kans.), Kansas City (Mo.), Lincoln, Los Angeles, Minneapolis, Muskogee, Oklahoma City, Omaha, Portland, Pueblo, Richmond, Salt Lake City, San Antonio, Savannah, Seattle, Sioux City, South Omaha, Spokane, St. Joseph, St. Paul, Tacoma, Topeka, Waco, Wichita. On June 26, 1915, South Omaha was consolidated with Omaha.

The Federal reserve act confers authority upon the Federal Reserve Board to add to the number of cities classified as reserve cities, to reclassify existing reserve and central reserve cities, or to terminate their designation as such. (See sec. 11, paragraph E, Federal reserve act.)

Acting under the authority of this section the Federal Reserve Board has designated the following additional reserve cities: Birmingham, Ala.; Charleston, S. C.; Chattanooga and Nashville, Tenn.; Tulsa, Okla.; and Ogden, Utah.】

NOTE.—Sections 5191 and 5192 have not been repealed, but the provisions with respect to specific reserve requirements for banks in the continental United States are superseded by section 19 of the Federal reserve act as amended June 21, 1917, these sections, however, remaining in full force and effect for national banks located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States, provided said national banks remain nonmember banks. The sections in question are as follows, the italicized portion being superseded, as far as banks in the continental United States are concerned, by later legislation, the remaining portions of these sections being still in force.

SEC. 5191. *Every national banking association in either of the following cities: Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, and Washington, shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its notes in circulation and its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount of its notes in circulation, and of its deposits.*

Whenever the lawful money of any association in any of the cities named shall be below the amount of *twenty-five per centum of its circulation and deposits* and whenever the lawful money of any other association shall be (below *fifteen per centum of its circulation and deposits*), such associations shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividends of its profits until the required propor-

tion, between the aggregate amount of its *outstanding notes of circulation and deposits* and its lawful money of the United States, has been restored. And the Comptroller of the Currency may notify any association, whose lawful money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section fifty-two hundred and thirty-four.

SEC. 5192. *Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the Comptroller of the Currency, organized under the act of June three, eighteen hundred and sixty-four, or under this title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Richmond, St. Louis, San Francisco, and Washington.* Clearing-house certificates, representing specie or lawful money specially deposited for the purpose, of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing house, holding and owning such certificate, within the preceding section.

*The provisions in section 5191 requiring reserve to be held against circulation were repealed by section 2, act of June 20, 1874, which provides "that section 31 of the National Bank act (sections 5191 and 5192 R. S.) be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever, by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.*

*Additional reserve cities (act of March 3, 1903, amending act of March 3, 1887).—Sec. 1. That whenever three-fourths in number of the national banks located in any city of the United States having a population of twenty-five thousand people shall make application to the Comptroller of the Currency, in writing, asking that the name of the city in which such banks are located shall be added to the cities named in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-two of the Revised Statutes, the Comptroller shall have authority to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of its deposits, as provided in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-five of the Revised Statutes.*

#### BANK RESERVES.

#### DEMAND AND TIME DEPOSITS DEFINED.

Act Dec. 23, 1913, sec. 19; 38 Stat. L., 270. Act June 21, 1917, sec. 10. **403. Sec. 19.**—Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.



**RESERVE REQUIREMENTS.**

404. Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserve balances with its Federal reserve bank as follows: Act Dec. 23, 1913, sec. 19; 38 Stat. L., 270. Act June 21, 1917, sec. 10.

**RESERVE REQUIREMENTS FOR BANKS NOT IN RESERVE CITIES.**

405. (a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits. Act Dec. 23, 1913, sec. 19; 38 Stat. L., 270. Act June 21, 1917, sec. 10.

**RESERVE REQUIREMENTS FOR BANKS IN RESERVE CITIES.**

406. (b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however,* That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold, and maintain the reserve balances specified in paragraph (a) hereof. Act Dec. 23, 1913, sec. 19; 38 Stat. L., 270. Act Aug. 15, 1914; 38 Stat. L., 691. Act June 21, 1917, sec. 10. Act Sept. 26, 1918.

**RESERVE REQUIREMENTS FOR BANKS IN CENTRAL RESERVE CITIES.**

407. (c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however,* That if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof. Act Dec. 23, 1913, sec. 19; 38 Stat. L., 270. Act Aug. 15, 1914; 38 Stat. L., 691. Act June 21, 1917, sec. 10. Act Sept. 26, 1918.

**MEMBER BANK FORBIDDEN TO KEEP ON DEPOSIT WITH NONMEMBER BANK A SUM IN EXCESS OF TEN PER CENT OF ITS OWN CAPITAL AND SURPLUS OR TO SECURE DISCOUNTS FOR NONMEMBER BANK.**

408. No member bank shall keep on deposit with any State bank or trust company which is not a member bank a sum in excess of ten per centum of its own paid-up Act Dec. 23, 1913, sec. 19; 38 Stat. L., 271.

Act Aug. 15, capital and surplus. No member bank shall act as the  
 1914; 38 Stat. medium or agent of a nonmember bank in applying for or  
 L., 691. receiving discounts from a Federal reserve bank under the  
 Act June 21, provisions of this act, except by permission of the Fed-  
 1917, sec. 10. eral Reserve Board.

#### WITHDRAWAL OF RESERVE BY MEMBER BANK.

Act Dec. 23, 409. The required balance carried by a member bank  
 1913, sec. 19; with a Federal reserve bank may, under the regulations  
 38 Stat. L., and subject to such penalties as may be prescribed by the  
 271. Federal Reserve Board, be checked against and with-  
 Act Aug. 15, drawn by such member bank for the purpose of meeting  
 1914; 38 Stat. existing liabilities: *Provided, however,* That no bank  
 L., 691. shall at any time make new loans or shall pay any divi-  
 Act June 21, dends unless and until the total balance required by law  
 1917, sec. 10. is fully restored.

#### RESERVE REQUIREMENTS—HOW ESTIMATED.

Act Dec. 23, 410. In estimating the balances required by this act  
 1913, sec. 19; the net difference of amounts due to and from other banks  
 38 Stat. L., shall be taken as the basis for ascertaining the deposits  
 271. against which required balances with Federal reserve  
 Act Aug. 15, banks shall be determined.  
 1914; 38 Stat. L., 692.  
 Act June 21, 1917, sec. 10.

#### RESERVE REQUIREMENTS FOR NATIONAL BANKS LO- CATED IN ALASKA OR OUTSIDE THE CONTINENTAL UNITED STATES.

Act Dec. 23, 411. National banks, or banks organized under local  
 1913, sec. 19; laws, located in Alaska or in a dependency or insular pos-  
 38 Stat. L., session or any part of the United States outside the con-  
 271. tinental United States may remain nonmember banks,  
 Act Aug. 15, and shall in that event maintain reserves and comply with  
 1914; 38 Stat. all the conditions now provided by law regulating them;  
 L., 692. or said banks may, with the consent of the Reserve Board,  
 Act June 21, become member banks of any one of the reserve districts,  
 1917, sec. 10. and shall in that event take stock, maintain reserves, and  
 be subject to all the other provisions of this act.

#### REDEMPTION FUND NOT COUNTED AS RESERVE.

Act Dec. 23, 412. Sec. 20.—So much of sections two and three of the  
 1913, sec. 20; act of June twentieth, eighteen hundred and seventy-  
 38 Stat. L., four, entitled "An act fixing the amount of United States  
 271. 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, 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.



**NO RESERVE REQUIRED TO BE HELD AGAINST UNITED STATES DEPOSITS.**

413. Sec. 7.—\* \* \* That the provisions of section fifty-one hundred and ninety-one of the Revised Statutes, as amended by the Federal reserve act and the amendments thereof, with reference to the reserves required to be kept by national banking associations and other member banks of the Federal Reserve System, shall not apply to deposits of public moneys by the United States in designated depositories.

Act Apr. 24,  
1917, sec. 7.

**PROVISIONS FOR REDEEMING CIRCULATION. FIVE PER CENT REDEMPTION FUND. ACT JUNE 20, 1874.**

414. Sec. 3.—That every association organized, or to be organized, under the provisions of the said act, and of the several acts amendatory thereof, shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation; [*which sum shall be counted as a part of its lawful reserve, as provided in section two of this act;*] and when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of one thousand dollars, or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in United States notes. All notes so redeemed shall be charged by the Treasurer of the United States to the respective associations issuing the same, and he shall notify them severally, on the first day of each month, or oftener, at his discretion, of the amount of such redemptions; and whenever such redemptions for any association shall amount to the sum of five hundred dollars, such association so notified shall forthwith deposit with the Treasurer of the United States a sum in United States notes equal to the amount of its circulating notes so redeemed. And all notes of national banks worn, defaced, mutilated, or otherwise unfit for circulation shall, when received by any assistant treasurer, or at any designated depository of the United States, be forwarded to the Treasurer of the United States for redemption as provided herein. And when such redemptions have been so reimbursed, the circulating notes so redeemed shall be forwarded to the respective associations by which they were issued; but if any of such notes are worn, mutilated, defaced, or rendered otherwise unfit for use, they shall be forwarded to the Comptroller of the Currency and destroyed and replaced as now provided by law: *Provided*, That each of said associations shall reimburse to the Treasury the charges for transportation, and the costs for assorting such notes; and the associations hereafter organized shall

Act June 20,  
1874, c. 343,  
sec. 3: 18 Stat.  
L., 123.

also severally reimburse to the Treasury the cost of engraving such plates as shall be ordered by each association, respectively; and the amount assessed upon each association shall be in proportion to the circulation redeemed, and be charged to the fund on deposit with the Treasurer: *And provided further*, That so much of section thirty-two of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter except as provided for in this section, is hereby repealed.

NOTE.—Under section 4 of the act of June 20, 1874, chapter 343, a national banking association, desiring to withdraw its circulating notes and take up the bonds deposited with the United States Treasurer as security therefor, may do so by depositing with the Treasurer the required amount in lawful money, whether this consists of coin or of legal-tender notes. The Treasury, while privileged under sections 3 and 4 of that act to redeem such circulation in United States notes, has also the right to redeem the same circulation in coin. (Opinion Attorney General, vol. 17, 121.)

Section 32 of national-bank act is section 5195, Revised Statutes. The provision permitting the redemption fund to be counted as part of the lawful reserve was repealed by section 20 of the Federal reserve act.

*Other sections of act of June 20, 1874.*

Section 1 precedes Revised Statutes, 5133.

Section 2. See note under paragraph 402, ante.

Section 4 follows Revised Statutes, 5167.

Section 5 follows Revised Statutes, 5172.

Section 6 relates to United States notes only.

Sections 7-9 superseded by act of January 14, 1875, which follows, Revised Statutes, 5177.

**CLERICAL FORCE FOR REDEMPTION OF CIRCULATING NOTES. ACT MARCH 3, 1875.**

Act Mar. 3, 1875; 18 Stat. L., 399; part of the sundry civil appropriation act.

415. That to carry into effect the provisions of section three of the act entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," approved June twentieth, eighteen hundred and seventy-four, the Secretary of the Treasury is authorized to appoint the following force, to be employed under his direction, namely: In the Office of the Treasurer: \* \* \* In the Office of the Comptroller of the Currency \* \* \* And at the end of each month, the Secretary of the Treasury shall reimburse the Treasury to the full amount paid out under the provisions of this section by transfer of said amount from the deposit of the national banking associations with the Treasury of the United States; and at the end of each fiscal year he shall transfer from said deposit to the Treasury of the United States such sum as may have been actually expended under his direction for stationery, rent, fuel, light, and other necessary incidental expenses which have been incurred in carrying

into effect the provisions of the said section of the above-named act.

NOTE.—The appropriation bill for each year fixes the number and compensation of the clerks employed in the offices of the Treasurer of the United States and Comptroller of the Currency in connection with the redemption of circulating notes.

**DISPOSITION OF REDEMPTION ACCOUNT. ACT JULY 14, 1890.**

416. Sec. 6.—That upon the passage of this act the balances standing with the Treasurer of the United States to the respective credits of national banks for deposits made to redeem the circulating notes of such banks, and all deposits thereafter received for like purpose, shall be covered into the Treasury as a miscellaneous receipt, and the Treasury of the United States shall redeem from the general cash in the Treasury the circulating notes of said banks which may come into his possession subject to redemption; and upon the certificate of the Comptroller of the Currency that such notes have been received by him and that they have been destroyed and that no new notes will be issued in their place, reimbursement of their amount shall be made to the Treasurer, under such regulations as the Secretary of the Treasury may prescribe, from an appropriation hereby created, to be known as “national-bank notes; Redemption account,” but the provisions of this act shall not apply to the deposits received under section three of the act of June twentieth, eighteen hundred and seventy-four, requiring every national bank to keep in lawful money with the Treasurer of the United States a sum equal to five per centum of its circulation, to be held and used for the redemption of its circulating notes; and the balance remaining of the deposits so covered shall, at the close of each month, be reported on the monthly public debt statement as debt of the United States bearing no interest.

Act July 14,  
1890, c. 708,  
sec. 6; 26 Stat.  
L., 289.

NOTE.—The other sections of this act relate to the purchase of silver bullion and issue of Treasury notes.

**REDEMPTION OF LOST OR STOLEN NOTES, AND OF NOTES NOT PROPERLY SIGNED. ACT JULY 28, 1892.**

417. That the provisions of the Revised Statutes of the United States, providing for the redemption of national bank notes, shall apply to all national bank notes that have been or may be issued to, or received by, any national bank, notwithstanding such notes may have been lost by or stolen from the bank and put in circulation without the signature or upon the forged signature of the president or vice president and cashier.

Act July 28,  
1892, 27 Stat.  
L., 322.

**418. Sec. 5193.—**

Repealed by act March 14, 1900.

**NOTE.**—This section as enacted June 8, 1872 (17 Stat. L., 337), authorized the Secretary of the Treasury to receive on deposit from national banking associations United States notes in sums of not less than ten thousand dollars and to issue certificates therefor payable on demand in denominations of not less than five thousand dollars. This was repealed by act March 14, 1900, section 6, paragraph 752, post, which provides for issue of gold certificates payable to order in denominations of ten thousand dollars.

**419. Sec. 5194.—**

Dependent on 5193 and superseded by its repeal.

**PLACE FOR REDEMPTION OF CIRCULATING NOTES TO BE DESIGNATED.****420. Sec. 5195.—**

See note under paragraph 401, ante.

**NATIONAL BANKS TO TAKE NOTES OF OTHER NATIONAL BANKS AT PAR.**

**421. Sec. 5196.**—Every national banking association formed or existing under this Title, shall take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully organized national banking association. But this provision shall not apply to any association organized for the purpose of issuing notes payable in gold.

Act June 3,  
1864, c. 106,  
sec. 32; 13  
Stat. L., 109.  
Act July 12,  
1870, c. 282,  
sec. 5; 16 Stat.  
L., 253.

**LIMITATION UPON RATE OF INTEREST WHICH MAY BE TAKEN.**

**422. Sec. 5197.**—Any association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State, Territory, or District where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this Title. When no rate is fixed by the laws of the State, or Territory, or District, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. And the purchase, discount, or sale of a bona fide bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest.

Act June 3,  
1864, c. 106,  
sec. 30; 13  
Stat. L., 108.



**PENALTY FOR TAKING UNLAWFUL INTEREST. JURISDICTION OF SUITS BY OR AGAINST NATIONAL BANKS.**

423. Sec. 5198 [as amended 1875].—The taking, receiving, reserving, or charging a rate of interest greater than is allowed by the preceding section, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid, or his legal representative, may recover back, in an action in the nature of an action of debt, twice the amount of the interest thus paid from the association taking or receiving the same; provided such action is commenced within two years from the time the usurious transaction occurred. That suits, actions, and proceedings against any association under this Title may be had in any circuit, district, or territorial court of the United States held within the district in which such association may be established, or in any State, county, or municipal court in the county or city in which said association is located having jurisdiction in similar cases.

Act June 3,  
1864, c. 106,  
sec. 30; 13  
Stat. L., 108.  
Act. Feb. 18;  
1875, c. 80; 18  
Stat. L., 320.

NOTE.—Additional provisions relating to jurisdiction of actions by and against national banks are contained in act July 12, 1882, paragraph 218, ante, and act of August 13, 1888, paragraph 214, ante. See also section 24, judiciary act passed March 3, 1911, paragraph 701, post, and section 736, Revised Statutes of the United States, paragraph 702, post, as to jurisdiction of district courts to enjoin Comptroller under section 5237, Revised Statutes, United States.

**DIVIDENDS.**

424. Sec. 5199.—The directors of any association may semiannually, declare a dividend of so much of the net profits of the association as they shall judge expedient; but each association shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall amount to twenty per centum of its capital stock.

Act June 3,  
1864, c. 106,  
sec. 33; 13  
Stat. L., 109.

**LIMITATION OF LIABILITIES WHICH MAY BE INCURRED BY ANY ONE PERSON, COMPANY, ETC.**

425. Sec. 5200 [as amended 1919].—The total liabilities to any association of any person or of any company, corporation, or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the sev-

Act Oct. 22,  
1919.



eral members thereof, shall at no time exceed 10 per centum of the amount of the capital stock of such association, actually paid in and unimpaired, and 10 per centum of its unimpaired surplus fund: *Provided, however,* That (1) the discount of bills of exchange drawn in good faith against actually existing values, including drafts and bills of exchange secured by shipping documents conveying or securing title to goods shipped, and including demand obligations when secured by documents covering commodities in actual process of shipment, and also including bankers' acceptances of the kinds described in section 13 of the Federal reserve act, (2) the discount of commercial or business paper actually owned by the person, company, corporation, or firm negotiating the same, (3) the discount of notes secured by shipping documents, warehouse receipts, or other such documents conveying or securing title covering readily marketable nonperishable staples, including live stock, when the actual market value of the property securing the obligation is not at any time less than 115 per centum of the face amount of the notes secured by such documents and when such property is fully covered by insurance, and (4) the discount of any note or notes secured by not less than a like face amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, shall not be considered as money borrowed within the meaning of this section. The total liabilities to any association, of any person or of any corporation, or firm, or company, or the several members thereof upon any note or notes purchased or discounted by such association and secured by bonds, notes, or certificates of indebtedness as described in (4) hereof shall not exceed (except to the extent permitted by rules and regulations prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury) 10 per centum of such capital stock and surplus fund of such association and the total liabilities to any association of any person or of any corporation, or firm, or company, or the several members thereof for money borrowed, including the liabilities upon notes secured in the manner described under (3) hereof, except transactions (1), (2), and (4), shall not at any time exceed 25 per centum of the amount of the association's paid-in and unimpaired capital stock and surplus. The exception made under (3) hereof shall not apply to the notes of any one person, corporation or firm or company,

or the several members thereof for more than six months in any consecutive twelve months.

NOTE.—See Act March 3, 1919. "Victory Liberty Loan Act," section 1, which provides that the word "bonds," where it appears in section 5200 of the Revised Statutes, as amended, shall be deemed to include notes issued under the "Victory Liberty Loan Act."

#### ASSOCIATIONS MUST NOT LOAN ON OR PURCHASE THEIR OWN STOCK.

426. Sec. 5201.—No association shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale; or, in default thereof, a receiver may be appointed to close up the business of the association, according to section fifty-two hundred and thirty-four.

Act June 3,  
1864, c. 106,  
sec. 35; 13  
Stat. L., 110.

#### RESTRICTION ON BANK'S INDEBTEDNESS.

427. Sec. 5202 [as amended 1919].—No national banking 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:

Act June 3,  
1864, c. 106, sec.  
36; 13 Stat. L.,  
110.  
Act Dec. 23,  
1913, sec. 13, 33  
Stat. L., 264.  
Act Apr. 5,  
1918,  
Act Oct. 22,  
1919.

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 the Federal Reserve Act.

Sixth. Liabilities incurred under the provisions of the War Finance Corporation Act.

Seventh. Liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad.

**RESTRICTION UPON USE OF CIRCULATING NOTES.**

Act June 3, 1864, c. 106, sec. 37; 13 Stat. L., 110. **428. Sec. 5203.**—No association shall, either directly or indirectly, pledge or hypothecate any of its notes or circulation, for the purpose of procuring money to be paid in on its capital stock, or to be used in its banking operations, or otherwise; nor shall any association use its circulating notes, or any part thereof, in any manner or form, to create or increase its capital stock.

**PROHIBITION UPON WITHDRAWAL OF CAPITAL. UNEARNED DIVIDENDS PROHIBITED.**

Act June 3, 1864, c. 106, sec. 38; 13 Stat. L., 110. **429. Sec. 5204.**—No association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have at any time been sustained by any such association, equal to or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall ever be made by any association, while it continues its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section. But nothing in this section shall prevent the reduction of the capital stock of the association under section fifty-one hundred and forty-three.

**ASSESSMENT FOR FAILURE TO PAY UP CAPITAL STOCK OR FOR IMPAIRMENT OF CAPITAL.**

Act Mar. 3, 1873, c. 269, sec. 1; 17 Stat. L., 603. **430. Sec. 5205 [as amended 1876].**—Every association which shall have failed to pay up its capital stock, as required by law, and every association whose capital stock shall have become impaired by losses or otherwise, shall, within three months after receiving notice thereof from the Comptroller of the Currency, pay the deficiency in the capital stock, by assessment upon the shareholders pro rata for the amount of capital stock held by each; and the Treasurer of the United States shall withhold the interest upon all bonds held by him in trust for any such association, upon notification from the Comptroller of the Currency, until otherwise notified by him. If any such association shall fail to pay up its capital stock, and shall refuse to go into liquidation, as provided by law, for three months after receiving notice from the Comptroller, a receiver may be appointed to close up the business of the association, according to the provisions of section fifty-two hundred and thirty-four: *And provided*, That if any shareholder or shareholders of such bank shall neglect or refuse, after three months' notice, to

pay the assessment, as provided in this section, it shall be the duty of the board of directors to cause a sufficient amount of the capital stock of such shareholder or shareholders to be sold at public auction (after thirty days' notice shall be given by posting such notice of sale in the office of the bank, and by publishing such notice in a newspaper of the city or town in which the bank is located, or in a newspaper published nearest thereto), to make good the deficiency, and the balance, if any, shall be returned to such delinquent shareholder or shareholders.

#### PROHIBITION AGAINST UNCURRENT NOTES.

431. Sec. 5206.—No association shall at any time pay out on loans or discounts, or in purchasing drafts or bills of exchange, or in payment of deposits, or in any other mode pay or put in circulation, the notes of any bank or banking association which are not, at any such time, receivable, at par, on deposit, and in payment of debts by the association so paying out or circulating such notes; nor shall any association knowingly pay out or put in circulation any notes issued by any bank or banking association which at the time of such paying out or putting in circulation is not redeeming its circulating notes in lawful money of the United States.

Act June 3,  
1864, c. 106,  
sec. 39; 13  
Stat. L., 111.

#### UNITED STATES NOTES NOT TO BE HELD AS COLLATERAL.

432. Sec. 5207.—No association shall hereafter offer or receive United States notes or national-bank notes as security or as collateral security for any loan of money, or for a consideration agree to withhold the same from use, or offer or receive the custody or promise of custody of such notes as security, or as collateral security, or consideration for any loan of money. Any association offending against the provisions of this section shall be deemed guilty of a misdemeanor, and shall be fined not more than one thousand dollars and a further sum equal to one-third of the money so loaned. The officer or officers of any association who shall make any such loan shall be liable for a further sum equal to one-quarter of the money loaned; and any fine or penalty incurred by a violation of this section shall be recoverable for the benefit of the party bringing such suit.

Act Feb. 19,  
1869, c. 32; 15  
Stat. L., 270.

#### ISSUE OF GOLD CERTIFICATES. ACT JULY 12, 1882.

433. Sec. 12.—That the Secretary of the Treasury is authorized and directed to receive deposits of gold coin \* \* \* and issue certificates therefor \* \* \*. Such certificates \* \* \* when held by any national banking association, shall be counted as part of its lawful reserve; and no national banking association shall be a

Act July 12,  
1882, sec. 12;  
22 Stat. L.,  
165.



member of any clearing house in which such certificates shall not be receivable in the settlement of clearing-house balances: \* \* \* And the provisions of section fifty-two hundred and seven of the Revised Statutes shall be applicable to the certificates herein authorized and directed to be issued.

NOTE.—This section given in full, paragraph 729, post. See also currency act of March 14, 1900, as amended March 4, 1907, March 2, 1911, and June 12, 1916, paragraph 754, post, relating to gold certificates, and making ten dollars lowest denomination.

#### PENALTY FOR FALSELY CERTIFYING CHECKS.

Act Mar. 3,  
1869, c. 135; 15  
Stat. L., 335.  
Act Sept. 26,  
1918.

**434. Sec. 5208.**—It shall be unlawful for any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the act of December twenty-third, nineteen hundred and thirteen, known as the Federal reserve act, to certify any check drawn upon such Federal reserve bank or member bank unless the person, firm, or corporation drawing the check has on deposit with such Federal reserve bank or member bank, at the times such check is certified, an amount of money not less than the amount specified in such check. Any check so certified by a duly authorized officer, director, agent, or employee shall be a good and valid obligation against such Federal reserve bank or member bank; but the act of any officer, director, agent, or employee of any such Federal reserve bank or member bank in violation of this section shall, in the discretion of the Federal Reserve Board, subject such Federal reserve bank to the penalties imposed by section eleven, subsection (h), of the Federal reserve act, and shall subject such member bank if a national bank to the liabilities and proceedings on the part of the Comptroller of the Currency provided for in section fifty-two hundred and thirty-four, Revised Statutes, and shall, in the discretion of the Federal Reserve Board, subject any other member bank to the penalties imposed by section nine of said Federal reserve act for the violation of any of the provisions of said act. Any officer, director, agent, or employee of any Federal reserve bank or member bank who shall willfully violate the provisions of this section, or who shall resort to any device, or receive any fictitious obligation, directly or collaterally, in order to evade the provisions thereof, or who shall certify a check before the amount thereof shall have been regularly entered to the credit of the drawer upon the books of the bank, shall be deemed guilty of a misdemeanor and shall, on conviction thereof in any district court of the United States, be fined not more than \$5,000, or shall be imprisoned for not more than five years, or both, in the discretion of the court.



**PUNISHMENT FOR FALSELY CERTIFYING CHECKS. ACT JULY 12, 1882.****435. Sec. 13.—**

Superseded by act of Sept. 26, 1918.

**PENALTY FOR EMBEZZLEMENT, ABSTRACTION, WILLFUL MISAPPLICATION, FALSE ENTRIES, ETC.**

**436. Sec. 5209.**—Any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the act of December twenty-third, nineteen hundred and thirteen, known as the Federal reserve act, who embezzles, abstracts, or willfully misapplies any of the moneys, funds, or credits of such Federal reserve bank or member bank, or who, without authority from the directors of such Federal reserve bank or member bank, issues or puts in circulation any of the notes of such Federal reserve bank or member bank, or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such Federal reserve bank or member bank, with intent in any case to injure or defraud such Federal reserve bank or member bank, or any other company, body politic or corporate, or any individual person, or to deceive any officer of such Federal reserve bank or member bank, or the Comptroller of the Currency, or any agent or examiner appointed to examine the affairs of such Federal reserve bank or member bank, or the Federal Reserve Board; and every receiver of a national banking association who, with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of his trust, and every person who, with like intent, aids or abets any officer, director, agent, employee, or receiver in any violation of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000 or shall be imprisoned for not more than five years, or both, in the discretion of the court.

Any Federal reserve agent, or any agent or employee of such Federal reserve agent, or of the Federal Reserve Board, who embezzles, abstracts, or willfully misapplies any moneys, funds, or securities intrusted to his care, or without complying with or in violation of the provisions of the Federal reserve act, issues or put in circulation any Federal reserve notes shall be guilty of a misdemeanor and upon conviction in any district court of the United States shall be fined not more than \$5,000 or imprisoned for not more than five years, or both, in the discretion of the court.

Act June 3,  
1864, c. 106,  
sec. 55; 13  
Stat. L., 116.  
Act Apr. 6,  
1869, c. 11; 16  
Stat. L., 7.  
Act July 8,  
1870, c. 226;  
16 Stat. L.,  
195.  
Act Sept. 26,  
1918.

**NATIONAL BANKS NOT PERMITTED TO MAKE CONTRIBUTIONS IN CONNECTION WITH ELECTION TO POLITICAL OFFICE. ACT JANUARY 26, 1907.**

Act Jan. 26,  
1907: 34 Stat.  
L., 864.

437. That it shall be unlawful for any national bank, or any corporation organized by authority of any laws of Congress, to make a money contribution in connection with any election to any political office. It shall also be unlawful for any corporation whatever to make a money contribution in connection with any election at which Presidential and Vice-Presidential electors or a Representative in Congress is to be voted for or any election by any State legislature of a United States Senator. Every corporation which shall make any contribution in violation of the foregoing provisions shall be subject to a fine not exceeding five thousand dollars, and every officer or director of any corporation who shall consent to any contribution by the corporation in violation of the foregoing provisions shall upon conviction be punished by a fine of not exceeding one thousand and not less than two hundred and fifty dollars, or by imprisonment for a term of not more than one year, or both such fine and imprisonment in the discretion of the court.

**MEMBER BANK CAN NOT MAKE LOAN OR GRANT A GRATUITY TO ANY NATIONAL BANK EXAMINER.**

Act Dec. 23,  
1913, sec. 22;  
38 Stat. L.,  
272.  
Act June 21,  
1917, sec. 11.  
Act Sept. 26,  
1918.

438a. No member bank and no officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee 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 may be fined a further sum equal to the money so loaned or gratuity given.

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 one year or fined not more than \$5,000, or both, and may be 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.

**NATIONAL BANK EXAMINER CAN NOT PERFORM ANY SERVICE FOR COMPENSATION FOR ANY BANK OR OFFICER. EXAMINER CAN NOT DISCLOSE THE NAMES OF BORROWERS OR COLLATERAL WITHOUT FIRST OBTAINING WRITTEN CONSENT OF COMPTROLLER.**

Act Dec. 23,  
1913, sec. 22;  
38 Stat. L.,  
272.  
Act June 21,  
1917, sec. 11.  
Act Sept. 26,  
1918.

438b. 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 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, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress, or of either House duly authorized. Any bank examiner violating the provisions of this subsection shall be imprisoned not more than one year or fined not more than \$5,000, or both.

**PENALTY FOR OFFICER, DIRECTOR, OR EMPLOYEE OF MEMBER BANK WHO RECEIVES ANY COMMISSION OR GIFT IN CONNECTION WITH ANY LOAN.**

438c. Except as herein provided, any officer, director, employee, or attorney of a member bank who stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by such member bank shall be deemed guilty of a misdemeanor and shall be imprisoned not more than one year or fined not more than \$5,000, or both.

Act Dec. 23,  
1913, sec. 22;  
38 Stat. L.,  
272.  
Act June 21,  
1917, sec. 11.  
Act Sept. 26,  
1918.

**PURCHASE OF SECURITIES OR PROPERTY FROM ONE OF ITS DIRECTORS, OR SALES TO A DIRECTOR BY A MEMBER BANK.**

438d. Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property, when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided, however,* That when any director, or firm of which any director is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Federal Reserve Board, by regulation, may require a full disclosure of all profit realized from such sale.

Act Dec. 23,  
1913, sec. 22;  
38 Stat. L.,  
272.  
Act June 21,  
1917, sec. 11.  
Act Sept. 26,  
1918.

Any member bank may sell securities or other property to any of its directors, or to a firm of which any of



its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however,* That nothing in this subsection contained shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

**RATE OF INTEREST PAID DIRECTORS, OFFICERS, OR EMPLOYEES NOT TO EXCEED THAT PAID TO OTHER DEPOSITORS.**

Act Dec. 23, 1913, sec. 22; 38 Stat. L., 272. **438e.** No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposits of such director, officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

**PENALTY FOR VIOLATION OF ANY OF THE PROVISIONS OF SECTION 22 OF THE FEDERAL RESERVE ACT.**

Act Dec. 23, 1913, sec. 22; 38 Stat. L., 272. **438f.** If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation.

**LIST OF SHAREHOLDERS.**

Act June 3, 1864, c. 106, sec. 40; 13 Stat. L., 111. **439. Sec. 5210.**—The president and cashier of every national banking association shall cause to be kept at all times a full and correct list of the names and residences of all the shareholders in the association, and the number of shares held by each, in the office where its business is transacted. Such list shall be subject to the inspection of all the shareholders and creditors of the association, and the officers authorized to assess taxes under State authority, during business hours of each day in which business may be legally transacted. A copy of such list, on the first Monday of July of each year, verified by the oath of such president or cashier, shall be transmitted to the Comptroller of the Currency.

**REPORTS TO COMPTROLLER OF THE CURRENCY.**

Act June 3, 1864, c. 106, sec. 34; 13 Stat. L., 109. **440. Sec. 5211** [as amended 1877].—Every association shall make to the Comptroller of the Currency not less than five reports during each year, according to the form

which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association, and attested by the signature of at least three of the directors. Each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the association at the close of business on any past day by him specified; and shall be transmitted to the Comptroller within five days after the receipt of a request or requisition therefor from him, and in the same form in which it is made to the Comptroller shall be published in a newspaper published in the place where such association is established, or if there is no newspaper in the place, then in the one published nearest thereto in the same county, at the expense of the association; and such proof of publication shall be furnished as may be required by the Comptroller. The Comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition.

Act Mar. 3,  
1869, c. 130,  
sec. 1; 15 Stat.  
L., 326.  
Act Feb. 27,  
1877, c. 69; 19  
Stat. L., 252.

NOTE.—Section 713 of the Code of Laws of the District of Columbia provides: "That all publications authorized or required by said section fifty-two hundred and eleven of the Revised Statutes, and all other publications authorized or required by existing law to be made in the District of Columbia, shall be printed in two or more daily newspapers of general circulation, published in the City of Washington, one of which shall be a morning newspaper."

The Federal Reserve Board is authorized by section 11 of the Federal reserve act 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.

#### VERIFICATION OF REPORTS. ACT FEBRUARY 26, 1881.

441. That the oath or affirmation required by section fifty-two hundred and eleven of the Revised Statutes, verifying the returns made by national banks to the Comptroller of the Currency, when taken before a notary public properly authorized and commissioned by the State in which such notary resides and the bank is located, or any other officer having an official seal, authorized in such State to administer oaths, shall be a sufficient verification as contemplated by said section fifty-two hundred and eleven: *Provided*, That the officer administering the oath is not an officer of the bank.

Act Feb. 26,  
1881, c. 82; 21  
Stat. L., 352.

#### REPORT OF DIVIDENDS.

442. Sec. 5212.—In addition to the reports required by the preceding section, each association shall report to the Comptroller of the Currency, within ten days after declaring any dividend, the amount of such dividend, and the amount of net earnings in excess of such dividend. Such reports shall be attested by the oath of the president or cashier of the association.

Act Mar. 3,  
1869, c. 130,  
sec. 2; 15 Stat.  
L., 327.



## PENALTY FOR FAILURE TO MAKE REPORTS.

Act Mar. 3,  
1863, c. 130,  
secs. 1, 2; 15  
Stat. L., 326.

**443. Sec. 5213.**—Every association which fails to make and transmit any report required under either of the two preceding sections shall be subject to a penalty of one hundred dollars for each day after the periods, respectively, therein mentioned, that it delays to make and transmit its report. Whenever any association delays or refuses to pay the penalty herein imposed, after it has been assessed by the Comptroller of the Currency, the amount thereof may be retained by the Treasurer of the United States, upon the order of the Comptroller of the Currency, out of the interest, as it may become due to the association, on the bonds deposited with him to secure circulation. All sums of money collected for penalties under this section shall be paid into the Treasury of the United States.

## TAXES PAYABLE TO THE UNITED STATES.

Sec. 5214, U.  
S. R. S.  
Act June 3,  
1864, c. 106,  
s e c. 41; 13  
Stat. L., 111.

**444. Sec. 5214.**—In lieu of all existing taxes, every association shall pay to the Treasurer of the United States, in the months of January and July, a duty of one-half of one per centum each half year upon the average amount of its notes in circulation, [*and a duty of one-quarter of one per centum each half year upon the average amount of its deposits, and a duty of one-quarter of one per centum each half year on the average amount of its capital stock, beyond the amount invested in United States bonds*].

Act Mar. 14,  
1900, sec. 13;  
31 Stat. L., 49.

**445. Sec. 13.**—That every national banking association having on deposit, as provided by law, bonds of the United States bearing interest at the rate of two per centum per annum, issued under the provisions of this Act, to secure its circulating notes, shall pay to the Treasurer of the United States, in the months of January and July, a tax of one-fourth of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of said two per centum bonds; and such taxes shall be in lieu of existing taxes on its notes in circulation imposed by section fifty-two hundred and fourteen of the Revised Statutes.

NOTE.—The provisions of section 5214, covering taxes on the average amount of deposits and capital, were repealed by the act of March 3, 1883. The 2 per cent Panama Canal bonds were given all rights and privileges accorded to other 2 per cent bonds of the United States by the act of December 21, 1905.

On May 30, 1908, section 5214 was reenacted so as to cover the provisions of the original section as modified by the acts of March 3, 1883, March 14, 1900, and December 21, 1905, and in addition thereto there was added provisions for the taxation of the additional circulation issued under the act. The act of May 30, 1908, however, expired on June 30, 1914, and while it was extended by section 27 of the act of December 23, 1913, to June 30, 1915, it was expressly provided in the latter act that on the

expiration of the act of May 30, 1908, section 5214 should be re-enacted to read as such section read prior to May 30, 1908. The acts of December 23, 1913, and August 4, 1914, amended the provisions in this section of the act of May 30, 1908, relative to the taxation of emergency currency. All the provisions for the emergency currency expired on June 30, 1915.

The following is section 5214 as it stood prior to the expiration of the Emergency Currency Act on June 30, 1915, with all amendments:

"SEC. 5214. National banking associations having on deposit bonds of the United States, bearing interest at the rate of two per centum per annum, including the bonds issued for the construction of the Panama Canal, under the provisions of section eight of 'An Act to provide for the construction of a canal connecting the waters of the Atlantic and Pacific oceans,' approved June twenty-eighth, nineteen hundred and two, to secure its circulating notes, shall pay to the Treasury of the United States, in the months of January and July, a tax of one-fourth of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of such bonds; and such associations having on deposit bonds of the United States bearing interest at a rate higher than two per centum per annum shall pay a tax of one-half of one per centum each half year upon the average amount of such of its notes in circulation as are based upon the deposit of such bonds.

"National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes. Every national banking association having outstanding circulating notes secured by a deposit of other securities than United States bonds shall make monthly returns, under oath of its president or cashier, to the Treasurer of the United States, in such form as the Treasurer may prescribe, of the average monthly amount of its notes so secured in circulation; and it shall be the duty of the Comptroller of the Currency to cause such reports of notes in circulation to be verified by examination of the bank's records. The taxes received on circulating notes secured otherwise than by bonds of the United States shall be paid into the Division of Redemption of the Treasury and credited and added to the reserve fund held for the redemption of United States and other notes."

#### HALF-YEARLY RETURN OF CIRCULATION [*deposits and capital stock*].

446. Sec. 5215.—In order to enable the Treasurer to assess the duties imposed by the preceding section, each association shall, within ten days from the first days of January and July of each year, make a return, under the oath of its president or cashier, to the Treasurer of the United States, in such form as the Treasurer may prescribe, of the average amount of its notes in circulation, [*and of the average amount of its deposits, and of the average amount of its capital stock, beyond the amount invested in United States bonds*], for the six months next preceding the most recent first day of January or July. Every association which fails so to make such return shall be liable to a penalty of two hundred dollars, to be

Act June 3,  
1864, c. 106,  
s e c. 41; 13  
Stat. L., 111.

collected either out of the interest as it may become due such association on the bonds deposited with the Treasurer, or, at his option, in the manner in which penalties are to be collected of other corporations under the laws of the United States.

NOTE.—The taxes on the average amount of deposits and capital stock were repealed by the act of March 3, 1883.

#### PENALTY FOR FAILURE TO MAKE RETURN.

Act June 3, 1864, c. 106, s. c. 41; 13 Stat. L., 111. 447. Sec. 5216.—Whenever any association fails to make the half-yearly return required by the preceding section, the duties to be paid by such association shall be assessed upon the amount of notes delivered to such association by the Comptroller of the Currency. [*and upon the highest amount of its deposits and capital stock, to be ascertained in such manner as the Treasurer may deem best.*]

NOTE.—See note under section 5215 stating that tax on deposits and capital stock had been repealed.

#### ENFORCING TAX ON CIRCULATION.

Act June 3, 1864, c. 106, s. c. 41; 13 Stat. L., 111. 448. Sec. 5217.—Whenever an association fails to pay the duties imposed by the three preceding sections, the sums due may be collected in the manner provided for the collection of United States taxes from other corporations; or the Treasurer may reserve the amount out of the interest, as it may become due, on the bonds deposited with him by such defaulting association.

#### REFUNDING EXCESS TAX.

Resolution Mar. 2, 1867, No. 49; 14 Stat. L., 572, as amended in R. S. 5218. 449. Sec. 5218.—In all cases where an association has paid or may pay in excess of what may be or has been found due from it, on account of the duty required to be paid to the Treasurer of the United States, the association may state an account therefor, which, on being certified by the Treasurer of the United States, and found correct by the First Comptroller of the Treasury, shall be refunded in the ordinary manner by warrant on the Treasury.

#### NO TAX TO BE PAID BY INSOLVENT BANKS. ACT MARCH 1, 1879.

Internal-revenue act Mar. 1, 1879, sec. 22; 20 Stat. L., 351. 450. Sec. 22.—That whenever and after any bank has ceased to do business by reason of insolvency or bankruptcy, no tax shall be assessed or collected, or paid into the Treasury of the United States, on account of such bank, which shall diminish the assets thereof necessary for the full payment of all its depositors; and such tax shall be abated from such national banks as are found by the Comptroller of the Currency to be insolvent; \* \* \*

## STATE TAXATION.

451. Sec. 5219.—Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the association is located; but the legislature of each State may determine and direct the manner and place of taxing all the shares of national banking associations located within the State, subject only to the two restrictions, that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State, and that the shares of any national banking association owned by nonresidents of any State shall be taxed in the city or town where the bank is located, and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed.

Act June 3,  
1864, c. 106,  
sec. 41; 13  
Stat. L., 111.  
Act. Feb. 10,  
1868, c. 7; 15  
Stat. L., 34.





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**DISSOLUTION AND RECEIVERSHIP.**



## CHAPTER V.

### DISSOLUTION AND RECEIVERSHIP.

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| <p>500. 5220. Two-thirds vote required for liquidation.</p> <p>501. 5221. Notice of voluntary liquidation.</p> <p>502. 5222. Deposit of lawful money to redeem circulation.</p> <p>503. 5223. No deposit required for consolidation.</p> <p>503a. Act November 7, 1918. Consolidation of national banks.</p> <p>504. 5224. Reassignment of bonds and redemption of notes of liquidating banks.</p> <p>505. Act June 20, 1874. Duty of Treasurer, Assistant Treasurer, etc., to return notes of failed or liquidating banks to Treasury for redemption.</p> <p>506. 5225. Destruction of redeemed notes.</p> <p>507. 5226. Protest of bank circulation.</p> <p>508. 5227. Bonds forfeited if circulation is dishonored. Examination by special agent.</p> <p>509. 5228. Suspension of business after default.</p> <p>510. 5229. Notice to present circulation for redemption. Cancellation of bonds.</p> <p>511. 5230. Sale of bonds at auction. First lien for redeeming circulation.</p> <p>512. 5231. Bonds may be sold at private sale.</p> <p>513. 5232. Disposal of redeemed notes. Regulations for redemption records.</p> | <p>514. 5233. Redeemed notes to be canceled.</p> <p>515. 5234. Appointment and duties of receivers.</p> <p>516. 5235. Notice to creditors of insolvent banks to present claims.</p> <p>517. 5236. Dividends. Distribution of assets of insolvent banks.</p> <p>518. 5237. When bank may enjoin further proceedings.</p> <p>519. 5238. Fees and expenses.</p> <p>520. Act June 30, 1876. When receiver may be appointed.</p> <p>521. Act June 30, 1876. Creditor's bill against shareholders.</p> <p>522. Act June 30, 1876, as amended 1892, 1897. Appointment, qualification, and duties of shareholders' agent.</p> <p>523. Act March 29, 1886. Receiver may purchase property to protect his trust.</p> <p>524. Act March 29, 1886. Approval of request.</p> <p>525. Act March 29, 1886. Payment.</p> <p>526. 5239. Penalty for violation of this title. Forfeiture of charter. Individual liability of directors.</p> <p>527. 5240. Appointment of examiners. Compensation.</p> <p>528. 5241. Limitation of visitatorial powers.</p> <p>529. 5242. Transfers, when void. Illegal preference of creditors.</p> <p>530. 5243. Use of the title "National."</p> |
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### TWO-THIRDS VOTE REQUIRED FOR LIQUIDATION.

**500. Sec. 5220.**—Any association may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock. Act June 3, 1864, c. 106, sec. 42; 13 Stat. L., 112.

NOTE.—For enforcement of shareholders' liability when bank is in liquidation see act of June 30, 1876, following Revised Statutes, 5238.

### NOTICE OF VOLUNTARY LIQUIDATION.

**501. Sec. 5221.**—Whenever a vote is taken to go into liquidation it shall be the duty of the board of directors to cause notice of this fact to be certified, under the seal Act June 3, 1864, c. 106, sec. 42; 13 Stat. L., 112



of the association, by its president or cashier, to the Comptroller of the Currency, and publication thereof to be made for a period of two months in a newspaper published in the city of New York, and also in a newspaper published in the city or town in which the association is located, or if no newspaper is there published, then in the newspaper published nearest thereto, that the association is closing up its affairs, and notifying the holders of its notes and other creditors to present the notes and other claims against the association for payment.

#### DEPOSIT OF LAWFUL MONEY TO REDEEM CIRCULATION.

Act June 3, 1864, c. 106, secs. 42, 43; 13 Stat. L., 112. **502. Sec. 5222.**—Within six months from the date of the vote to go into liquidation, the association shall deposit with the Treasurer of the United States, lawful money of the United States sufficient to redeem all its outstanding circulation. The Treasurer shall execute duplicate receipts for money thus desposited and deliver one to the association and the other to the Comptroller of the Currency, stating the amount received by him, and the purpose for which it has been received; and the money shall be paid into the Treasury of the United States, and placed to the credit of such association upon redemption account.

#### NO DEPOSIT REQUIRED FOR CONSOLIDATION.

Act July 14, 1870, c. 257; 16 Stat. L., 274. **503. Sec. 5223.**—An association which is in good faith winding up its business for the purpose of consolidating with another association shall not be required to deposit lawful money for its outstanding circulation; but its assets and liabilities shall be reported by the association with which it is in process of consolidation.

#### CONSOLIDATION OF NATIONAL BANKS.

Act Nov. 7, 1918. **503a.**—That any two or more national banking associations located within the same county, city, town, or village may, with the approval of the Comptroller of the Currency, consolidate into one association under the charter of either existing banks, on such terms and conditions as may be lawfully agreed upon by a majority of the board of directors of each association proposing to consolidate, and be ratified and confirmed by the affirmative vote of the shareholders of each such association owning at least two-thirds of its capital stock outstanding, at a meeting to be held on the call of the directors after publishing notice of the time, place, and object of the meeting for four consecutive weeks in some newspaper published in the place where the said association is located, and if no newspaper is published in the place, then in a paper published nearest thereto, and after sending such notice to each shareholder of record by registered mail at least ten days prior to said meeting: *Provided*, That the capital stock of such consolidated association shall not be less

than that required under existing law for the organization of a national bank in the place in which it is located: *And provided further*, That when such consolidation shall have been effected and approved by the comptroller any shareholder of either of the associations so consolidated who has not voted for such consolidation may give notice to the directors of the association in which he is interested within twenty days from the date of the certificate of approval of the comptroller that he dissents from the plan of consolidation as adopted and approved, whereupon he shall be entitled to receive the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by the shareholder, one by the directors, and the third by the two so chosen; and in case the value so fixed shall not be satisfactory to the shareholder he may within five days after being notified of the appraisal appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall pay the expenses of the reappraisal; otherwise the appellant shall pay said expenses, and the value so ascertained and determined shall be deemed to be a debt due and be forthwith paid to said shareholder from said bank, and the share so paid shall be surrendered and after due notice sold at public auction within thirty days after the final appraisement provided for in this Act.

SEC. 2. That associations consolidating with another association under the provisions of this Act shall not be required to deposit lawful money for their outstanding circulation, but their assets and liabilities shall be reported by the association with which they have consolidated. And all the rights, franchises, and interests of the said national bank so consolidated in and to every species of property, personal and mixed, and choses in action thereto belonging, shall be deemed to be transferred to and vested in such national bank into which it is consolidated without any deed or other transfer, and the said consolidated national bank shall hold and enjoy the same and all rights of property, franchises, and interests in the same manner and to the same extent as was held and enjoyed by the national bank so consolidated therewith.

#### REASSIGNMENT OF BONDS AND REDEMPTION OF NOTES OF LIQUIDATING BANKS.

504. Sec. 5224 [as amended 1875].—Whenever a sufficient deposit of lawful money to redeem the outstanding circulation of an association proposing to close its business has been made, the bonds deposited by the association to secure payment of its notes shall be reassigned to it, in the manner prescribed by section fifty-one hundred and sixty-two. And thereafter the association and its

Act June 3,  
1864, c. 106,  
s. c. 42; 13  
Stat. L., 112.  
Act. Feb. 18,  
1875, c. 80;  
18 Stat. L.,  
320.

shareholders shall stand discharged from all liabilities upon the circulating notes, and those notes shall be redeemed at the Treasury of the United States. And if any such bank shall fail to make the deposit and take up its bonds for thirty days after the expiration of the time specified, the Comptroller of the Currency shall have power to sell the bonds pledged for the circulation of said bank, at public auction in New York City, and, after providing for the redemption and cancellation of said circulation and the necessary expenses of the sale, to pay over any balance remaining to the bank or its legal representatives.

**DUTY OF TREASURER, ASSISTANT TREASURERS, ETC., TO RETURN NOTES OF FAILED OR LIQUIDATING BANKS TO TREASURY FOR REDEMPTION. ACT JUNE 20, 1874.**

Act June 20,  
1874, c. 343,  
sec. 8; 18 Stat.  
L., 125.

**505. Sec. 8.**—\* \* \* And it shall be the duty of the treasurer, assistant treasurers, designated depositaries, and national bank depositaries of the United States \* \* \* to assort and return to the Treasury for redemption the notes of such national banks as have failed, or gone into voluntary liquidation for the purpose of winding up their affairs, and of such as shall hereafter so fail or go into liquidation.

**DESTRUCTION OF REDEEMED NOTES.**

Act June 3,  
1864, c. 106,  
s. c. 43; 13  
Stat. L., 112.  
Act, Feb. 27,  
1877, c. 69; 19  
Stat. L., 252.

**506. Sec. 5225** [as amended 1877].—Whenever the Treasurer has redeemed any of the notes of an association which has commenced to close its affairs under the five preceding sections, he shall cause the notes to be mutilated and charged to the redemption account of the association; and all notes so redeemed by the Treasurer shall, every three months, be certified to and [*burned*] in the manner prescribed in section fifty-one hundred and eighty-four.

NOTE.—See act of June 23, 1874, following Revised Statutes, section 5184, directing that bank notes be macerated and not burned.

**PROTEST OF BANK CIRCULATION.**

Act June 3,  
1864, c. 106,  
s. c. 46; 13  
Stat. L., 113.

**507. Sec. 5226.**—Whenever any national banking association fails to redeem in the lawful money of the United States any of its circulating notes, upon demand of payment duly made during the usual hours of business, at the office of such association, or at its designated place of redemption, the holder may cause the same to be protested, in one package, by a notary public, unless the president or cashier of the association whose notes are presented for payment, [*or the president or cashier of the association at the place at which they are redeemable*] offers to waive demand and notice of the protest, and, in pursuance of

such offer, makes, signs, and delivers to the party making such demand an admission, in writing, stating the time of the demand, the amount demanded, and the fact of the nonpayment thereof. The notary public, on making such protest, or upon receiving such admission, shall forthwith forward such admission or notice of protest to the Comptroller of the Currency, retaining a copy thereof. If, however, satisfactory proof is produced to the notary public that the payment of the notes demanded is restrained by order of any court of competent jurisdiction, he shall not protest the same. When the holder of any notes causes more than one note or package to be protested on the same day, he shall not receive pay for more than one protest.

NOTE.—Circulation redeemable only at Treasury or over own counter. Designated places of redemption have not existed since act June 20, 1874. (See note under paragraph 401, ante.)

#### **BONDS FORFEITED IF CIRCULATION IS DISHONORED. EXAMINATION BY SPECIAL AGENT.**

508. Sec. 5227.—On receiving notice that any national banking association has failed to redeem any of its circulating notes, as specified in the preceding section, the Comptroller of the Currency, with the concurrence of the Secretary of the Treasury, may appoint a special agent, of whose appointment immediate notice shall be given to such association, who shall immediately proceed to ascertain whether it has refused to pay its circulating notes in the lawful money of the United States, when demanded, and shall report to the Comptroller the fact so ascertained. If, from such protest, and the report so made, the Comptroller is satisfied that such association has refused to pay its circulating notes and is in default, he shall, within thirty days after he has received notice of such failure, declare the bonds deposited by such association forfeited to the United States, and they shall thereupon be so forfeited.

Act June 3,  
1864, c. 106,  
s e c. 47; 13  
Stat. L., 114.

#### **SUSPENSION OF BUSINESS AFTER DEFAULT.**

509. Sec. 5228 [as amended 1875].—After a default on the part of an association to pay any of its circulating notes has been ascertained by the Comptroller, and notice thereof has been given by him to the association, it shall not be lawful for the association suffering the same to pay out any of its notes, discount any notes or bills, or otherwise prosecute the business of banking, except to receive and safely keep money belonging to it, and to deliver special deposits.

Act June 3,  
1864, c. 106,  
s e c. 46; 13  
Stat. L., 113;  
act Feb. 18,  
1875, c. 80; 18  
Stat. L., 320.



**NOTICE TO PRESENT CIRCULATION FOR REDEMPTION.  
CANCELLATION OF BONDS.**

Act June 3, 1864, c. 106, s e c. 47; 13 Stat. L., 114. **510. Sec. 5229.**—Immediately upon declaring the bonds of an association forfeited for nonpayment of its notes, the Comptroller shall give notice, in such manner as the Secretary of the Treasury shall, by general rules or otherwise, direct, to the holders of the circulating notes of such association, to present them for payment at the Treasury of the United States; and the same shall be paid as presented in lawful money of the United States, whereupon the Comptroller may, in his discretion, cancel an amount of bonds pledged by such association equal at current market rates, not exceeding par, to the notes paid.

**SALE OF BONDS AT AUCTION. FIRST LIEN FOR REDEEMING CIRCULATION.**

Act June 3, 1864, c. 106, s e c. 47, 48; 13 Stat. L., 114. **511. Sec. 5230.**—Whenever the Comptroller has become satisfied, by the protest or the waiver and admission specified in section fifty-two hundred and twenty-six, or by the report provided for in section fifty-two hundred and twenty-seven, that any association has refused to pay its circulating notes, he may, instead of canceling its bonds, cause so much of them as may be necessary to redeem its outstanding notes to be sold at public auction in the city of New York, after giving thirty days' notice of such sale to the association. For any deficiency in the proceeds of all the bonds of an association, when thus sold, to reimburse to the United States the amount expended in paying the circulating notes of the association, the United States shall have a paramount lien upon all its assets; and such deficiency shall be made good out of such assets in preference to any and all other claims whatsoever, except the necessary costs and expenses of administering the same.

**BONDS MAY BE SOLD AT PRIVATE SALE.**

Act June 3, 1864, c. 106, s e c. 49; 13 Stat. L., 114. **512. Sec. 5231.**—The Comptroller may, if he deems it for the interest of the United States, sell at private sale any of the bonds of an association shown to have made default in paying its notes, and receive therefor either money or the circulating notes of the association. But no such bonds shall be sold by private sale for less than par, nor for less than the market value thereof at the time of sale; and no sales of any such bonds, either public or private, shall be complete until the transfer of the bonds shall have been made with the formalities prescribed by sections fifty-one hundred and sixty-two, fifty-one hundred and sixty-three, and fifty-one hundred and sixty-four.

**DISPOSAL OF REDEEMED NOTES; REGULATIONS FOR REDEMPTION RECORDS.**

513. Sec. 5232.—The Secretary of the Treasury may, from time to time, make such regulations respecting the disposition to be made of circulating notes after presentation at the Treasury of the United States for payment, and respecting the perpetuation of the evidence of the payment thereof, as may seem to him proper.

Act June 3,  
1864, c. 106,  
sec. 47; 13  
Stat. L., 114.

**REDEEMED NOTES TO BE CANCELED.**

514. Sec. 5233.—All notes of national banking associations presented at the Treasury of the United States for payment shall, on being paid, be canceled.

Act June 3,  
1864, c. 106,  
sec. 47; 13  
Stat. L., 114.

**APPOINTMENT AND DUTIES OF RECEIVERS.**

515. Sec. 5234.—On becoming satisfied, as specified in sections fifty-two hundred and twenty-six and fifty-two hundred and twenty-seven, that any association has refused to pay its circulating notes as therein mentioned, and is in default, the Comptroller of the Currency may forthwith appoint a receiver, and require of him such bond and security as he deems proper. Such receiver, under the direction of the Comptroller, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like order, may sell all the real and personal property of such association, on such terms as the court shall direct; and may, if necessary to pay the debts of such association, enforce the individual liability of the stockholders. Such receiver shall pay over all money so made to the Treasurer of the United States, subject to the order of the Comptroller, and also make report to the Comptroller of all his acts and proceedings. *Provided*, That the Comptroller may, if he deems proper, deposit any of the money so made in any regular Government depository, or in any State or national bank either of the city or town in which the insolvent bank was located, or of a city or town as adjacent thereto as practicable; if such deposit is made he shall require the depository to deposit United States bonds or other satisfactory securities with the Treasurer of the United States for the safe-keeping and prompt payment of the money so deposited. Such depository shall pay upon such money interest at such rate as the Comptroller may prescribe, not less, however, than two per centum per annum upon the average monthly amount of such deposits.

Act June 3,  
1864, c. 106,  
sec. 50; 13  
Stat. L., 114.

Act May 15,  
1916; 39 Stat.  
L., 122.

NOTE.—Other provisions authorizing the appointment of receivers of national banks and relating to powers and duties of receivers and agents will be found in the act of June 30, 1876, as

amended August 3, 1892, and March 2, 1897, and the act of March 29, 1886. Both these acts are set forth following section 5238, Revised Statutes.

A receiver may also be appointed, under the provisions of section 5234 of the Revised Statutes of the United States, for the following violations of law:

Where the capital stock of a national bank has not been fully paid in and it is thus reduced below the legal minimum and remains so for thirty days. (Sec. 5141, R. S.)

For failure to make good the lawful money reserve within thirty days after notice. (Sec. 5191, R. S.)

Where a bank purchases or acquires its own stock to prevent loss upon a debt previously contracted in good faith, and the same is not sold or disposed of within six months from the time of its purchase. (Sec. 5201, R. S.)

For failure to make good any impairment in its capital stock and refusing to go into liquidation within three months after receiving notice. (Sec. 5205, R. S.)

For false certification of checks by any officer, clerk, or agent. (Sec. 5208, R. S.)

#### NOTICE TO CREDITORS OF INSOLVENT BANKS TO PRESENT CLAIMS.

Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114. **516. Sec. 5235.**—The Comptroller shall, upon appointing a receiver, cause notice to be given, by advertisement in such newspapers as he may direct, for three consecutive months, calling on all persons who may have claims against such association to present the same, and to make legal proof thereof.

#### DIVIDENDS; DISTRIBUTION OF ASSETS OF INSOLVENT BANKS.

Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114. **517. Sec. 5236.**—From time to time, after full provision has been first made for refunding to the United States any deficiency in redeeming the notes of such association, the Comptroller shall make a ratable dividend of the money so paid over to him by such receiver on all such claims as may have been proved to his satisfaction or adjudicated in a court of competent jurisdiction, and, as the proceeds of the assets of such association are paid over to him, shall make further dividends on all claims previously proved or adjudicated; and the remainder of the proceeds, if any, shall be paid over to the shareholders of such association or their legal representatives, in proportion to the stock by them respectively held.

#### WHEN BANK MAY ENJOIN FURTHER PROCEEDINGS.

Act June 3, 1864, c. 106, sec. 50; 13 Stat. L., 114. **518. Sec. 5237.**—Whenever an association against which proceedings have been instituted, on account of any alleged refusal to redeem its circulating notes as aforesaid, denies having failed to do so, it may, at any time within ten days after it has been notified of the appointment of an agent, as provided in section fifty-two hundred and twenty-seven, apply to the nearest circuit, or district, or Territorial court of the United States to enjoin further proceedings in the premises; and such court, after citing

the Comptroller of the Currency to show cause why further proceedings should not be enjoined, and after the decision of the court or finding of a jury that such association has not refused to redeem its circulating notes, when legally presented, in the lawful money of the United States, shall make an order enjoining the Comptroller, and any receiver acting under his direction, from all further proceedings on account of such alleged refusal.

NOTE.—See also sections 24, judiciary act passed March 31, 1911, and 736, Revised Statutes, paragraphs 701 and 702, post.

#### FEES AND EXPENSES.

**519. Sec. 5238.**—All fees for protesting the notes issued by any national banking association shall be paid by the person procuring the protest to be made, and such association shall be liable therefor; but no part of the bonds deposited by such association shall be applied to the payment of such fees. All expenses of any preliminary or other examinations into the condition of any association shall be paid by such association. All expenses of any receivership shall be paid out of the assets of such association before distribution of the proceeds thereof.

Act June 3,  
1864, c. 106,  
sec. 51; 13  
Stat. L., 115.

#### WHEN RECEIVER MAY BE APPOINTED. ACT JUNE 30, 1876.

**520. Section 1.**—That whenever any national banking association shall be dissolved, and its rights, privileges, and franchises declared forfeited, as prescribed in section fifty-two hundred and thirty-nine of the Revised Statutes of the United States, or whenever any creditor of any national banking association shall have obtained a judgment against it in any court of record, and made application, accompanied by a certificate from the clerk of the court stating that such judgment has been rendered and has remained unpaid for the space of thirty days, or whenever the Comptroller shall become satisfied of the insolvency of a national banking association, he may, after due examination of its affairs, in either case, appoint a receiver, who shall proceed to close up such association, and enforce the personal liability of the shareholders, as provided in section fifty-two hundred and thirty-four of said statutes.

Act June 30,  
1876, c. 156,  
sec. 1; 19 Stat.  
L., 63.

#### CREDITOR'S BILL AGAINST SHAREHOLDERS. ACT JUNE 30, 1876.

**521. Sec. 2.**—That when any national banking association shall have gone into liquidation under the provisions of section five thousand two hundred and twenty of said statutes, the individual liability of the shareholders provided for by section fifty-one hundred and fifty-one of said statutes may be enforced by any creditor of such association, by bill in equity, in the nature of a creditor's

Act June 30,  
1876, c. 156,  
sec. 2; 19 Stat.  
L., 63.



bill, brought by such creditor on behalf of himself and of all other creditors of the association, against the shareholders thereof, in any court of the United States having original jurisdiction in equity for the district in which such association may have been located or established.

**APPOINTMENT, QUALIFICATION, AND DUTIES OF SHAREHOLDERS' AGENT. ACT JUNE 30, 1876, AS AMENDED 1892, 1897.**

Act June 30, 1876, c. 150, sec. 3; 19 Stat. L., 63, amended Aug. 3, 1892, Stat. L., 345, and Mar. 2, 1897, 29 Stat. L., 600.

**522. Sec. 3.**—That whenever any association shall have been or shall be placed in the hands of a receiver, as provided in section fifty-two hundred and thirty-four and other sections of the Revised Statutes of the United States, and when, as provided in section fifty-two hundred and thirty-six thereof, the Comptroller of the Currency shall have paid to each and every creditor of such association, not including shareholders who are creditors of such association, whose claim or claims as such creditor shall have been proved or allowed as therein prescribed, the full amount of such claims, and all expenses of the receivership and the redemption of the circulating notes of such association shall have been provided for by depositing lawful money of the United States with the Treasurer of the United States, the Comptroller of the Currency shall call a meeting of the shareholders of such association by giving notice thereof for thirty days in a newspaper published in the town, city, or county where the business of such association was carried on, or if no newspaper is there published, in the newspaper published nearest thereto. At such meeting the shareholders shall determine whether the receiver shall be continued and shall wind up the affairs of such association, or whether an agent shall be elected for that purpose, and in so determining the said shareholders shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and the majority of the stock in value and number of shares shall be necessary to determine whether the said receiver shall be continued, or whether an agent shall be elected. In case such majority shall determine that the said receiver shall be continued, the said receiver shall thereupon proceed with the execution of his trust, and shall sell, dispose of, or otherwise collect the assets of the said association, and shall possess all the powers and authority, and be subject to all the duties and liabilities originally conferred or imposed upon him by his appointment as such receiver, so far as the same remain applicable. In case the said meeting shall, by the vote of a majority of the stock in value and number of shares, determine that an agent shall be elected, the said meeting shall thereupon proceed to elect an agent, voting by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and the person who shall receive votes representing at least a majority of stock in value

and number shall be declared the agent for the purposes hereinafter provided; and whenever any of the shareholders of the association shall, after the election of such agent, have executed and filed a bond to the satisfaction of the Comptroller of the Currency, conditioned for the payment and discharge in full of each and every claim that may thereafter be proved and allowed by and before a competent court, and for the faithful performance of all and singular the duties of such trust, the Comptroller and the receiver shall thereupon transfer and deliver to such agent all the undivided or uncollected or other assets of such association then remaining in the hands or subject to the order and control of said Comptroller and said receiver, or either of them; and for this purpose said Comptroller and said receiver are hereby severally empowered and directed to execute any deed, assignment, transfer, or other instrument in writing that may be necessary and proper; and upon the execution and delivery of such instrument to the said agent the said Comptroller and the said receiver shall by virtue of this act be discharged from any and all liabilities to such association and to each and all the creditors and shareholders thereof.

Upon receiving such deed, assignment, transfer, or other instrument the person elected such agent shall hold, control, and dispose of the assets and property of such association which he may receive under the terms hereof for the benefit of the shareholders of such association, and he may, in his own name, or in the name of such association, sue and be sued and do all other lawful acts and things necessary to finally settle and distribute the assets and property in his hands, and may sell, compromise, or compound the debts due to such association, with the consent and approval of the circuit or district court of the United States for the district where the business of such association was carried on, and shall at the conclusion of his trust render to such district or circuit court a full account of all his proceedings, receipts, and expenditures as such agent, which court shall, upon due notice, settle and adjust such accounts and discharge said agent and the sureties upon said bond. And in case any such agent so elected shall refuse to serve, or die, resign, or be removed, any shareholder may call a meeting of the shareholders of such association in the town, city, or village where the business of the said association was carried on, by giving notice thereof for thirty days in a newspaper published in said town, city, or village, or if no newspaper is there published, in the newspaper published nearest thereto, at which meeting the shareholders shall elect an agent, voting by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and when such agent shall have received votes representing at least a majority of the stock in value and number of shares, and shall have executed a bond to the

shareholders conditioned for the faithful performance of his duties, in the penalty fixed by the shareholders at said meeting, with two sureties, to be approved by a judge of a court of record, and file said bond in the office of the clerk of a court of record in the county where the business of said association was carried on, he shall have all the rights, powers, and duties of the agent first elected as hereinbefore provided. At any meeting held as hereinbefore provided administrators or executors of deceased shareholders may act and sign as the decedent might have done if living, and guardians of minors and trustees of other persons may so act and sign for their ward or wards or cestui que trust. The proceeds of the assets or property of any such association which may be undistributed at the time of such meeting or may be subsequently received shall be distributed as follows:

First. To pay the expenses of the execution of the trust to the date of such payment.

Second. To repay any amount or amounts which have been paid in by any shareholder or shareholders of such association upon and by reason of any and all assessments made upon the stock of such association by the order of the Comptroller of the Currency in accordance with the provisions of the statutes of the United States; and

Third. The balance ratably among such stockholders, in proportion to the number of shares held and owned by each. Such distribution shall be made from time to time as the proceeds shall be received and as shall be deemed advisable by the said Comptroller or said agent.

NOTE.—Other sections of act June 30, 1876:

Section 4 amends Revised Statutes, 5205.

Section 5 relates to counterfeit notes.

Section 6 relates to savings banks and trust companies, organized under act of Congress.

#### RECEIVER MAY PURCHASE PROPERTY TO PROTECT HIS TRUST. ACT MARCH 29, 1886.

Act. Mar. 29,  
1886, c. 28, sec.  
1; 24 Stat. L.,  
8.

**523. Sec. 1.**—That whenever the receiver of any national bank duly appointed by the Comptroller of the Currency, and who shall have duly qualified and entered upon the discharge of his trust, shall find it in his opinion necessary, in order to fully protect and benefit his said trust, to the extent of any and all equities that such trust may have in any property, real or personal, by reason of any bond, mortgage, assignment, or other proper legal claim attaching thereto, and which said property is to be sold under any execution, decree of foreclosure, or proper order of any court of jurisdiction, he may certify the facts in the case, together with his opinion as to the value of the property to be sold, and the value of the equity his said trust may have in the same, to the Comptroller of the Currency, together with a request for the right and

authority to use and employ so much of the money of said trust as may be necessary to purchase such property at such sale.

**APPROVAL OF REQUEST. ACT MARCH 29, 1886.**

**524. Sec. 2.**—That such request, if approved by the Comptroller of the Currency, shall be, together with the certificate of facts in the case, and his recommendation as to the amount of money which, in his judgment, should be so used and employed, submitted to the Secretary of the Treasury, and if the same shall likewise be approved by him, the request shall be by the Comptroller of the Currency allowed, and notice thereof, with copies of the request, certificate of facts, and indorsement of approvals, shall be filed with the Treasurer of the United States.

Act. Mar 29,  
1886, c. 28, sec.  
2; 24 Stat. L.,  
8.

**PAYMENT. ACT MARCH 29, 1886.**

**525. Sec. 3.**—That whenever any such request shall be allowed as hereinbefore provided, the said Comptroller of the Currency shall be, and is, empowered to draw upon and from such funds of any such trust as may be deposited with the Treasurer of the United States for the benefit of the bank in interest, to the amount as may be recommended and allowed and for the purpose for which such allowance was made: *Provided, however,* That all payments to be made for or on account of the purchase of any such property and under any such allowance shall be made by the Comptroller of the Currency direct, with the approval of the Secretary of the Treasury, for such purpose only and in such manner as he may determine and order.

Act Mar. 29,  
1886, c. 28, sec.  
3; 24 Stat. L.,  
8.

**PENALTY FOR VIOLATION OF THIS TITLE; FORFEITURE OF CHARTER; INDIVIDUAL LIABILITY OF DIRECTORS.**

**526. Sec. 5239.**—If the directors of any national banking association shall knowingly violate, or knowingly permit any of the officers, agents, or servants of the association to violate any of the provisions of this title, all the rights, privileges, and franchises of the association shall be thereby forfeited. Such violation 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, every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages which the association, its shareholders, or any other person, shall have sustained in consequence of such violation.

Act June 3,  
1864, c. 106,  
sec. 53; 13  
Stat. L., 116.



## APPOINTMENT OF EXAMINERS, COMPENSATION.

Act June 3, 1864, c. 106, sec. 54; 13 Stat. L., 116. Act Feb. 19, 1875, c. 89; 18 Stat. L., 329. Act Dec. 23, 1913, sec. 21; 38 Stat. L., 271.

527. Sec. 5240 [as amended 1913].—The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners, who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank, and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

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 the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank 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 concerning the condition of any member bank within the district of the said Federal reserve bank.

No bank shall be subject to any visitatorial 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 by either House thereof or by any committee of Congress or of either House duly authorized.

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.

## LIMITATION OF VISITORIAL POWERS.

528. Sec. 5241.—No association shall be subject to any visitorial powers other than such as are authorized by this Title, or are vested in the courts of justice. Act June 3, 1864, c. 106, sec. 54; 13 Stat. L., 116.

NOTE.—See also the fourth paragraph in section 5240, immediately preceding.

## TRANSFERS, WHEN VOID; ILLEGAL PREFERENCE OF CREDITORS.

529. Sec. 5242.—All transfers of the notes, bonds, bills of exchange, or other evidences of debt owing to any national banking association, or of deposits to its credit; all assignments of mortgages, sureties on real estate, or of judgments or decrees in its favor; all deposits of money, bullion, or other valuable thing for its use, or for the use of any of its shareholders or creditors; and all payments of money to either, made after the commission of an act of insolvency, or in contemplation thereof, made with a view to prevent the application of its assets in the manner prescribed by this chapter, or with a view to the preference of one creditor to another, except in payment of its circulating notes, shall be utterly null and void; and no attachment, injunction or execution, shall be issued against such association or its property before final judgment in any suit, action, or proceeding, in any State, county, or municipal court. Act June 3, 1864, c. 106, sec. 52; 13 Stat. L., 115.

## USE OF THE TITLE "NATIONAL."

530. Sec. 5243.—All banks not organized and transacting business under the national currency laws, or under this Title, and all persons or corporations doing the business of bankers, brokers, or savings institutions, except savings banks authorized by Congress to use the word "national" as a part of their corporate name, are prohibited from using the word "national" as a portion of the name or title of such bank, corporation, firm, or partnership; and any violation of this prohibition committed after the third day of September, eighteen hundred and seventy-three, shall subject the party chargeable therewith to a penalty of fifty dollars for each day during which it is committed or repeated. Act Mar. 3, 1873, c. 269, sec. 3; 17 Stat. L., 603.



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**FEDERAL RESERVE ACT.**

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## CHAPTER VI.

### THE FEDERAL RESERVE ACT.

As amended by the acts approved August 4 and August 15, 1914, March 3, 1915, September 7, 1916, June 21, 1917, and March 3, 1919.

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#### TITLE OF ACT.

600. *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." Act Dec. 23, 1913, sec. 1; 38 Stat. L., 251.

#### DEFINITION OF TERMS.

601. 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. Act Dec. 23, 1913, sec. 1; 38 Stat. L., 251.



The terms "national bank" and "national banking association" used in this Act shall be held to be synonymous 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 created by this Act. The term "board" shall be held to mean Federal Reserve Board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

#### FEDERAL RESERVE DISTRICTS—ORGANIZATION COMMITTEE.

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 251. **602. Sec. 2.**—As soon 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 not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain 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 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 quorum with authority to act.

#### AUTHORITY OF COMMITTEE.

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 252. **602a.** 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 designating 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."

#### ACCEPTANCE OF TERMS OF ACT.

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 252. **602b.** Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company

within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this act, its acceptance of the terms and provisions hereof.

#### SUBSCRIPTIONS TO CAPITAL STOCK.

602c. When the organization committee shall have designated the cities in which Federal reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the organization committee, to subscribe to the capital stock of such Federal reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the 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.

Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
252.

#### RESPONSIBILITY OF SHAREHOLDERS.

602d. 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.

Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
252.

#### FAILURE OF NATIONAL BANKS TO ACCEPT TERMS OF ACT—PENALTY.

602e. 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.

Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
252.

#### FAILURE OF NATIONAL BANKS TO BECOME MEMBER BANKS—PENALTY.

602f. Should any national banking association in the United States now organized fail within one year after the passage of this Act to become a member bank 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

Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
252.

forfeited. Any noncompliance with or violation of this Act shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located, under direction of the Federal Reserve Board, by the Comptroller of the Currency in his own name before the association shall be declared dissolved. In cases of such noncompliance or 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.

#### **PUBLIC SUBSCRIPTIONS—WHEN ACCEPTED.**

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 253. **602g.** 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 and stock liability as provided for member banks.

#### **LIMIT TO STOCK HELD BY ANY INDIVIDUAL, COPARTNERSHIP, OR CORPORATION OTHER THAN A MEMBER BANK. PUBLIC STOCK, HOW TRANSFERABLE.**

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 253. **602h.** 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 \$25,000 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.

#### **ALLOTMENT OF STOCK TO UNITED STATES.**

Act Dec. 23, 1913, sec. 2; 38 Stat. L., 253. **602i.** 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 de-

termine. 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.

#### VOTING POWER.

602j. Stock not held by member banks shall not be entitled to voting power. Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
253.

#### TRANSFER OF STOCK.

602k. The Federal Reserve Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock. Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
253.

#### MINIMUM CAPITAL OF FEDERAL RESERVE BANK.

602l. No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
253.

#### RESERVE CITIES, STATUS OF.

602m. 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. Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
253.

#### AUTHORITY OF ORGANIZATION COMMITTEE TO EMPLOY ASSISTANTS.

602n. 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. Act Dec. 23,  
1913, sec. 2;  
38 Stat. L.,  
253.

#### BRANCH OFFICES.

#### BRANCHES OF FEDERAL RESERVE BANKS.

603. Sec. 3.—The Federal Reserve Board may permit or require any Federal reserve bank to establish branch banks within the Federal reserve district in which it is located or within the district of any Federal reserve bank which may have been suspended. Such branches, sub- Act Dec. 23,  
1913, sec. 3;  
38 Stat. L.,  
253.  
Act June 21,  
1917, sec. 1;  
40 Stat. L.,  
232, chap. 32.



ject to such rules and regulations as the Federal Reserve Board may prescribe, shall be operated under the supervision of a board of directors to consist of not more than seven nor less than three directors, of whom a majority of one shall be appointed by the Federal reserve bank of the district, and the remaining directors by the Federal Reserve Board. Directors of branch banks shall hold office during the pleasure of the Federal Reserve Board.

#### FEDERAL RESERVE BANKS.

#### ORGANIZATION OF FEDERAL RESERVE BANKS. APPLICATI ON FOR STOCK BY NATIONAL BANKS.

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
254.

**604. 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.

#### ORGANIZATION CERTIFICATE.

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
254.

**604a.** 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, 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 acknowledgement 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.

#### POWERS OF FEDERAL RESERVE BANKS.

604b. Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power—

Act Dec. 23  
1913, sec. 4;  
38 Stat. L.,  
254.

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 or equity.

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this act, to define their duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees.

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.<sup>1</sup> 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 as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

<sup>1</sup> See section 18. Also section 5 of act approved Apr. 23, 1918, authorizing issuance of Federal Reserve Bank notes in any denominations (including \$1 and \$2) against security of United States certificates of indebtedness.

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.

#### DIRECTORS OF FEDERAL RESERVE BANKS.

Act Dec. 23, 1913, sec. 4; 38 Stat. L. 255. 604c. Every Federal reserve bank shall be conducted under the supervision and control of a board of directors.

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

#### CLASSIFICATION OF DIRECTORS.

Act Dec. 23, 1913, sec. 4; 38 Stat. L. 255. 604d. Such board of directors shall be 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 at the time of their election shall be actively engaged in their district in commerce, agriculture or some other industrial pursuit.

Class C shall consist of three members who shall be designated by the Federal Reserve Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Federal Reserve Board shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Federal reserve bank.

No Senator or Representative in Congress shall be a member of the Federal Reserve Board or an officer or a director of a Federal reserve bank.

No director of class B shall be an officer, director, or employee of any bank.

No director of class C shall be an officer, director, employee, or stockholder of any bank.

## ELECTION OF CLASS A AND CLASS B DIRECTORS.

604e. Directors of class A and class B shall be chosen in the following manner: Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
256.

The Federal Reserve Board shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each group shall consist as nearly as may be of banks of similar capitalization. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of class A and class B directors. Act Sept. 26,  
1918.

Within fifteen days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of class A and class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each such officer 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. No officer or director of a member bank shall be eligible to serve as a class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

Any person who is an officer or director of more than one member bank shall not be eligible for nomination as a class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director.

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 and 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.

**APPOINTMENT OF CLASS C DIRECTORS. FEDERAL RESERVE AGENTS, DUTIES OF.**

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
256.

**604f.** Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and 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 he shall be required to maintain, under regulations to be established by the Federal Reserve Board, a local office of said board on the premises of the Federal reserve bank. 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 to exercise the powers of the chairman of the board when necessary. In case of the absence of the chairman and deputy chairman, the third-class C director shall preside at meetings of the board.

Act June 21,  
1917, sec. 2.

Subject to the approval of the Federal Reserve Board, the Federal reserve agent shall appoint one or more assistants. Such assistants, who shall be persons of tested banking experience, shall assist the Federal reserve agent in the performance of his duties and shall also have power to act in his name and stead during his absence or disability. The Federal Reserve Board shall require such bonds of the assistant Federal reserve agents as it may deem necessary for the protection of the United States. Assistants to the Federal reserve agent shall receive an annual compensation, to be fixed and paid in the same manner as that of the Federal reserve agent.

**COMPENSATION OF DIRECTORS.**

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
257.

**604g.** 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 directors, officers or employees shall be subject to the approval of the Federal Reserve Board.

**ORGANIZATION OF FEDERAL RESERVE BANKS. AUTHORITY OF ORGANIZATION COMMITTEE.**

604h. The Reserve Bank Organization Committee may, in organizing Federal reserve banks, 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.

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
257.

**FIRST MEETING OF DIRECTORS. DESIGNATION OF TERMS OF OFFICE.**

604i. At the first meeting of the full board of directors of each Federal reserve bank, it shall be the duty of the directors of classes A, 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 the 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. 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.

Act Dec. 23,  
1913, sec. 4;  
38 Stat. L.,  
257.

**STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL.****INCREASE AND DECREASE OF CAPITAL STOCK.**

605. Sec. 5.—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.

Act Dec. 23,  
1913, sec. 5;  
38 Stat. L.,  
257.

**STOCK NOT TRANSFERABLE.**

605a. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated.

Act Dec. 23,  
1913, sec. 5;  
38 Stat. L.,  
257.

**INCREASE OF CAPITAL STOCK.**

605b. When a member bank increases 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 six per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board.

Act Dec. 23,  
1913, sec. 5;  
38 Stat. L.,  
257.

## APPLICATIONS FOR CAPITAL STOCK.

Act Dec. 23, 605c. A bank applying for stock in a Federal reserve  
 1913, sec. 5; bank at any time after the organization thereof must sub-  
 38 Stat. L., scribe for an amount of the capital stock of the Federal  
 257. reserve bank equal to six per centum of the paid-up capi-  
 tal stock and surplus of said applicant bank, paying  
 therefor its par value plus one-half of one per centum  
 a month from the period of the last dividend.

CERTIFICATE OF INCREASE IN STOCK OF FEDERAL RE-  
SERVE BANK.

Act Dec. 23, 605d. When the capital stock of any Federal reserve  
 1913, sec. 5; bank shall have been increased either on account of the  
 38 Stat. L., increase of capital stock of member banks or on account  
 257. of the increase in the number of member banks, the board  
 of directors shall cause to be executed a certificate to the  
 Comptroller of the Currency showing the increase in  
 capital stock, the amount paid in, and by whom paid.

## REDUCTION OF CAPITAL STOCK.

Act Dec. 23, 605e. When a member bank reduces its capital stock it  
 1913, sec. 5; shall surrender a proportionate amount of its holdings  
 38 Stat. L., in the capital of said Federal reserve bank, and when a  
 257. member bank voluntarily liquidates it shall surrender all  
 of its holdings of the capital stock of said Federal reserve  
 bank and be released from its stock subscription not pre-  
 viously called. In either case the shares surrendered  
 shall be canceled and the 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 centum a month from the period of the last divi-  
 dend, not to exceed the book value thereof, less any li-  
 ability of such member bank to the Federal reserve bank.

## INSOLVENCY OF MEMBER BANK.

Act Dec. 23, 606. Sec. 6.—If any member bank shall be declared in-  
 1913, sec. 6; solvent and a receiver appointed therefor, the stock held  
 38 Stat. L., by it in said Federal reserve bank shall be canceled, with-  
 258. out impairment of its liability, and all cash-paid sub-  
 scriptions on said stock, with one-half of one per centum  
 per month from the period of last dividend, not to ex-  
 ceed the book value thereof, shall be first applied to all  
 debts of the insolvent member bank to the Federal re-  
 serve 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 ac-  
 count of a reduction in capital stock of any member bank  
 or of the liquidation or insolvency of such bank, the  
 board of directors shall cause to be executed a certificate  
 to the Comptroller of the Currency showing such reduc-  
 tion of capital stock and the amount repaid to such bank.



## DIVISION OF EARNINGS.

607. Sec. 7.—After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which dividend shall be cumulative. Act Dec. 23,  
1913, sec. 7;  
38 Stat. L.,  
258.

After the aforesaid dividend claims have been fully met, the net earnings shall be paid to the United States as a franchise tax except that the whole of such net earnings, including those for the year ending December thirty-first, nineteen hundred and eighteen, shall be paid into a surplus fund until it shall amount to one hundred per centum of the subscribed capital stock of such bank, and that thereafter ten per centum of such earnings shall be paid into the surplus. Act Mar. 3,  
1919.

The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.

## TAX EXEMPTIONS.

607a. Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate. Act Dec. 23,  
1913, sec. 7;  
38 Stat. L.,  
258.

## CONVERSION OF STATE BANKS INTO NATIONAL BANKS.

608. Sec. 8.—Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows: Act June 3,  
1864, c. 106,  
sec. 44; 13  
Stat. L., 112.  
Act Dec. 23,  
1913, sec. 8;  
38 Stat. L.,  
258.

Any bank 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 the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency: *Provided, however, That*



said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be the directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. 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 the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

#### STATE BANKS AS MEMBERS.

##### STATE BANKS MAY SUBSCRIBE.

Act Dec. 23, 1913, sec. 9; 38 Stat. L., 259. 609. Sec. 9.—Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, desiring to become a member of the Federal Reserve System, may make application to the Federal Reserve Board, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. The Federal Reserve Board, subject to such conditions as it may prescribe, may permit the applying bank to become a stockholder of such Federal reserve bank.

##### APPLICATIONS FOR MEMBERSHIP.

Act Dec. 23, 1913, sec. 9; 38 Stat. L., 259. 609a. In acting upon such applications the Federal Reserve Board shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of this act.

Whenever the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district its stock subscription shall be payable on call of the Federal Reserve Board, and stock issued to it shall be held subject to the provisions of this act.

#### REGULATIONS AND RESTRICTIONS.

609b. All banks admitted to membership under authority of this section shall be required to comply with the reserve and capital requirements of this act and to conform to those provisions of law imposed on national banks which prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relates to the payment of unearned dividends.

Act Dec. 23,  
1913, sec. 9; 38  
Stat. L., 259.

Act June 21,  
1917, sec. 3.

#### MEMBER BANKS REQUIRED TO MAKE REPORTS TO FEDERAL RESERVE BOARD AND SUBJECT TO EXAMINATION BY EXAMINERS APPOINTED BY THE BOARD AND SUCH BANKS' OFFICERS, AGENTS, AND EMPLOYEES SUBJECT TO PENALTIES OF SECTION 5209.

609c. Such banks and the officers, agents, and employees thereof shall also be subject to the provisions of and to the penalties prescribed by section fifty-two hundred and nine of the Revised Statutes, and shall be required to make reports of condition and of the payment of dividends to the Federal reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal Reserve bank on dates to be fixed by the Federal Reserve Board. Failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal reserve bank by suit or otherwise.

Act Dec. 23,  
1913, sec. 9; 38  
Stat. L.,  
260.

Act June 21,  
1917, sec. 3.

As a condition of membership such banks shall likewise be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Federal Reserve Board.

Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Federal Reserve Board: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expenses of all examinations, other than those made by State authorities, shall be assessed against and paid by the banks examined.

**FAILURE TO COMPLY WITH REGULATIONS—PENALTY.**

Act Dec. 23, 1913, sec. 9; 38 Stat. L., 260. 609d. If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board made pursuant thereto, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

Act June 21, 1917, sec. 3.

**WITHDRAWAL FROM MEMBERSHIP IN FEDERAL RESERVE BANK BY STATE BANK OR TRUST COMPANY.**

Act June 21, 1917, sec. 3. 609e. Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: *Provided, however,* That no Federal reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board. Whenever a member bank shall surrender its stock holdings in a Federal reserve bank, or shall be ordered to do so by the Federal Reserve Board, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any indebtedness due or to become due to the Federal reserve bank it shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Federal reserve bank.

**AMOUNT OF CAPITAL REQUIRED TO ENABLE STATE BANK TO BECOME MEMBER BANK.**

Act Dec. 23, 1913, sec. 9; 38 Stat. L., 259. 609f. No 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-bank act.

Act June 21, 1917, sec. 3.



**RIGHTS, POWERS, AND LIABILITIES OF STATE BANKS WHICH BECOME MEMBER BANKS.**

609g. Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section and to those of this act which relate specifically to member banks, but shall not be subject to examination under the provisions of the first two paragraphs of section fifty-two hundred and forty of the Revised Statutes as amended by section twenty-one of this act.<sup>1</sup> Subject to the provisions of this act and to the regulations of the board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal reserve bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than ten per centum of the capital and surplus of such State bank or trust company, but the discount of bills of exchange drawn against actually existing value and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as borrowed money within the meaning of this section. The Federal reserve bank, as a condition of the discount of notes, drafts, and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Federal reserve bank.

It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this section to certify any check drawn upon such bank unless the person or company drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this section may subject such bank to a forfeiture of its membership in the Federal Reserve System upon hearing by the Federal Reserve Board.

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<sup>1</sup> Amending section 21 of this act.



## FEDERAL RESERVE BOARD.

**APPOINTMENT, COMPENSATION, AND QUALIFICATION OF MEMBERS OF FEDERAL RESERVE BOARD.**

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
260.

**610. Sec. 10.**—A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the five 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 the different commercial, industrial and geographical divisions of the country. The five 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 \$12,000, payable monthly together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said board.

Act Mar. 3,  
1919.

The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Of the five members thus appointed by the President at least two shall be persons experienced in banking or finance. One shall be designated by the President to serve for two, one for four, one for six, one for eight, and one for ten years, and thereafter each member so appointed shall serve for a term of ten years unless sooner removed for cause by the President.

**GOVERNOR AND VICE GOVERNOR; OFFICERS; QUALIFICATION OF MEMBERS.**

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
260.

**610a.** Of the five persons thus appointed, one shall be designated by the President as governor and one as vice governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of

<sup>1</sup> See section 5209, Revised Statutes, as amended by act of Sept. 26, 1918 (p. 88 ante), for penalty for false certification of checks by officers of Federal reserve banks and national banks.

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.

#### PROVISION FOR EXPENSES.

610b. 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 the 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.

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
261.

#### FIRST MEETING OF BOARD. SECRETARY OF TREASURY CHAIRMAN OF BOARD.

610c. 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.

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
261.

#### MEMBER OF FEDERAL RESERVE BOARD NOT TO BE OFFICER, DIRECTOR, OR STOCKHOLDER IN ANY BANKING INSTITUTION OR TRUST COMPANY.

610d. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank nor hold stock in any bank, 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.

Act Dec. 23,  
1913, sec. 1;  
38 Stat. L.,  
261.

#### VACANCIES ON BOARD—HOW FILLED.

610e. Whenever a vacancy shall occur, other than by expiration of term, among the five 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.

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
261.

The President shall have power to fill all vacancies that may happen on the Federal Reserve Board during the recess of the Senate, by granting commissions which shall expire thirty days after the next session of the Senate convenes.

#### POWERS OF SECRETARY OF TREASURY.

610f. 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 super-

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L.,  
261.

vision, management, and control of the Treasury Department and bureaus under such department, and wherever 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.

**FEDERAL RESERVE BOARD TO MAKE ANNUAL REPORT TO SPEAKER OF THE HOUSE OF REPRESENTATIVES.**

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L., 261. **610g.** The Federal Reserve Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

**COMPTROLLER OF THE CURRENCY.**

Act Dec. 23,  
1913, sec. 10;  
38 Stat. L., 261. **610h.** 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 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.

**POWERS OF FEDERAL RESERVE BOARD.**

Act Dec. 23,  
1913, sec. 11;  
38 Stat. L., 261. **611. Sec. 11.**—The Federal Reserve Board shall be authorized and empowered:

**EXAMINATION OF BOOKS OF FEDERAL RESERVE BANKS AND MEMBER BANKS BY FEDERAL RESERVE BOARD. BOARD MAY REQUIRE REPORTS.**

Act Dec. 23,  
1913, sec. 11;  
38 Stat. L., 261. **611a. (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 the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal reserve banks.



**REDISCOUNTS.**

611b. (b) To permit, or, on the affirmative vote of at least five members of the Reserve Board to require Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Federal Reserve Board. Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.

**SUSPENSION OF RESERVE REQUIREMENTS.**

611c. (c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any 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: *And provided further*, That when the gold reserve held against Federal reserve notes falls below forty per centum, the Federal Reserve Board shall establish a graduated tax of not more than one per centum per annum upon such deficiency until the reserves fall to thirty-two and one-half per centum, and when said reserve falls below thirty-two and one-half per centum, a tax at the rate increasingly of not less than one and one-half per centum per annum upon each two and one-half per centum or fraction thereof that such reserve falls below thirty-two and one-half per centum. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board. Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.

**ISSUE AND RETIREMENT OF FEDERAL RESERVE NOTES.**

611d. (d) 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 to the Federal reserve agents applying therefor. Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.

**RESERVE CITIES.**

611e. (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 or to terminate their designation as such. Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.

**SUSPENSION OR REMOVAL OF OFFICER OR DIRECTOR OF A FEDERAL RESERVE BANK.**

611f. (f) 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. Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.



**WRITING OFF DOUBTFUL OR WORTHLESS ASSETS.**

Act Dec. 23, 1913, sec. 11; 38 Stat. L., 262. **611g. (g)** To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

**SUSPENSION OF OPERATIONS OF FEDERAL RESERVE BANK.**

Act Dec. 23, 1913, sec. 11; 38 Stat. L., 262. **611h. (h)** To suspend, for the violation of any of the provisions of this Act, the operations of any Federal reserve bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.

**REQUIREMENT OF BONDS FROM FEDERAL RESERVE AGENTS AND AUTHORITY TO MAKE NECESSARY REGULATIONS UNDER THIS ACT.**

Act Dec. 23, 1913, sec. 11; 38 Stat. L., 262. **611i. (i)** To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.

**GENERAL SUPERVISION.**

Act Dec. 23, 1913, sec. 11; 38 Stat. L., 262. **611j. (j)** To exercise general supervision over said Federal reserve banks.

**PERMIT TO NATIONAL BANKS TO ACT AS TRUSTEE, EXECUTOR, ADMINISTRATOR, OR REGISTRAR OF STOCKS AND BONDS.**

Act Dec. 23, 1913, sec. 11; 38 Stat. L., 262. **611k. (k)** To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this Act.

National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets

held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers, but nothing in this Act shall be construed as authorizing the State authorities to examine the books, records, and assets of the national bank which are not held in trust under authority of this subsection.

No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

Whenever the laws of a State require corporations acting in a fiduciary capacity, to deposit securities with the State authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits and securities so deposited shall be held for the protection of private or court trusts, as provided by the State law.

National banks in such cases shall not be required to execute the bond usually required of individuals if State corporations under similar circumstances are exempt from this requirement.

National banks shall have power to execute such bond when so required by the laws of the State.

In any case in which the laws of a State require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice president, cashier, or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than \$5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

In passing upon applications for permission to exercise the powers enumerated in this subsection, the Federal

Reserve Board may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly: *Provided*, That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers.

**EMPLOYMENT OF ATTORNEYS, CLERKS, ETC., AND PROVISION FOR PAYMENT OF SALARIES.**

Act Dec. 23,  
1913, sec. 11;  
38 Stat. L.,  
262.

611-1. (l) To employ such attorneys, experts, assistants, clerks, or other employees as may be deemed necessary to conduct the business of the board. All salaries and fees shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the members of said board. All such attorneys, experts, assistants, clerks, and other employees shall be appointed without regard to the provisions of the act of January sixteenth, eighteen hundred and eighty-three (volume twenty-two, United States Statutes at Large, page four hundred and three), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service.

**DISCOUNT BY FEDERAL RESERVE BANK OF PAPER SECURED BY UNITED STATES BONDS ISSUED SINCE APRIL 24, 1917.**

Act Mar. 3,  
1919.

611m. (m) Upon the affirmative vote of not less than five of its members, the Federal Reserve Board shall have power to permit Federal reserve banks to discount for any member bank notes, drafts, or bills, of exchange bearing the signature or endorsement of any one borrower in excess of the amount permitted by section nine and section thirteen of this act, but in no case to exceed twenty per centum of the member bank's capital and surplus: *Provided, however*, That all such notes, drafts, or bills of exchange discounted for any member bank in excess of the amount permitted under such sections shall be secured by not less than a like face amount of bonds or notes of the United States issued since April twenty-fourth, nineteen hundred and seventeen, or certificates of indebtedness of the United States: *Provided further*, That the provisions of this subsection (m) shall not be operative after December thirty-first, nineteen hundred and twenty.



**FEDERAL ADVISORY COUNCIL.**

612. Sec. 12.—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 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 in addition to the meetings above provided for hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, 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.

Act Dec. 23,  
1913, sec. 12;  
38 Stat. L.,  
263.

**POWERS OF FEDERAL ADVISORY COUNCIL.**

612a. The Federal Advisory Council shall have power, by itself or through its officers, (1) to 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 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.

Act Dec. 23,  
1913, sec. 12;  
38 Stat. L.,  
263.

**POWERS OF FEDERAL RESERVE BANKS.**

613. Sec. 13.—Any Federal reserve bank may receive from any of its member banks, and from the United States,<sup>1</sup> deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for

Act Dec. 23,  
1913, sec. 13;  
38 Stat. L.,  
263.  
Act Sept. 7,  
1916; 39 Stat.  
L., 752.  
Act June 21,  
1917, sec. 4.

<sup>1</sup> Under authority of war finance act, approved Apr. 5, 1918, as amended by act of Mar. 3, 1919, may receive deposits from War Finance Corporation.



the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided, further*, That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

#### REDISCOUNTS — NOTES, DRAFTS, AND BILLS OF EXCHANGE.

Act Dec. 23,  
1913, sec. 13;  
38 Stat L.,  
263.  
Act Sept. 7,  
1916: 39 Stat.  
L., 752.

613a. Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, 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 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 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.<sup>1</sup> 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, exclusive of days of grace: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months, exclusive of days of grace, may be discounted in an amount to be limited to a percentage of the assets of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

<sup>1</sup> Or bonds of the War Finance Corporation. See act approved Apr. 5, 1918.

The aggregate of such notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether a 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.

#### ACCEPTANCES AND LIMITATIONS THEREOF.

613b. Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than three months' sight, exclusive of days of grace, and which are indorsed by at least one member bank.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided*, however, That the Federal Reserve Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided further*, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.

Any Federal reserve bank may make advances to its member banks on their promissory notes for a period not exceeding fifteen days at rates to be established by such Federal reserve banks, subject to the review and determination of the Federal Reserve Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for

Act Dec. 23,  
1913, sec. 13;  
38 Stat. L.,  
264.

Act Mar. 3,  
1915; 38 Stat.  
L., 958.

Act Sept. 7,  
1916; 39 Stat.  
L., 752.

Act June 21,  
1917, sec. 5.

rediscount or for purchase by Federal reserve banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the United States.<sup>1</sup>

**EXCEPTIONS AS TO LIMIT OF INDEBTEDNESS. POWER TO ACT AS INSURANCE AGENT, AS REAL ESTATE LOAN BROKER, AND TO ACCEPT DRAFTS, ETC.**

Act Dec. 23, 1913, sec. 13; 38 Stat. L., 264. **613c.** Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking 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 the Federal reserve Act.<sup>2</sup>

Act Sept. 7, 1916; 39 Stat. L., 753. The discount and rediscount and the purchase and sale by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within

<sup>1</sup> Or by bonds and notes of War Finance Corporation. See section 13, War Finance Corporation Act, approved Apr. 5, 1918.

<sup>2</sup> Also liabilities incurred under the provisions of the War Finance Corporation Act. See section 20, War Finance Corporation Act, approved Apr. 5, 1918.



one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however,* That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: *And provided further,* That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Federal Reserve Board by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Federal Reserve Board: *Provided, however,* That no member bank shall accept such drafts or bills of exchange referred to this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further,* That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

#### OPEN MARKET OPERATIONS.

614. Sec. 14.—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, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank.

Act Dec. 23,  
1913, sec. 14;  
38 Stat. L.,  
264.  
Act Sept. 7,  
1916; 39 Stat.  
L., 754.

Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion at home 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 buy and sell, at home or abroad, bonds and notes of the United States, and 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, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, 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;

(d) To establish from time to time, subject to review, and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

Act June 21,  
1917, sec. 6.

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Federal Reserve Board and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Federal Reserve Board, to open and maintain banking accounts for such foreign correspondents or agencies. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal reserve bank, with the consent of or under the order and direction of the Federal Reserve Board, any other Federal reserve bank may, with the consent and approval of the Federal Reserve Board, be permitted to carry on or conduct, through the Federal reserve bank or, in carrying such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the board

#### GOVERNMENT DEPOSITS.

Act Dec. 23,  
1913, sec. 15;  
38 Stat. L.,  
265.

615. Sec. 15.—The moneys 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 may, upon the direction of the Secretary of

the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States;<sup>1</sup> and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements 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:<sup>2</sup> *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 depositories.

#### NOTE ISSUES.

#### FEDERAL RESERVE NOTES AUTHORIZED.

616. Sec. 16.—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 by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold 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.

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
265.

#### COLLATERAL SECURITY.

#### APPLICATIONS FOR FEDERAL RESERVE NOTES.

616a. Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may 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, drafts, bills of exchange, or acceptances acquired under the provisions of section thirteen of this act, or bills of exchange indorsed by a member bank of any Federal reserve dis-

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
265.

Act Sept. 7,  
1916; 39 Stat.  
L., 754.

Act June 21,  
1917, sec. 7.

<sup>1</sup> Under War Finance Corporation act approved Apr. 5, 1918, as amended by act of Mar. 3, 1919, Federal reserve banks may also act as fiscal agents of the War Finance Corporation.

<sup>2</sup> Under section 7 of the act approved Apr. 24, 1917, section 8 of the act approved Sept. 24, 1917, and section 8 of the act approved Apr. 4, 1918, the proceeds of sale of Liberty bonds of the first, second, and third issues may be deposited in nonmember banks. The act of May 18, 1916, amending the postal savings act, authorizes the deposit of postal savings funds in nonmember banks.

strict and purchased under the provisions of section fourteen of this act, or bankers' acceptances purchased under the provisions of said section fourteen, or gold or gold certificates; but in no event shall such collateral security, whether gold, gold certificates, or eligible paper, be less than the amount of Federal reserve notes applied for.<sup>1</sup> 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 may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

#### RESERVE REQUIREMENTS FOR FEDERAL RESERVE BANKS.

Act Dec. 23, 1913, sec. 16; 38 Stat. L., 266. Act June 21, 1917, sec. 7. **616b.** Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation: *Provided, however,* That when the Federal reserve agent holds gold or gold certificates as collateral for Federal reserve notes issued to the bank such gold or gold certificates shall be counted as part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation.

#### ISSUE AND REDEMPTION OF FEDERAL RESERVE NOTES. NO FEDERAL RESERVE BANK PERMITTED TO PAY OUT NOTES ISSUED THROUGH ANOTHER FEDERAL RESERVE BANK.

Act Dec. 23, 1913, sec. 16; 38 Stat. L., 266. Act June 21, 1917, sec. 7. **616c.** 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 promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued or, upon direction of such Federal reserve bank, they shall be forwarded direct to the Treasurer of the United States to be retired. 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 returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal re-

<sup>1</sup> Under section 13 of War Finance Corporation act approved Apr. 5, 1918, notes secured by War Finance Corporation bonds may be used to same extent as collateral, as notes secured by United States bonds.

serve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasurer otherwise than for redemption may be exchanged for gold out of the redemption fund hereinafter provided and returned 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.

**DEPOSITS OF GOLD WITH TREASURER FOR REDEMPTION OF FEDERAL RESERVE NOTES.**

616d. The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum of the total amount of notes issued less the amount of gold or gold certificates held by the Federal reserve agent as collateral security; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required.

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
266.  
Act June 21,  
1917, sec. 7.

**FEDERAL RESERVE BOARD MAY GRANT OR REJECT APPLICATION OF FEDERAL RESERVE BANK FOR FEDERAL RESERVE NOTES. FEDERAL RESERVE NOTES FIRST LIEN ON ALL THE ASSETS OF THE BANK.**

616e. The board shall 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 that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the banks so applying, and such bank shall be charged with the amount of notes issued to it and shall pay such rate of interest as may be established by the Federal Reserve Board on only that amount of such notes which equals the total amount of its outstanding Federal reserve notes less the amount of gold or gold certificates held by the Federal reserve agent as collateral security. Federal reserve notes issued to any

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
266.  
Act June 21,  
1917, sec. 7.



such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

#### REDUCTION OF NOTE ISSUES.

Act Dec. 23, 1913, sec. 16; 38 Stat. L., 267. **616f.** Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing with the Federal reserve agent its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

Act June 21, 1917, sec. 7.

The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively 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 to the Treasurer of the United States so much of the gold held by him as collateral security for Federal reserve notes as may be required for the exclusive purpose of the redemption of such Federal reserve notes, but such gold when deposited with the Treasurer shall be counted and considered as if collateral security on deposit with the Federal reserve agent.

#### SUBSTITUTION OF COLLATERAL.

Act Dec. 23, 1913, sec. 16; 38 Stat. L., 267. **616g.** 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 issued to it and shall at the same time substitute therefor other collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board. Any Federal reserve bank may retire any of its Federal reserve notes by depositing them with the Federal reserve agent or with the Treasurer of the United States, and such Federal reserve bank shall thereupon be entitled to receive back the collateral deposited with the Federal reserve agent for the security of such notes. Federal reserve banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Federal reserve notes which have been retired. Federal reserve notes so deposited shall not be reissued except upon compliance with the conditions of an original issue.

Act June 21, 1917, sec. 7.

All Federal reserve notes and all gold, gold certificates, and lawful money issued to or deposited with any Federal reserve agent under the provisions of the Federal reserve act shall hereafter be held for such agent, under

such rules and regulations as the Federal Reserve Board may prescribe, in the joint custody of himself and the Federal reserve bank to which he is accredited. Such agent and such Federal reserve bank shall be jointly liable for the safe-keeping of such Federal reserve notes, gold, gold certificates, and lawful money. Nothing herein contained, however, shall be construed to prohibit a Federal reserve agent from depositing gold or gold certificates with the Federal Reserve Board, to be held by such board subject to his order, or with the Treasurer of the United States for the purposes authorized by law.

**PREPARATION OF FEDERAL RESERVE NOTES. PLATES AND DIES TO BE UNDER CONTROL OF COMPTROLLER OF CURRENCY. WHERE NOTES ARE TO BE DEPOSITED.**

616h. 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 of the denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$5,000, \$10,000, 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 subtresury 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 notes herein provided for.

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
267.  
Act Sept. 26,  
1918, sec. 3.

**APPROPRIATION FOR EXPENSE OF PRINTING NATIONAL-BANK NOTES MAY BE USED FOR PRINTING FEDERAL RESERVE NOTES.**

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
267. 616i. 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, nineteenth 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.

**WHEN FEDERAL RESERVE BANK SHALL RECEIVE CHECKS AND DRAFTS ON DEPOSIT AT PAR.**

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
268. 616j. Every Federal reserve bank shall receive on deposit at par 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.

**CHARGES FOR COLLECTION AND FOR SALE OF EXCHANGE.**

Act Dec. 23,  
1913, sec. 16;  
38 Stat. L.,  
268. 616k. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, 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.

**FEDERAL RESERVE BOARD MAY EXERCISE FUNCTIONS OF A CLEARING HOUSE AND MAY REQUIRE FEDERAL RESERVE BANKS TO EXERCISE SUCH FUNCTIONS.**

616l. The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds 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.

**SECRETARY OF THE TREASURY TO RECEIVE DEPOSITS OF GOLD COIN OR GOLD CERTIFICATES WITH THE TREASURER OR ASSISTANT TREASURER OF UNITED STATES WHEN TENDERED BY ANY FEDERAL RESERVE BANK OR FEDERAL RESERVE AGENT FOR CREDIT TO ITS OR HIS ACCOUNT WITH THE FEDERAL RESERVE BOARD.**

616m. That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin or of gold certificates with the Treasurer or any assistant treasurer of the United States when tendered by any Federal reserve bank or Federal reserve agent for credit to its or his account with the Federal Reserve Board. The Secretary shall prescribe by regulation the form of receipt to be issued by the Treasurer or Assistant Treasurer to the Federal reserve bank or Federal reserve agent making the deposit, and a duplicate of such receipt shall be delivered to the Federal Reserve Board by the Treasurer at Washington upon proper advices from any assistant treasurer that such deposit has been made. Deposits so made shall be held subject to the orders of the Federal Reserve Board and shall be payable in gold coin or gold certificates on the order of the Federal Reserve Board to any Federal reserve bank or Federal reserve agent at the Treasury or at the Subtreasury of the United States nearest the place of business of such Federal reserve bank or such Federal reserve agent: *Provided, however,* That any expense incurred in shipping gold to or from the Treasury or subtreasuries in order to make such payments, or as a result of making such payments, shall be paid by the Federal Reserve Board and assessed against the Federal reserve banks. The order used by the Federal Reserve Board in making such payments shall be signed by the governor or vice governor, or such other officers or members as the board may by regulation prescribe. The form of such order shall be approved by the Secretary of the Treasury.

Act June 21,  
1917, sec. 8.

The expenses necessarily incurred in carrying out these provisions, including the cost of the certificates or receipts issued for deposits received, and all expenses incident to the handling of such deposits shall be paid by the Federal Reserve Board and included in its assessments against the several Federal reserve banks.

Gold deposits standing to the credit of any Federal reserve bank with the Federal Reserve Board shall, at the option of said bank, be counted as part of the lawful reserve which it is required to maintain against outstand-



ing Federal reserve notes, or as part of the reserve it is required to maintain against deposits.

Nothing in this section shall be construed as amending section six of the act of March fourteenth, nineteen hundred, as amended by the acts of March fourth, nineteen hundred and seven, March second, nineteen hundred and eleven, and June twelfth, nineteen hundred and sixteen, nor shall the provisions of this section be construed to apply to the deposits made or to the receipts or certificates issued under those acts.

**NATIONAL BANKS NOT REQUIRED TO MAKE DEPOSIT OF UNITED STATES BONDS PRIOR TO COMMENCEMENT OF BUSINESS.**

Act Dec. 23, 1913, sec. 17; 38 Stat. L., 268. Act June 21, 1917, sec. 9. **617. Sec. 17.**—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, and so much of those provisions or of any other provisions of existing statutes as require any national banking association now or hereafter organized to maintain a minimum deposit of such bonds with the Treasurer is hereby repealed.

**REFUNDING BONDS.**

**RETIREMENT OF CIRCULATING NOTES.**

Act Dec. 23, 1913, sec. 18; 38 Stat. L., 268. **618. Sec. 18.**—After two years from the passage of this Act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

**PURCHASE OF UNITED STATES BONDS BY FEDERAL RESERVE BANKS.**

Act Dec. 23, 1913, sec. 18; 38 Stat. L., 268. **618a.** The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall

include bonds acquired under section four of this Act by the Federal reserve bank.

*Provided further,* That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

**ISSUE OF CIRCULATING NOTES TO FEDERAL RESERVE BANKS ON SECURITY OF UNITED STATES BONDS. CIRCULATING NOTES SO ISSUED OBLIGATIONS OF FEDERAL RESERVE BANK.**

618b. The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds. Act Dec. 23,  
1913, sec. 18;  
38 Stat. L.,  
269.

Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this act, any Federal reserve bank making such deposit in the manner provided by existing law, shall be entitled 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.<sup>1</sup> Such notes shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national-bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national-bank notes except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

**ISSUE OF ONE-YEAR GOLD NOTES AND THREE PER CENT BONDS OF THE UNITED STATES IN EXCHANGE FOR TWO PER CENT UNITED STATES BONDS.**

618c. Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary of the Treasury may issue, in exchange for United States Act Dec. 23,  
1913, sec. 18;  
38 Stat. L.,  
269.

<sup>1</sup> Under act of Apr. 23, 1918, Federal reserve banks may issue Federal reserve bank notes in any denominations, including \$1 and \$2, against the security of United States certificates of indebtedness to the extent permitted by that act.

two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal reserve bank, to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

For the purpose of making the exchange herein provided for, the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form as he may prescribe in denominations of one hundred dollars, or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding

#### **EXCHANGE OF THREE PER CENT BONDS FOR ONE-YEAR GOLD NOTES.**

618a. Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

## BANK RESERVES.

**DEMAND AND TIME DEPOSITS DEFINED—RESERVE REQUIREMENTS—WHEN EFFECTIVE.**

619. Sec. 19.—Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.<sup>1</sup>

Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserve balances with its Federal reserve bank as follows:

**RESERVE REQUIREMENTS FOR BANKS NOT IN RESERVE CITIES.**

619a. (a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

**RESERVE REQUIREMENTS FOR BANKS IN RESERVE CITIES.**

619b. (b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however,* That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraph (a) hereof.

**RESERVE REQUIREMENTS FOR BANKS IN CENTRAL RESERVE CITIES.**

619c. (c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however,* That if located in the outlying districts of a central reserve city or in terri-

<sup>1</sup> Government deposits other than postal savings deposits are not subject to reserve requirements. See section 7 of First Liberty Bond act, approved Apr. 24, 1917; section 8 of Second Liberty Bond act, approved Sept. 24, 1917, and section 8 of Third Liberty Bond act, approved Apr. 4, 1918.



tory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof.

**MEMBER BANK FORBIDDEN TO KEEP ON DEPOSIT WITH NONMEMBER BANK A SUM IN EXCESS OF TEN PER CENT OF ITS OWN CAPITAL AND SURPLUS OR TO SECURE DISCOUNTS FOR NONMEMBER BANK.**

Act Dec. 23, 1913, sec. 19; 38 Stat. L., 271. **619d.** No member bank shall keep on deposit with any State bank or trust company which is not a member bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act, except by permission of the Federal Reserve Board.

Act Aug. 15, 1914; 38 Stat. L., 691.  
Act June 21, 1917, sec. 10.

**WITHDRAWAL OF RESERVE BY MEMBER BANK.**

Act Dec. 23, 1913, sec. 19; 38 Stat. L., 271. **619e.** The required balance 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 balance required by law is fully restored.

Act Aug. 15, 1914; 38 Stat. L., 691.  
Act June 21, 1917, sec. 10.

**RESERVE REQUIREMENT—HOW ESTIMATED.**

Act Dec. 23, 1913, sec. 19; 38 Stat. L., 271. **619f.** In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal reserve banks shall be determined.

Act Aug. 15, 1914; 38 Stat. L., 692.  
Act June 21, 1917, sec. 10.

**RESERVE REQUIREMENTS FOR NATIONAL BANKS LOCATED IN ALASKA OR OUTSIDE THE CONTINENTAL UNITED STATES.**

Act Dec. 23, 1913, sec. 19; 38 Stat. L., 271. **619g.** National banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this act.

Act Aug. 15, 1914; 38 Stat. L., 692.  
Act June 21, 1917, sec. 10.

**REDEMPTION FUND WITH TREASURER NOT TO BE COUNTED AS RESERVE.**

620. Sec. 20.—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, 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.

Act Dec. 23,  
1913, sec. 20;  
38 Stat. L.,  
271.

**BANK EXAMINATIONS.****APPOINTMENT AND POWERS OF EXAMINERS—ACCEPTANCE OF REPORTS OF EXAMINATIONS BY STATE AUTHORITY.**

621. Sec. 21.—Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

Act Dec. 23,  
1913, sec. 21;  
38 Stat. L.,  
271.

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank<sup>1</sup> at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank, and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

**SALARIES OF BANK EXAMINERS.**

621a. The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

Act Dec. 23,  
1913, sec. 21;  
38 Stat. L.,  
272.

<sup>1</sup> Except banks admitted to membership in the system under authority of section 9 of this act. See section 9 of this act as amended by act approved June 21, 1917.

**EXAMINATIONS BY FEDERAL RESERVE BANK.**

Act Dec. 23,  
1913, sec. 21;  
38 Stat. L.,  
272.

621b. 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 the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank 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 concerning the condition of any member bank within the district of the said Federal reserve bank.

No bank shall be subject to any visitatorial 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 by either House thereof or by any committee of Congress or of either House duly authorized.

**EXAMINATIONS OF FEDERAL RESERVE BANKS.**

Act Dec. 23,  
1913, sec. 21;  
38 Stat. L.,  
272.

621c. 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.

**MEMBER BANK CAN NOT MAKE LOAN OR GRANT A GRATUITY TO ANY NATIONAL BANK EXAMINER.**

Act Dec. 23,  
1913, sec. 22;  
38 Stat. L.,  
272.

Act Sept. 26,  
1918, sec. 5.

622. Sec. 22a.—No member bank and no officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee 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 may be fined a further sum equal to the money so loaned or gratuity given. 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 one year or fined not more than \$5,000, or both, and may be 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.

**NATIONAL BANK EXAMINER CAN NOT PERFORM ANY SERVICE FOR COMPENSATION FOR ANY BANK OR OFFICER. EXAMINER CAN NOT DISCLOSE THE NAMES OF BORROWERS, OR COLLATERAL WITHOUT FIRST OBTAINING WRITTEN CONSENT OF COMPTROLLER.**

622b. No national bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof. Act Sept. 26,  
1918, sec. 5.

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, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress, or of either House duly authorized. Any bank examiner violating the provisions of this subsection shall be imprisoned not more than one year or fined not more than \$5,000, or both.

**PENALTY FOR OFFICER, DIRECTOR, OR EMPLOYEE OF MEMBER BANK WHO RECEIVES ANY COMMISSION OR GIFT IN CONNECTION WITH ANY LOAN.**

622c. Except as herein provided, any officer, director, employee, or attorney of a member bank who stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by such member bank shall be deemed guilty of a misdemeanor and shall be imprisoned not more than one year or fined not more than \$5,000, or both. Act Sept. 26,  
1918, sec. 5.

**PURCHASE OF SECURITIES OR PROPERTY FROM ONE OF ITS DIRECTORS, OR SALES TO A DIRECTOR BY A MEMBER BANK.**

622d. Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property, when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided, however,* That when any director, or firm of which any director is a member, acting for or on behalf Act Sept. 26,  
1918, sec. 5.



of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Federal Reserve Board by regulation, may require a full disclosure of all profit realized from such sale.

Any member bank may sell securities or other property to any of its directors, or to a firm of which any of its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however*, That nothing in this subsection contained shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

**RATE OF INTEREST PAID DIRECTORS, OFFICERS, OR EMPLOYEES NOT TO EXCEED THAT PAID TO OTHER DEPOSITORS.**

Act Sept. 26,  
1918, sec. 5.

622e. No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposits of such director, officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

**PENALTY FOR VIOLATION OF ANY OF THE PROVISIONS OF SECTION 22 OF THE FEDERAL RESERVE ACT.**

Act Sept. 26,  
1918, sec. 5.

622f. If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation.

**LIABILITY OF STOCKHOLDERS OF NATIONAL BANKS.**

Act Dec. 23,  
1913, sec. 23;  
38 Stat. L.,  
273.

623. Sec. 23.—The stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, 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 who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of

the failure of such association 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.

#### LOANS ON REAL ESTATE.

**624. Sec. 24.**—Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

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.

#### FOREIGN BRANCHES.

**625. Sec. 25** [as amended 1919].—Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, either or both of the following powers:

First. To establish branches in foreign countries or dependencies or insular possessions 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.

Second. To invest an amount not exceeding in the aggregate ten per centum of its paid-in capital stock and

Act Dec. 23,  
1913, sec. 24;  
38 Stat. L.,  
273.  
Act Sept. 7,  
1916, 39 Stat.  
L., 754.

Act Dec. 23,  
1913, sec. 25;  
38 Stat. L.,  
273.

Act. Sept. 7,  
1916, 39 Stat.  
L., 755.

Act Sept. 17,  
1919.

surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions. Until January 1, 1921, any national banking association, without regard to the amount of its capital and surplus, may file application with the Federal Reserve Board for permission, upon such conditions and under such regulations as may be prescribed by said board, to invest an amount not exceeding in the aggregate 5 per centum of its paid-in capital and surplus in the stock of one or more corporations chartered or incorporated under the laws of the United States or of any State thereof and, regardless of its location, principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods, wares, or merchandise from the United States or any of its dependencies or insular possessions to any foreign country: *Provided, however,* That in no event shall the total investments authorized by this section by any one national bank exceed 10 per centum of its capital and surplus.

Such application shall specify the name and capital of the banking association filing it, the powers applied for, and the place or places where the banking or financial operations proposed are to be carried on. The Federal Reserve Board shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on.

Every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or corporations described above shall be required to furnish information concerning the condition of such banks or corporations to the Federal Reserve Board upon demand, and the Federal Reserve Board may order special examinations of the said branches, banks, or corporations at such time or times as it may deem best.

Before any national bank shall be permitted to purchase stock in any such corporation the said corporation shall enter into an agreement or undertaking with the Federal Reserve Board to restrict its operations or conduct its business in such manner or under such limitations and restrictions as the said board may prescribe for the place or places wherein such business is to be conducted. If at any time the Federal Reserve Board shall



ascertain that the regulations prescribed by it are not being complied with, said board is hereby authorized and empowered to institute an investigation of the matter and to send for persons and papers, subpoena witnesses, and administer oaths in order to satisfy itself as to the actual nature of the transactions referred to. Should such investigation result in establishing the failure of the corporation in question, or of the national bank or banks which may be stockholders therein, to comply with the regulations laid down by the said Federal Reserve Board, such national banks may be required to dispose of stock holdings in the said corporation upon reasonable notice.

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 accrued at each branch as a separate item.

Any director or other officer, agent, or employee of any member bank may, with the approval of the Federal Reserve Board, be a director or other officer, agent, or employee of any such bank or corporation above mentioned in the capital stock of which such member bank shall have invested as hereinbefore provided, without being subject to the provisions of section eight of the Act approved October fifteenth, nineteen hundred and fourteen, entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes."

#### **BANKING CORPORATIONS AUTHORIZED TO DO FOREIGN BANKING BUSINESS.**

625a. Sec. 25 (a).—Corporations to be organized for the purpose of engaging in international or foreign banking or other international or foreign financial operations, or in banking or other financial operations in a dependency or insular possession of the United States, either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions as provided by this section, and to act when required by the Secretary of the Treasury as fiscal agents of the United States, may be formed by any number of natural persons, not less in any case than five. Act Dec. 24,  
1919.

Such persons shall enter into articles of association which shall specify in general terms the objects for which the association is formed and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulation of its business and the conduct of its affairs.

Such articles of association shall be signed by all of the persons intending to participate in the organization of the corporation and, thereafter, shall be forwarded to the Federal Reserve Board and shall be filed and preserved in its office. The persons signing the said articles



of association shall, under their hands, make an organization certificate which shall specifically state:

First. The name assumed by such corporation, which shall be subject to the approval of the Federal Reserve Board.

Second. The place or places where its operations are to be carried on.

Third. The place in the United States where its home office is to be located.

Fourth. The amount of its capital stock and the number of shares into which the same shall be divided.

Fifth. The names and places of business or residence of the persons executing the certificate and the number of shares to which each has subscribed.

Sixth. The fact that the certificate is made to enable the persons subscribing the same, and all other persons, firms, companies, and corporations, who or which may thereafter subscribe to or purchase shares of the capital stock of such corporation, to avail themselves of the advantages of this section.

The persons signing the organization certificate shall duly acknowledge the execution thereof before a judge of some court of record or notary public, who shall certify thereto under the seal of such court or notary, and thereafter the certificate shall be forwarded to the Federal Reserve Board to be filed and preserved in its office. Upon duly making and filing articles of association and an organization certificate, and after the Federal Reserve Board has approved the same and issued a permit to begin business, the association shall become and be a body corporate, and as such and in the name designated therein shall have power to adopt and use a corporate seal, which may be changed at the pleasure of its board of directors; to have succession for a period of twenty years unless sooner dissolved by the act of the shareholders owning two-thirds of the stock or by an act of Congress or unless its franchises become forfeited by some violation of law; to make contracts; to sue and be sued, complain, and defend in any court of law or equity; to elect or appoint directors, all of whom shall be citizens of the United States; and, by its board of directors, to appoint such officers and employees as may be deemed proper, define their authority and duties, require bonds of them, and fix the penalty thereof, dismiss such officers or employees, or any thereof, at pleasure and appoint others to fill their places; to prescribe, by its board of directors, by-laws not inconsistent with law or with the regulations of the Federal Reserve Board regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed.

Each corporation so organized shall have power, under such rules and regulations as the Federal Reserve Board may prescribe:

(a) To purchase, sell, discount, and negotiate, with or without its indorsement or guaranty, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; to purchase and sell, with or without its indorsement or guaranty, securities, including the obligations of the United States or of any State thereof but not including shares of stock in any corporation except as herein provided; to accept bills or drafts drawn upon it subject to such limitations and restrictions as the Federal Reserve Board may impose; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to issue debentures, bonds, and promissory notes under such general conditions as to security and such limitations as the Federal Reserve Board may prescribe, but in no event having liabilities outstanding thereon at any one time exceeding ten times its capital stock and surplus; to receive deposits outside of the United States and to receive only such deposits within the United States as may be incidental to or for the purpose of carrying out transactions in foreign countries or dependencies or insular possessions of the United States; and generally to exercise such powers as are incidental to the powers conferred by this act or as may be usual, in the determination of the Federal Reserve Board, in connection with the transaction of the business of banking or other financial operations in the countries, colonies, dependencies, or possessions in which it shall transact business and not inconsistent with the powers specifically granted herein. Nothing contained in this section shall be construed to prohibit the Federal Reserve Board, under its power to prescribe rules and regulations, from limiting the aggregate amount of liabilities of any or all classes incurred by the corporation and outstanding at any one time. Whenever a corporation organized under this section receives deposits in the United States authorized by this section it shall carry reserves in such amounts as the Federal Reserve Board may prescribe, but in no event less than 10 per centum of its deposits.

(b) To establish and maintain for the transaction of its business branches or agencies in foreign countries, their dependencies or colonies, and in the dependencies or insular possessions of the United States, at such places as may be approved by the Federal Reserve Board and under such rules and regulations as it may prescribe, including countries or dependencies not specified in the original organization certificate.

(c) With the consent of the Federal Reserve Board to purchase and hold stock or other certificates of ownership in any other corporation organized under the provisions of this section, or under the laws of any foreign country or a colony or dependency thereof, or under the laws of any State, dependency, or insular possession of the United States but not engaged in the general business

of buying or selling goods, wares, merchandise or commodities in the United States, and not transacting any business in the United States except such as in the judgment of the Federal Reserve Board may be incidental to its international or foreign business: *Provided, however,* That, except with the approval of the Federal Reserve Board, no corporation organized hereunder shall invest in any one corporation an amount in excess of 10 per centum of its own capital and surplus, except in a corporation engaged in the business of banking, when 15 per centum of its capital and surplus may be so invested: *Provided further,* That no corporation organized hereunder shall purchase, own, or hold stock or certificates of ownership in any other corporation organized hereunder or under the laws of any State which is in substantial competition therewith, or which holds stock or certificates of ownership in corporations which are in substantial competition with the purchasing corporation.

Nothing contained herein shall prevent corporations organized hereunder from purchasing and holding stock in any corporation where such purchase shall be necessary to prevent a loss upon a debt previously contracted in good faith; and stock so purchased or acquired in corporations organized under this section shall within six months from such purchase be sold or disposed of at public or private sale unless the time to so dispose of same is extended by the Federal Reserve Board.

No corporation organized under this section shall carry on any part of its business in the United States except such as, in the judgment of the Federal Reserve Board, shall be incidental to its international or foreign business: *And provided further,* That except such as is incidental and preliminary to its organization no such corporation shall exercise any of the powers conferred by this section until it has been duly authorized by the Federal Reserve Board to commence business as a corporation organized under the provisions of this section.

No corporation organized under this section shall engage in commerce or trade in commodities except as specifically provided in this section, nor shall it either directly or indirectly control or fix or attempt to control or fix the price of any such commodities. The charter of any corporation violating this provision shall be subject to forfeiture in the manner hereinafter provided in this section. It shall be unlawful for any director, officer, agent, or employee of any such corporation to use or to conspire to use the credit, the funds, or the power of the corporation to fix or control the price of any such commodities, and any such person violating this provision shall be liable to a fine of not less than \$1,000 and not exceeding \$5,000 or imprisonment not less than one year and not exceeding five years, or both, in the discretion of the court.

No corporation shall be organized under the provisions of this section with a capital stock of less than \$2,000,000.



one-quarter of which must be paid in before the corporation may be authorized to begin business, and the remainder of the capital stock of such corporation shall be paid in installments of at least 10 per centum on the whole amount to which the corporation shall be limited as frequently as one installment at the end of each succeeding two months from the time of the commencement of its business operations until the whole of the capital stock shall be paid in. The capital stock of any such corporation may be increased at any time, with the approval of the Federal Reserve Board, by a vote of two-thirds of its shareholders or by unanimous consent in writing of the shareholders without a meeting and without a formal vote, but any such increase of capital shall be fully paid in within ninety days after such approval; and may be reduced in like manner, provided that in no event shall it be less than \$2,000,000. No corporation, except as herein provided, shall during the time it shall continue its operations withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. Any national banking association may invest in the stock of any corporation organized under the provisions of this section, but the aggregate amount of stock held in all corporations engaged in business of the kind described in this section and in section 25 of the Federal Reserve Act as amended shall not exceed 10 per centum of the subscribing bank's capital and surplus.

A majority of the shares of the capital stock of any such corporation shall at all times be held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies, the controlling interest in which is owned by citizens of the United States. The provisions of section 8 of the act approved October 15, 1914, entitled 'An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes,' as amended by the acts of May 15, 1916, and September 7, 1916, shall be construed to apply to the directors, other officers, agents, or employees of corporations organized under the provisions of this section: *Provided, however,* That nothing herein contained shall (1) prohibit any director or other officer, agent or employee of any member bank, who has procured the approval of the Federal Reserve Board from serving at the same time as a director or other officer, agent or employee of any corporation organized under the provisions of this section in whose capital stock such member bank shall have invested; or (2) prohibit any director or other officer, agent, or employee of any corporation organized under the provisions of this section, who has procured the approval of the Federal Reserve Board, from serving at the same time as a director or other officer, agent or employee of any other cor-



poration in whose capital stock such first-mentioned corporation shall have invested under the provisions of this section.

No member of the Federal Reserve Board shall be an officer or director of any corporation organized under the provisions of this section, or of any corporation engaged in similar business organized under the laws of any State, nor hold stock in any such corporation, 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.

Shareholders in any corporation organized under the provisions of this section shall be liable for the amount of their unpaid stock subscriptions. No such corporation shall become a member of any Federal reserve bank.

Should any corporation organized hereunder violate or fail to comply with any of the provisions of this section, all of its rights, privileges, and franchises derived herefrom may thereby be forfeited. Before any such corporation shall be declared dissolved, or its rights, privileges, and franchises forfeited, any noncompliance with, or violation of such laws shall, however, be determined and adjudged by a court of the United States of competent jurisdiction, in a suit brought for that purpose in the district or territory in which the home office of such corporation is located, which suit shall be brought by the United States at the instance of the Federal Reserve Board or the Attorney General. Upon adjudication of such noncompliance or violation, each director and officer who participated in, or assented to, the illegal act or acts, shall be liable in his personal or individual capacity for all damages which the said corporation shall have sustained in consequence thereof. No dissolution shall take away or impair any remedy against the corporation, its stockholders, or officers for any liability or penalty previously incurred.

Any such corporation may go into voluntary liquidation and be closed by a vote of its shareholders owning two-thirds of its stock.

Whenever the Federal Reserve Board shall become satisfied of the insolvency of any such corporation, it may appoint a receiver who shall take possession of all of the property and assets of the corporation and exercise the same rights, privileges, powers, and authority with respect thereto as are now exercised by receivers of national banks appointed by the Comptroller of the Currency of the United States: *Provided, however,* That the assets of the corporation subject to the laws of other countries or jurisdictions shall be dealt with in accordance with the terms of such laws.

Every corporation organized under the provisions of this section shall hold a meeting of its stockholders annually upon a date fixed in its by-laws, such meeting to be held at its home office in the United States. Every

such corporation shall keep at its home office books containing the names of all stockholders thereof, and the names and addresses of the members of its board of directors, together with copies of all reports made by it to the Federal Reserve Board. Every such corporation shall make reports to the Federal Reserve Board at such times and in such form as it may require; and shall be subject to examination once a year and at such other times as may be deemed necessary by the Federal Reserve Board by examiners appointed by the Federal Reserve Board, the cost of such examinations, including the compensation of the examiners, to be fixed by the Federal Reserve Board and to be paid by the corporation examined.

The directors of any corporation organized under the provisions of this section may, semiannually, declare a dividend of so much of the net profits of the corporation as they shall judge expedient; but each corporation shall, before the declaration of a dividend, carry one-tenth of its net profits of the preceding half year to its surplus fund until the same shall amount to 20 per centum of its capital stock.

Any corporation organized under the provisions of this section shall be subject to tax by the State within which its home office is located in the same manner and to the same extent as other corporations organized under the laws of that State which are transacting a similar character of business. The shares of stock in such corporation shall also be subject to tax as the personal property of the owners or holders thereof in the same manner and to the same extent as the shares of stock in similar State corporations.

Any corporation organized under the provisions of this section may at any time within the two years next previous to the date of the expiration of its corporate existence, by a vote of the shareholders owning two-thirds of its stock, apply to the Federal Reserve Board for its approval to extend the period of its corporate existence for a term of not more than twenty years, and upon certified approval of the Federal Reserve Board such corporation shall have its corporate existence for such extended period unless sooner dissolved by the act of the shareholders owning two-thirds of its stock, or by an Act of Congress or unless its franchise becomes forfeited by some violation of law.

Any bank or banking institution, principally engaged in foreign business, 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 corporation under the provisions of this section may, by the vote of the shareholders owning not less than two-thirds of the capital stock of such bank or banking association, with the approval of the Federal Reserve Board, be converted into a Federal corporation

of the kind authorized by this section with any name approved by the Federal Reserve Board: *Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of at least two-thirds of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a Federal corporation. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a Federal corporation. The shares of any such corporation may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the corporation until others are elected or appointed in accordance with the provisions of this section. When the Federal Reserve Board has given to such corporation a certificate that the provisions of this section have been complied with, such corporation 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 section for corporations originally organized hereunder.

Every officer, director, clerk, employee, or agent of any corporation organized under this section who embezzles, abstracts, or willfully misapplies any of the moneys, funds, credits, securities, evidences of indebtedness or assets of any character of such corporation; or who, without authority from the directors, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, debenture, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report, or statement of such corporation with intent, in either case, to injure or defraud such corporation or any other company, body politic or corporate, or any individual person, or to deceive any officer of such corporation, the Federal Reserve Board, or any agent or examiner appointed to examine the affairs of any such corporation; and every receiver of any such corporation and every clerk or employee of such receiver who shall embezzle, abstract, or willfully misapply or wrongfully convert to his own use any moneys, funds, credits, or assets of any character which may come into his possession or under his control in the execution of his trust or the performance of the duties of his employment; and every such receiver or clerk or employee of such receiver who shall, with intent to injure or defraud any person, body politic or corporate, or to deceive or mislead the Federal Reserve Board, or any agent or examiner ap-



pointed to examine the affairs of such receiver, shall make any false entry in any book, report, or record of any matter connected with the duties of such receiver; and every person who with like intent aids or abets any officer, director, clerk, employee, or agent of any corporation organized under this section, or receiver or clerk or employee of such receiver as aforesaid in any violation of this section, shall upon conviction thereof be imprisoned for not less than two years nor more than ten years, and may also be fined not more than \$5,000, in the discretion of the court.

Whoever being connected in any capacity with any corporation organized under this section represents in any way that the United States is liable for the payment of any bond or other obligation, or the interest thereon, issued or incurred by any corporation organized hereunder, or that the United States incurs any liability in respect of any act or omission of the corporation, shall be punished by a fine of not more than \$10,000 and by imprisonment for not more than five years.

#### REPEAL OF PROVISIONS OF LAW INCONSISTENT WITH THE PROVISIONS OF THE FEDERAL RESERVE ACT.

626. Sec. 26.—All provisions of law inconsistent with or superseded by any of the provisions of this Act are to that extent and to that extent only hereby repealed. Act Dec. 23, 1913, sec. 26; 38 Stat. L., 274.  
*Provided*, 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 the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of United States bonds authorized by section two of the Act last referred to or for one-year gold 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.

#### ACT OF MAY 30, 1908, EXTENDED TO JUNE 30, 1915. REENACTMENT OF CERTAIN SECTIONS OF REVISED STATUTES.

627. Sec. 27.—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 June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred Act Dec. 23, 1913, sec. 27; 38 Stat. L., 274.  
 Act Aug. 4, 1914; 38 Stat. L., 682.



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 thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this Act:

**RATE OF TAXATION ON CIRCULATING NOTES SECURED OTHERWISE THAN BY BONDS OF THE UNITED STATES. WHEN SECRETARY OF TREASURY AUTHORIZED TO SUSPEND LIMITATIONS OF ACT OF MAY 30, 1908.**

Act Dec. 23, 1913, sec. 27; 38 Stat. L., 274. **627a.** *Provided, however,* That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

Act Aug. 4, 1914; 38 Stat. L., 683.

National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes: *Provided further,* That whenever in his judgment he may deem it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the Act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to National banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of the capital stock of such banks, and to suspend also the conditions and limitations of section five of said Act except that no bank shall be permitted to issue circulating notes in excess of one hundred and twenty-five per centum of its unimpaired capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than five per centum. He may permit National banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the Act referred to as herein amended: *Provided further,* That the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this Act to all qualified State banks and trust companies, which have joined the Federal reserve system, or which may contract to join within fifteen days after the passage of this Act.

**REDUCTION OF CAPITAL OF NATIONAL BANKS.**

628. Sec. 28.—Section fifty-one hundred and forty-three of the Revised Statutes is hereby amended and reenacted to read as follows: Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Federal Reserve Board, or by the organization committee pending the organization of the Federal Reserve Board.

Act Dec. 23,  
1913, sec. 28;  
38 Stat. L.,  
274.

**INVALIDATION OF CLAUSE, ETC., IN ACT NOT TO INVALIDATE REMAINDER OF ACT.**

629. Sec. 29.—If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Act Dec. 23,  
1913, sec. 29;  
38 Stat. L.,  
275.

**RESERVATION OF RIGHT TO AMEND OR REPEAL.**

630. Sec. 30.—The right to amend, alter, or repeal this Act is hereby expressly reserved.

Act Dec. 23,  
1913, sec. 30;  
38 Stat. L.,  
275.



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**ACTS OF GENERAL NATURE.**

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## CHAPTER VII.

### ACTS OF A GENERAL NATURE AND SECTIONS OF THE REVISED STATUTES, NOT INCLUDED IN THE NATIONAL BANK ACT, AFFECTING NATIONAL BANKS.

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| <p>700. District attorney to conduct suits when United States is a party.</p> <p>701. Jurisdiction of district court to enjoin Comptroller.</p> <p>702. Where such proceedings must be brought.</p> <p>703. Sealed certificates of Comptroller competent evidence.</p> <p>704. Certified copy of organization certificate as evidence.</p> <p>705-715. Tax on State bank circulation.</p> <p>716-717. Tax on United States and national bank notes.</p> | <p>718. Restrictions on notes less than one dollar.</p> <p>719-729. Legal tender.</p> <p>730-738. Government depositaries.</p> <p>739-748. Offenses against the currency.</p> <p>749-762. Currency act March 14, 1900.</p> <p>763-766. Act March 4, 1907.</p> <p>767-768. Panama Canal bonds.</p> <p>769-770. Certified checks when receivable for duties and taxes.</p> <p>771. Subscriptions to Red Cross.</p> |
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### ALL SUITS UNDER BANKING LAW IN WHICH THE UNITED STATES OR ANY OF ITS OFFICERS OR AGENTS ARE PARTIES TO BE CONDUCTED BY DISTRICT ATTORNEYS UNDER THE SUPERVISION OF THE SOLICITOR OF THE TREASURY.

**700. Sec. 380.**—All suits and proceedings arising out of the provisions of law governing national banking associations, in which the United States or any of its officers or agents shall be parties, shall be conducted by the district attorneys of the several districts under the direction and supervision of the Solicitor of the Treasury.

Act Feb. 25,  
1863, c. 58, sec. 55;  
12 Stat. L., 680.  
Act June 3,  
1864, c. 106, sec. 56;  
13 Stat. L., 116.

NOTE.—The United States Supreme Court decided in the case of *Gibson v. Peters* (150 U. S., 342) that a district attorney could not receive any compensation for services in conducting a suit arising out of the provisions of the national banking laws in which the United States or any of its officers or agents are parties.

### JURISDICTION OF DISTRICT COURT TO ENJOIN COMPTROLLER.

**701. Sec. 24.**—The district court shall have original jurisdiction as follows:

Act Mar. 3, 1911  
sec. 24; 36 Stat. L.,  
1092.

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Sixteenth. Of all cases commenced by the United States, or by direction of any officer thereof, against any national banking association, and cases for winding up the affairs of any such bank; and of all suits brought by any banking association established in the district for which the court is held, under the provisions of title "National Banks," Revised Statutes, to enjoin the Comptroller of the Currency, or any receiver acting under his direction, as provided by said title. And all national banking associations established under the laws of the United States shall, for the purposes of all other actions by or against them, real, personal, or mixed, and all suits

in equity, be deemed citizens of the States in which they are respectively located.

NOTE.—Proceedings to enjoin Comptroller are those authorized by section 5237, United States Revised Statutes. Until the passage of the act of March 3, 1911, the circuit courts had this jurisdiction under section 629, United States Revised Statutes.

#### WHERE SUCH PROCEEDINGS MUST BE BROUGHT.

Act June 3,  
1864, c. 106, secs.  
60, 57; 13 Stat. L.,  
115, 116.

**702. Sec. 736.**—All proceedings by any national banking association to enjoin the Comptroller of the Currency, under the provisions of any law relating to national banking associations, shall be had in the district where such association is located.

#### SEALED CERTIFICATES OF COMPTROLLER COMPETENT EVIDENCE.

Act June 3,  
1864, c. 106, sec. 2,  
13 Stat. L., 100.

**703. Sec. 884.**—Every certificate, assignment, and conveyance executed by the Comptroller of the Currency, in pursuance of law, and sealed with his seal of office, shall be received in evidence in all places and courts; and all copies of papers in his office, certified by him and authenticated by the said seal, shall in all cases be evidence equally with the originals. An impression of such seal directly on the paper shall be as valid as if made on wax or wafer.

#### CERTIFIED COPY OF ORGANIZATION CERTIFICATE AS EVIDENCE.

Act June 3,  
1864, c. 106, sec. 6;  
13 Stat. L., 101.

**704. Sec. 885.**—Copies of the organization certificate of any national banking association, duly certified by the Comptroller of the Currency, and authenticated by his seal of office, shall be evidence in all courts and places within the jurisdiction of the United States of the existence of the association, and of every matter which could be proved by the production of the original certificate.

#### TAX ON STATE BANK CIRCULATION.

##### TAX ON CIRCULATION.

#### 705. Sec. 3408.—

NOTE.—The tax on circulation was originally provided for in the act of June 30, 1864. The taxation provisions were amended by section 6 of the act of March 3, 1865, by section 9 of the act of July 13, 1866, and by the act of June 6, 1872, section 37. The provisions as thus amended were incorporated in the Revised Statutes as section 3408. This section included three subsections, the first imposing a tax on deposits, the second on capital, and the third on circulation of banking institutions. The first and second subsections of this section were repealed by the act of March 3, 1883, and the third subsection was superseded by the act of February 8, 1875.

#### CIRCULATION—WHEN EXEMPTED FROM TAX.

Act Mar. 3, 1865,  
c. 78, sec. 14; 13  
Stat. L. 486.

Act July 13,  
1866, c. 184, sec. 9;  
14 Stat. L., 146.

**706. Sec. 3411.**—Whenever the outstanding circulation of any bank, association, corporation, company, or person is reduced to an amount not exceeding five per centum of the chartered or declared capital existing at the time the same was issued, said circulation shall be free from taxa-

tion; and whenever any bank which has ceased to issue notes for circulation deposits in the Treasury of the United States, in lawful money, the amount of its outstanding circulation, to be redeemed at par, under such regulations as the Secretary of the Treasury shall prescribe, it shall be exempt from any tax upon such circulation.

707. Secs. 3412, 3413.—

Superseded by act February 8, 1875.

**TAX ON CIRCULATION—ACT FEBRUARY 8, 1875.**

708. Sec. 19.—That every person, firm, association other than national bank associations, and every corporation, State bank, or State banking association, shall pay a tax of ten per centum on the amount of their own notes used for circulation and paid out by them. Act Feb. 8, 1875, c. 36, sec. 19; 13 Stat. L., 311.

**TAX ON NOTES OF STATE BANKS, MUNICIPAL CORPORATIONS, ETC., USED AS CIRCULATION AND PAID OUT BY BANKS. ACT FEBRUARY 8, 1875.**

709. Sec. 20.—That every such person, firm, association, corporation, State bank, or State banking association, and also every national banking association, shall pay a like tax of ten per centum on the amount of notes of any person, firm, association other than a national banking association, or of any corporation, State bank, or State banking association, or of any town, city, or municipal corporation, used for circulation and paid out by them. Act Feb. 8, 1875, c. 36, sec. 20; 13 Stat. L., 311.

**BANKS' RETURNS; PAYMENT OF TAX PENALTIES. ACT FEBRUARY 8, 1875.**

710. Sec. 21.—That the amount of such circulating notes, and of the tax due thereon, shall be returned, and the tax paid at the same time, and in the same manner, and with like penalties for failure to return and pay the same, as provided by law for the return and payment of taxes on deposits, capital, and circulation, imposed by the existing provisions of internal-revenue law. Act Feb. 8, 1875, sec. 21; 13 Stat. L., 311.

**SEMIANNUAL RETURN BY BANKS.**

711. Sec. 3414.—A true and complete return of the monthly amount of circulation, [of deposits, and of capital], as aforesaid, and of the monthly amount of notes of persons, town, city, or municipal corporations, State banks, or State banking associations paid out as aforesaid for the previous six months, shall be made and rendered in duplicate on the first day of December and the first day of June, by each of such banks, associations, corporations, companies, or persons, with a declaration annexed thereto, under the oath of such person, or of the president or cashier of such bank, association, corporation, or company, in such form and manner as may be prescribed by the Commissioner of Internal Revenue, that the same contains a true and faithful statement of the amounts Act June 30, 1864, c. 173, sec. 110; 13 Stat. L., 278.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 147.  
Act Mar. 26, 1867, c. 8, sec. 2; 15 Stat. L., 6.  
Act June 6, 1872, c. 315, sec. 37; 17 Stat. L., 256.  
Act Dec 24, 1872, c. 13, sec. 5; 17 Stat. L., 403.



subject to tax, as aforesaid; and one copy shall be transmitted to the collector of the district in which any such bank, association, corporation, or company is situated, or in which such person has his place of business, and one copy to the Commissioner of Internal Revenue.

NOTE.—Italicized words repealed by act March 3, 1883. “That the taxes herein specified imposed by the laws now in force be, and the same are hereby, repealed, as hereinafter provided, namely: On capital and deposits of banks, bankers, and national banking associations, except such taxes as are now due and payable.”

#### FAILURE TO MAKE RETURN. COMMISSIONER TO ESTIMATE.

Act June 30, 1864, c. 173, sec. 110; 13 Stat. L., 278.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 146.  
Act Dec. 21, 1872, c. 13, sec. 2; 17 Stat. L., 402.

**712. Sec. 3415.**—In default of the returns provided in the preceding section, the amount of circulation, [*deposit, capital*], and notes of persons, towns, city, and municipal corporations, State banks, and State banking associations paid out, as aforesaid, shall be estimated by the Commissioner of Internal Revenue, upon the best information he can obtain. And for any refusal or neglect to make return and payment, any such bank, association, corporation, company, or person so in default shall pay a penalty of two hundred dollars, besides the additional penalty and forfeitures provided in other cases.

NOTE.—See note under preceding section.

#### STATE BANKS CONVERTED INTO NATIONAL BANKS; RETURNS, HOW MADE.

Act Mar. 3, 1865, c. 78, sec. 14; 13 Stat. L., 486.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 146.

**713. Sec. 3416.**—Whenever any State bank or banking association has been converted into a national banking association, and such national banking association has assumed the liabilities of such State bank or banking association, including the redemption of its bills, by any agreement or understanding whatever with the representatives of such State bank or banking association, such national banking association shall be held to make the required return and payment on the circulation outstanding, so long as such circulation shall exceed five per centum of the capital before such conversion of such State bank or banking association.

#### TAX PROVISIONS RESTRICTED.

Act June 30, 1864, c. 173, sec. 110; 13 Stat. L., 278.  
Act July 13, 1866, c. 184, sec. 9; 14 Stat. L., 146.  
Act Feb. 18, 1875, c. 80; 18 Stat. L., 319.

**714. Sec. 3417 [as amended 1875].**—The provisions of this chapter relating to the tax on the [*deposits, capital, and*] circulation of banks and to their returns, except as contained in sections thirty-four hundred and ten, thirty-four hundred and eleven, thirty-four hundred and twelve, thirty-four hundred and thirteen, and thirty-four hundred and sixteen, and such parts of sections thirty-four hundred and fourteen and thirty-four hundred and fifteen as relate to the tax of ten per centum on certain notes, shall not apply to associations which are taxed under and by virtue of Title “National Banks.”

NOTE.—See note under section 3414 stating that taxes on deposits and capital were repealed by act March 3, 1883.

**TAXES ON INSOLVENT BANKS. ACT MARCH 1, 1879.**

**715. Sec. 22.**—That whenever and after any bank has ceased to do business by reason of insolvency or bankruptcy, no tax shall be assessed or collected, or paid into the Treasury of the United States, on account of such bank, which shall diminish the assets thereof necessary for the full payment of all its depositors; and such tax shall be abated from such national banks as are found by the Comptroller of the Currency to be insolvent; and the Commissioner of Internal Revenue, when the facts shall so appear to him, is authorized to remit so much of said tax against insolvent State and savings banks as shall be found to affect the claims of their depositors.

Act Mar. 1, 1879, c. 125, sec. 22; 20 Stat. L., 351.

NOTE.—Part of section omitted superseded by act of March 3, 1883.

**TAX ON UNITED STATES AND NATIONAL BANK NOTES.**

**OBLIGATIONS OF UNITED STATES EXEMPT FROM TAXATION.**

**716. Sec. 3701.**—All stocks, bonds, Treasury notes, and other obligations of the United States, shall be exempt from taxation by or under State or municipal or local authority.

Act Feb. 25, 1862, c. 33, sec. 2; 12 Stat. L., 346. Act Mar. 3, 1863, c. 73, sec. 1; 12 Stat. L., 710. Act Mar. 3, 1864, c. 17, Act Jan. 28, 1865, 469. Act July 14,

sec. 1; 13 Stat. L., 13. Act June 30, 1864, c. 172, sec. 1; 13 Stat. L., 218. c. 22, sec. 1; 13 Stat. L., 425. Act Mar. 3, 1865, c. 77, sec. 2; 13 Stat. L., 1870, c. 256, sec. 1; 16 Stat. L., 272.

**NATIONAL-BANK NOTES AND NOTES AND CERTIFICATES OF THE UNITED STATES CIRCULATING AS CURRENCY SUBJECT TO STATE TAXATION. ACT AUGUST 13, 1894.**

**717. Sec. 1.**—That circulating notes of national banking associations and United States legal-tender notes and other notes and certificates of the United States payable on demand and circulating or intended to circulate as currency and gold, silver or other coin shall be subject to taxation as money on hand or on deposit under the laws of any State or Territory: *Provided*, That any such taxation shall be exercised in the same manner and at the same rate that any such State or Territory shall tax money or currency circulating as money within its jurisdiction.

Act Aug. 13, 1894, sec. 1; 28 Stat. L., 278.

**SEC. 2.** That the provisions of this act shall not be deemed or held to change existing laws in respect of the taxation of national banking associations.

Act Aug. 13, 1894, sec. 2; 28 Stat. L., 278.

**RESTRICTIONS ON NOTES LESS THAN ONE DOLLAR.**

**718. Sec. 3583.**—

Superseded by section 178, act March 4, 1909.

**SEC. 178.** No person shall make, issue, circulate, or pay out any note, check, memorandum, token, or other obligation for a less sum than one dollar, intended to circulate as money or to be received or used in lieu of lawful money of the United States; and every person so offending shall be fined not more than five hundred dollars, or imprisoned not more than six months, or both.

Act July 17, 1862, c. 196, sec. 2; 12 Stat. L., 592. Act Mar. 4, 1909, c. 321, sec. 178; 35 Stat. L., 1122.

NOTE.—This restriction is held to apply only to checks issued for the purpose of circulating as money and not to checks issued in the ordinary course of business.

## LEGAL TENDER.

## FOREIGN COINS.

Act Feb. 21,  
1857, c. 56, sec. 3;  
11 Stat. L., 163. **719. Sec. 3584.**—No foreign gold or silver coins shall be a legal tender in payment of debts.

NOTE.—The coinage by the government of Philippine Islands of the various silver and minor coins for use in the islands is authorized and the legal-tender quality of such coins as well as of the gold coins of the United States in the islands is prescribed by the act of July 1, 1902, c. 1369, secs. 76–83; 32 Stat. L., 710; and the act of March 2, 1903, c. 980, sec. 4; 32 Stat. L., 953.

## GOLD COIN OF THE UNITED STATES.

Act Feb. 12,  
1873, c. 131, sec.  
14; 17 Stat. L.,  
423. **720. Sec. 3585.**—The gold coins of the United States shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for the single piece, and when, reduced in weight below such standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight.

**721. Sec. 3586.**—

[Superseded by res. July 22, 1876, No. 17, sec. 2; act Feb. 28, 1878, c. 20, sec. 1; act June 9, 1879, c. 12, sec. 3.]

## AUTHORIZING COINAGE OF STANDARD SILVER DOLLARS AND MAKING THEM LEGAL TENDER. ACT OF FEBRUARY 28, 1878.

Act Feb. 28,  
1878, c. 20, sec. 1;  
20 Stat. L., 25. **722. Sec. 1.**—That there shall be coined, at the several mints of the United States, silver dollars of the weight of 412½ grains Troy of standard silver, as provided in the act of January 18, 1837, on which shall be the devices and superscriptions provided by said act; which coins together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract.

## SUBSIDIARY SILVER COINS. ACT JUNE 9, 1879.

Act June 9,  
1879, c. 12, sec. 3;  
21 Stat. L., 8. **723. Sec. 3.**—That the present silver coins of the United States of smaller denominations than one dollar shall hereafter be a legal tender in all sums not exceeding ten dollars in full payment of all dues public and private.

## MINOR COINS.

Act Feb. 12,  
1873, c. 131, sec.  
16; 17 Stat. L.,  
427. **724. Sec. 3587.**—The minor coins of the United States shall be a legal tender, at their nominal value for any amount not exceeding twenty-five cents in any one payment.

## UNITED STATES NOTES.

Act Feb. 25,  
1862, c. 33, sec. 1;  
12 Stat. L., 345. **725. Sec. 3588.**—United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt.  
Act July 11  
1862, c. 142, sec. 1;  
12 Stat. L., 532.  
Res. Jan. 17, 1863,  
No. 9, 12 Stat. L., 823. Act Mar. 3, 1863, c. 73, sec. 3; 12 Stat. L., 711.



**DEMAND TREASURY NOTES.**

**726. Sec. 3589.**—Demand Treasury notes authorized by the act of July 17, 1861, chapter 5, and the act of February 12, 1862, chapter 20, shall be lawful money and a legal tender in like manner as United States notes.

Act July 17, 1861, c. 5, sec. 1, 12 Stat. L., 259.  
 Act Feb. 12, 1862, c. 20; 12 Stat. L., 338.  
 Act Feb. 25, 1862, c. 33; sec. 1; 12 Stat. L., 345. Act Mar. 17, 1862, c. 45, sec. 2; 12 Stat. L., 37.

**INTEREST-BEARING NOTES.**

**727. Sec. 3590.**—Treasury notes issued under the authority of the acts of March 3, 1863, chapter 73, and June 30, 1864, chapter 172, shall be legal tender to the same extent as United States notes, for their face value, excluding interest: *Provided*, That Treasury notes issued under the act last named shall not be a legal tender in payment or redemption of any notes issued by any bank, banking association, or banker, calculated and intended to circulate as money.

Act Mar. 3, 1863, c. 73, sec. 2; 12 Stat. L., 710.  
 Act June 30, 1864, c. 172, sec. 2; 13 Stat. L., 218.

**FOR WHAT DEMANDS NATIONAL-BANK NOTES MAY BE RECEIVED.**

**728. Sec. 5182.**—

NOTE.—See section 5182, national-bank act, paragraph 337, ante.

**GOLD CERTIFICATES. ACT JULY 12, 1882.**

**729. Sec. 12.**—That the Secretary of the Treasury is authorized and directed to receive deposits of gold coin with the Treasurer or assistant treasurers of the United States, in sums of not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of United States notes. The coin deposited for or representing the certificates of deposits shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued; and such certificates, as also silver certificates, when held by any national banking association, shall be counted as part of its lawful reserve; and no national banking association shall be a member of any clearing house in which such certificates shall not be receivable in the settlement of clearing-house balances: *Provided*, That the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars; and the provisions of section fifty-two hundred and seven of the Revised Statutes shall be applicable to the certificates herein authorized and directed to be issued.

Act July 12, 1882, sec. 12; 2 Stat. L., 165.

**730. Sec. 1.**—That gold certificates of the United States payable to bearer on demand shall be and are hereby made legal tender in payment of all debts and dues, public and private.

Act Dec. 24, 1919.



**SEC. 2.** That all acts or parts of acts which are inconsistent with this act are hereby repealed.

**NOTE.**—See section 6 of the currency act of March 14, 1900, as amended March 4, 1907, March 2, 1911, and June 12, 1916, paragraph 754, post, for additional provisions relating to gold certificates and making \$10 lowest denomination. Gold and silver certificates are not legal tender, but are receivable for all public dues.

#### GOVERNMENT DEPOSITARIES.

##### DUTY OF DISBURSING OFFICERS.

**730. Sec. 3620 [as amended 1877].**—It shall be the duty of every disbursing officer having any public money intrusted to him for disbursement, to deposit the same with the Treasurer or some one of the assistant treasurers of the United States, and to draw for the same only as it may be required for payments to be made by him in pursuance of law; and draw for the same only in favor of the persons to whom payment is made, and all transfers from the Treasurer of the United States to a disbursing officer shall be by draft or warrant on the Treasury or an assistant treasurer of the United States. In places, however, where there is no Treasurer or assistant treasurer, the Secretary of the Treasury may, when he deems it essential to the public interest, specially authorize in writing the deposit of such public money in any other public depository, or, in writing, authorize the same to be kept in any other manner, and under such rules and regulations as he may deem most safe and effectual to facilitate the payments to public creditors.

**NOTE.**—See also act March 2, 1907, 34 Stat. L., 1166, authorizing Army officers to keep in their possession restricted amounts of public funds. See also act December 23, 1913, section 15, paragraph 734, post.

##### PROVISIONS FOR DEPOSIT BY CERTAIN POSTMASTERS.

**731. Sec. 3847 [as amended 1908].**—Any postmaster, having public money belonging to the Government, at an office within a city or town where there is no Treasurer or Assistant Treasurer of the United States, or designated depository, may deposit the same temporarily, at his own risk and in his official capacity, in any national or State bank in the State in which the said postmaster resides, or in which his office is located, or within a reasonable radius of his post office in an adjacent State, but no authority or permission is or shall be given for the payment to or receipt by a postmaster or any other person, of interest, directly or indirectly, on any deposit made as herein described.

##### MISAPPROPRIATING POSTAL FUNDS OR PROPERTY; PUNISHMENT FOR; PRIMA FACIE EVIDENCE; DEPOSITS, ETC., PERMITTED.

**732. Sec. 4046.**—(Originally enacted June 8, 1872.)

Superseded by sec. 225, act of March 4, 1909.

**Sec. 225.**—Whoever, being a postmaster or other person employed in or connected with any branch of the postal service, shall loan, use, pledge, hypothecate, or convert to his own use, or shall deposit in any bank, or exchange for other funds or property, except as authorized by law, any money or property coming into his hands or under his control in any manner whatever, in the execution or under color of his office, employment, or service, whether the same shall be the money or property of the United States or not; or shall fail or refuse to remit to or deposit in the Treasury of the United States or in a designated depository, or to account for or turn over to the proper officer or agent, any such money or property, when required so to do by law or the regulations of the Post Office Department, or upon demand or order of the Postmaster General, either directly or through a duly authorized officer or agent, shall be deemed guilty of embezzlement; and every such person, as well as every other person advising or knowingly participating therein, shall be fined in a sum equal to the amount or value of the money or property embezzled, or imprisoned not more than ten years, or both. Any failure to produce or to pay over any such money or property, when required so to do as above provided, shall be taken to be prima facie evidence of such embezzlement; and upon the trial of any indictment against any person for such embezzlement, it shall be prima facie evidence of a balance against him to produce a transcript from the account books of the Auditor for the Post Office Department. But nothing herein shall be construed to prohibit any postmaster depositing, under the direction of the Postmaster General, in a national bank designated by the Secretary of the Treasury for that purpose, to his own credit as postmaster, any funds in his charge, nor prevent his negotiating drafts or other evidences of debt through such bank, or through United States disbursing officers, or otherwise, when instructed or required so to do by the Postmaster General, for the purpose of remitting surplus funds from one post office to another.

Act Mar. 4,  
1909, c. 321, sec.  
225; 35 Stat. L.,  
1133.

#### NATIONAL BANKING ASSOCIATIONS TO BE DEPOSITARIES OF PUBLIC MONEYS.

##### 733. Sec. 5153 [as amended 1907].—

NOTE.—See section 5153 under "National-bank act."

#### GOVERNMENT DEPOSITS.

**734. Sec. 15.**—The moneys 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 may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be

Act Dec. 23, 1913,  
sec. 15; 38 Stat.  
L., 265.

deposited in such banks, and disbursements 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 depositories.

**DEPOSIT OF PROCEEDS ARISING FROM SALE OF BONDS.  
NO RESERVE REQUIRED TO BE KEPT AGAINST UNITED STATES DEPOSITS.**

Act Apr. 24,  
1917, sec. 7.

**735. Sec. 7.**—That the Secretary of the Treasury, in his discretion, is hereby authorized to deposit in such banks and trust companies as he may designate the proceeds, or any part thereof, arising from the sale of the bonds and certificates of indebtedness authorized by this Act, or the bonds previously authorized as described in section four of this Act, and such deposits may bear such rate of interest and be subject to such terms and conditions as the Secretary of the Treasury may prescribe: *Provided,* That the amount so deposited shall not in any case exceed the amount withdrawn from any such bank or trust company and invested in such bonds or certificates of indebtedness plus the amount so invested by such bank or trust company, and such deposits shall be secured in the manner required for other deposits by section fifty-one hundred and fifty-three, Revised Statutes, and amendments thereto: *Provided further,* That the provisions of section fifty-one hundred and ninety-one of the Revised Statutes, as amended by the Federal Reserve Act and the amendments thereof, with reference to the reserves required to be kept by national banking associations and other member banks of the Federal Reserve System, shall not apply to deposits of public moneys by the United States in designated depositories.

**GOVERNMENT DEPOSITS IN FEDERAL LAND BANKS.**

Act July 17,  
1916, sec. 6; 39  
Stat. L., 365.

**736. Sec. 6.**—That all Federal land banks and joint stock land banks organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be depositories of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositories of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safekeeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government



funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds.

**PENALTY FOR UNAUTHORIZED DEPOSIT OF PUBLIC MONEY.**

**737. Sec. 5488.—**

Originally enacted June 14, 1866, see 14 Stat. L. 64. Superseded by sec. 87 of the act of March 4, 1909.

**Sec. 87.**—Whoever, being a disbursing officer of the United States, or a person acting as such, shall in any manner convert to his own use, or loan with or without interest, or deposit in any place or in any manner, except as authorized by law, any public money intrusted to him; or shall, for any purpose not prescribed by law, withdraw from the Treasurer or any assistant treasurer, or any authorized depository, or transfer, or apply, any portion of the public money intrusted to him, shall be deemed guilty of an embezzlement of the money so converted, loaned, deposited, withdrawn, transferred, or applied, and shall be fined not more than the amount embezzled, or imprisoned not more than ten years, or both.

Act June 14, 1866, c. 122, sec. 2; 14 Stat. L., 64.  
Act Mar. 4, 1909, c. 321, sec. 87; 35 Stat. L., 1105.

NOTE.—Sections 5489 to 5496 do not refer to national banks.

**PENALTY FOR UNAUTHORIZED RECEIPT OR USE OF PUBLIC MONEY.**

**738. Sec. 5497.—**

Originally enacted June 14, 1866 (14 Stat. L. 65), and amended by act of February 3, 1879 (20 Stat. L. 280). Superseded by sec. 96 of the act of March 4, 1909.

**Sec. 96.**—Every banker, broker, or other person not an authorized depository of public moneys, who shall knowingly receive from any disbursing officer, or collector of internal revenue, or other agent of the United States, any public money on deposit, or by way of loan or accommodation, with or without interest, or otherwise than in payment of a debt against the United States, or shall use, transfer, convert, appropriate, or apply any portion of the public money for any purpose not prescribed by law; and every president, cashier, teller, director, or other officer of any bank or banking association who shall violate any provision of this section is guilty of embezzlement of the public money so deposited, loaned, transferred, used, converted, appropriated, or applied, and shall be fined not more than the amount embezzled, or imprisoned not more than ten years, or both.

Act Mar. 4, 1909, sec. 96; 35 Stat. L., 1106.

NOTE.—For duties and liabilities of depositaries see note under sec. 5153, paragraph 243, ante.

OFFENSES AGAINST THE CURRENCY.

**OBLIGATION OR OTHER SECURITY OF THE UNITED STATES DEFINED.**

**739. Sec. 147.**—The words "obligation or other security of the United States" shall be held to mean all bonds, certificates of indebtedness, national-bank currency, coupons, United States notes, Treasury notes, gold certificates, silver certificates, fractional notes, certificates of

Act Mar. 4, 1909, c. 321, sec. 147; 35 Stat. L., 1115. Superseded sec. 5413, R. S. Originally enacted June 30, 1864.



deposit, bills, checks, or drafts for money, drawn by or upon authorized officers of the United States, stamps and other representatives of value, of whatever denomination, which have been or may be issued under any Act of Congress.

**FORGING OR COUNTERFEITING SECURITIES; PUNISHMENT FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
148; 35 Stat. L.,  
1115. Supersedes  
sec. 5414, R. S.  
Originally  
enacted June 30,  
1864.

**740. Sec. 148.**—Whoever, with intent to defraud, shall falsely make, forge, counterfeit, or alter any obligation or other security of the United States shall be fined not more than five thousand dollars and imprisoned not more than fifteen years.

**COUNTERFEITING NATIONAL-BANK NOTES; PUNISHMENT FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
149; 35 Stat. L.,  
1115. Supersedes  
sec. 5415, R. S.  
Originally  
enacted Feb. 25,  
1863. Reenacted  
June 3, 1864.

**741. Sec. 149.**—Whoever shall falsely make, forge, or counterfeit, or cause or procure to be made, forged, or counterfeited, or shall willingly aid or assist in falsely making, forging, or counterfeiting, any note in imitation of, or purporting to be in imitation of, the circulating notes issued by any banking association now or hereafter authorized and acting under the laws of the United States; or whoever shall pass, utter, or publish, or attempt to pass, utter, or publish, any false, forged, or counterfeited note, purporting to be issued by any such association doing a banking business, knowing the same to be falsely made, forged, or counterfeited; or whoever shall falsely alter, or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering, any such circulating notes, or shall pass, utter, or publish, or attempt to pass, utter, or publish as true, any falsely altered or spurious circulating note issued, or purporting to have been issued, by any such banking association, knowing the same to be falsely altered or spurious, shall be fined not more than one thousand dollars and imprisoned not more than fifteen years.

**USING PLATES TO PRINT NOTES WITHOUT AUTHORITY, ETC.; DISTINCTIVE PAPER WITHOUT AUTHORITY; PUNISHMENT FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
150; 35 Stat. L.,  
1116. Supersedes  
sec. 5430, R. S.  
Originally  
enacted June 30,  
1864.

**742. Sec. 150.**—Whoever, having control, custody, or possession of any plate, stone, or other thing, or any part thereof, from which has been printed, or which may be prepared by direction of the Secretary of the Treasury for the purpose of printing, any obligation or other security of the United States, shall use such plate, stone, or other thing, or any part thereof, or knowingly suffer the same to be used for the purpose of printing any such or similar obligation or other security, or any part thereof, except as may be printed for the use of the United States by order of the proper officer thereof; or whoever by any way, art, or means shall make or execute, or cause or procure to be made or executed, or shall assist in making or executing any plate, stone, or other thing in the likeness of any plate designated for the printing of such obligation or other security; or whoever shall sell any such plate, stone, or other thing, or bring into the United States or any place subject

to the jurisdiction thereof, from any foreign place, any such plate, stone, or other thing, except under the direction of the Secretary of the Treasury or other proper officer, or with any other intent, in either case, than that such plate, stone, or other thing be used for the printing of the obligations or other securities of the United States; or whoever shall have in his control, custody, or possession any plate, stone, or other thing in any manner made after or in the similitude of any plate, stone, or other thing, from which any such obligation or other security has been printed, with intent to use such plate, stone, or other thing, or to suffer the same to be used in forging or counterfeiting any such obligation or other security, or any part thereof; or whoever shall have in his possession or custody, except under authority from the Secretary of the Treasury or other proper officer, any obligation or other security made or executed, in whole or in part, after the similitude of any obligation or other security issued under the authority of the United States, with intent to sell or otherwise use the same; or whoever shall print, photograph, or in any other manner make or execute, or cause to be printed, photographed, made, or executed, or shall aid in printing, photographing, making, or executing any engraving, photograph, print, or impression in the likeness of any such obligation or other security, or any part thereof, or shall sell any such engraving, photograph, print, or impression, except to the United States, or shall bring into the United States or any place subject to the jurisdiction thereof, from any foreign place any such engraving, photograph, print, or impression, except by direction of some proper officer of the United States; or whoever shall have or retain in his control or possession, after a distinctive paper has been adopted by the Secretary of the Treasury for the obligations and other securities of the United States, any similar paper adapted to the making of any such obligation or other security, except under the authority of the Secretary of the Treasury or some other proper officer of the United States, shall be fined not more than five thousand dollars, or imprisoned not more than fifteen years, or both.

**UTTERING, ETC., FORGED OBLIGATIONS; PUNISHMENT FOR.**

**743. Sec. 151.**—Whoever, with intent to defraud, shall pass, utter, publish, or sell, or attempt to pass, utter, publish, or sell, or shall bring into the United States or any place subject to the jurisdiction thereof, with intent to pass, publish, utter, or sell, or shall keep in possession or conceal with like intent, any falsely made, forged, counterfeited, or altered obligation or other security of the United States, shall be fined not more than five thousand dollars and imprisoned not more than fifteen years.

Act Mar. 4,  
1909, c. 321, sec.  
151; 35 Stat. L.,  
1116. Supersedes  
sec. 5431, R. S.  
Originally  
enacted June 30,  
1864.

**TAKING IMPRESSIONS OF TOOLS, IMPLEMENTS, ETC.;  
PUNISHMENT FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
152; 35 Stat. L.,  
1117. Supersedes  
sec. 5432, R. S.  
Originally  
enacted Feb. 5,  
1867.

**744. Sec. 152.**—Whoever, without authority from the United States, shall take, procure, or make, upon lead, foil, wax, plaster, paper, or any other substance or material, an impression, stamp, or imprint of, from, or by the use of any bedplate, bedpiece, die, roll, plate, seal, type, or other tool, implement, instrument, or thing used or fitted or intended to be used in printing, stamping, or impressing, or in making other tools, implements, instruments, or things to be used or fitted or intended to be used in printing, stamping, or impressing any kind or description of obligation or other security of the United States now authorized or hereafter to be authorized by the United States, or circulating note or evidence of debt of any banking association under the laws thereof, shall be fined not more than five thousand dollars, or imprisoned not more than ten years, or both.

**HAVING UNLAWFUL POSSESSION OF IMPRESSIONS;  
PUNISHMENT FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
153; 35 Stat. L.,  
1117. Supersedes  
sec. 5433, R. S.  
Originally  
enacted Feb. 5,  
1867.

**745. Sec. 153.**—Whoever, with intent to defraud, shall have in his possession, keeping, custody, or control, without authority from the United States, any imprint, stamp, or impression, taken or made upon any substance or material whatsoever, of any tool, implement, instrument, or thing, used, or fitted or intended to be used, for any of the purposes mentioned in the preceding section; or whoever, with intent to defraud, shall sell, give, or deliver any such imprint, stamp, or impression to any other person, shall be fined not more than five thousand dollars, or imprisoned not more than ten years, or both.

**DEALING IN COUNTERFEIT SECURITIES; PUNISHMENT  
FOR.**

Act Mar. 4,  
1909, c. 321, sec.  
154; 35 Stat. L.,  
1117. Supersedes  
sec. 5434, R. S.  
Originally  
enacted Feb. 5,  
1867.

**746. Sec. 154.**—Whoever shall buy, sell, exchange, transfer, receive, or deliver any false, forged, counterfeited, or altered obligation or other security of the United States, or circulating note of any banking association organized or acting under the laws thereof, which has been or may hereafter be issued by virtue of any Act of Congress, with the intent that the same be passed, published, or used as true and genuine, shall be fined not more than five thousand dollars, or imprisoned not more than ten years, or both.

**CIRCULATING BILLS OF EXPIRED BANKS; PUNISHMENT  
FOR; CIRCULATION PERMITTED.**

Act Mar. 4,  
1909, c. 321, sec.  
174; 35 Stat. L.,  
1122. Supersedes  
sec. 5437, R. S.  
Originally  
enacted July 7,  
1838.

**747. Sec. 174.**—In all cases where the charter of any corporation which has been or may be created by Act of Congress has expired or may hereafter expire, if any director, officer, or agent of the corporation, or any trustee thereof, or any agent of such trustee, or any person having in his possession or under his control the property of the corpo-



ration for the purpose of paying or redeeming its notes and obligations, shall knowingly issue, reissue, or utter as money, or in any other way knowingly put in circulation any bill, note, check, draft, or other security purporting to have been made by any such corporation whose charter has expired, or by any officer thereof, or purporting to have been made under authority derived therefrom, or if any person shall knowingly aid in any such act, he shall be fined not more than ten thousand dollars, or imprisoned not more than five years, or both. But nothing herein shall be construed to make it unlawful for any person, not being such director, officer, or agent of the corporation, or any trustee thereof, or any agent of such trustee, or any person having in his possession or under his control the property of the corporation for the purpose hereinbefore set forth, who has received or may hereafter receive such bill, note, check, draft, or other security, bona fide and in the ordinary transactions of business, to utter as money or otherwise circulate the same.

**FRAUDULENT NOTES TO BE SO MARKED BY UNITED STATES OFFICERS AND OFFICERS OF NATIONAL BANKS. ACT JUNE 30, 1876.**

748. Sec. 5.—That all United States officers charged with the receipt or disbursement of public moneys, and all officers of national banks, shall stamp or write in plain letters the word “counterfeit” “altered” or “worthless,” upon all fraudulent notes issued in the form of, and intended to circulate as money, which shall be presented at their places of business; and if such officer shall wrongfully stamp any genuine note of the United States, or of the national banks, they shall, upon presentation, redeem such notes at the face value thereof.

Act June 30, 1876, sec. 5; 19 Stat. L., 64.

**CURRENCY ACT, APPROVED MARCH 14, 1900.**

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| <p>749. Section 1. Gold dollar declared to be standard unit of value.</p> <p>750. Sec. 2. Secretary of Treasury to set apart and maintain a gold reserve of one hundred and fifty million dollars in gold coin and bullion for the redemption of United States notes and notes issued under the act of July 14, 1890. May sell bonds to replenish reserve.</p> <p>751. Sec. 3. Silver dollar to remain legal tender.</p> <p>752. Sec. 4. Divisions of issue and redemption established.</p> <p>753. Sec. 5. When silver dollars are coined from bullion purchased under act of July 14, 1890, an equal amount of Treasury notes to be canceled and silver certificates issued.</p> | <p>754 Sec. 6. Issue of gold certificates. Issue of gold certificates payable to order.</p> <p>755. Sec. 7. Issue of silver certificates.</p> <p>756. Sec. 8. Subsidiary silver coinage.</p> <p>757. Sec. 9. Recoinage of uncurrent subsidiary silver coin.</p> <p>758. Sec. 10. Amends section 5138, Revised Statutes. (See said section under national-bank act.)</p> <p>759. Sec. 11. Refunding of United States bonds.</p> <p>760. Sec. 12. This section is inserted in national-bank act following section 5171, which it supersedes.</p> <p>761. Sec. 13. See sec. 5214, Revised Statutes, under national-bank act.</p> <p>762. Sec. 14. International bimetallism.</p> |
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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.



**GOLD DOLLAR DECLARED TO BE STANDARD UNIT OF VALUE.**

Act Mar. 14,  
1900, sec. 1; 31  
Stat. L., 45.

**749.** *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

**SECRETARY OF TREASURY TO SET APART AND MAINTAIN A GOLD RESERVE OF ONE HUNDRED AND FIFTY MILLION DOLLARS IN GOLD COIN AND BULLION FOR THE REDEMPTION OF UNITED STATES NOTES AND NOTES ISSUED UNDER ACT OF JULY 14, 1890. MAY SELL BONDS TO REPLENISH RESERVE.**

Act Mar. 14,  
1900, sec. 2; 31  
Stat. L., 45.

**750. Sec. 2.**—That United States notes, and Treasury notes issued under the Act of July fourteenth, eighteen hundred and ninety, when presented to the Treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this Act, and in order to secure the prompt and certain redemption of such notes as herein provided it shall be the duty of the Secretary of the Treasury to set apart in the Treasury a reserve fund of one hundred and fifty million dollars in gold coin and bullion, which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit: First, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury; second, by accepting deposits of gold coin at the Treasury or at any subtreasury in exchange for the United States notes so redeemed; third, by procuring gold coin by the use of said notes, in accordance with the provisions of section thirty-seven hundred of the Revised Statutes of the United States. If the Secretary of the Treasury is unable to restore and maintain the gold coin in the reserve fund by the foregoing methods, and the amount of such gold coin and bullion in said fund shall at any time fall below one hundred million dollars, then it shall be his duty to restore the same to the maximum sum of one hundred and fifty million dollars by borrowing money on the credit of the United States, and for the debt thus incurred to issue and sell coupon or registered bonds of the United States, in such form as he may prescribe, in denominations of fifty dollars or any multiple thereof, bearing interest at the rate of not exceeding three per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after one year from the date of their issue, and to be payable, prin-

cipal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority; and the gold coin received from the sale of said bonds shall first be covered into the general fund of the Treasury and then exchanged, in the manner hereinbefore provided, for an equal amount of the notes redeemed and held for exchange, and the Secretary of the Treasury may, in his discretion, use said notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the public interests may require, except that they shall not be used to meet deficiencies in the current revenues. That United States notes when redeemed in accordance with the provisions of this section shall be reissued, but shall be held in the reserve fund until exchanged for gold, as herein provided; and the gold coin and bullion in the reserve fund, together with the redeemed notes held for use as provided in this section, shall at no time exceed the maximum sum of one hundred and fifty million dollars.

NOTE.—Section 7 of the Federal reserve act provides that the net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury.

#### SILVER DOLLAR TO REMAIN LEGAL TENDER.

751. Sec. 3.—That nothing contained in this Act shall be construed to effect the legal-tender quality as now provided by law of the silver dollar, or of any other money coined or issued by the United States.

Act Mar 14,  
1900, sec. 3; 31  
Stat. L., 46.

#### DIVISIONS OF ISSUE AND REDEMPTION ESTABLISHED.

752. Sec. 4.—That there be established in the Treasury Department, as a part of the office of the Treasurer of the United States, divisions to be designated and known as the division of issue and the division of redemption, to which shall be assigned, respectively, under such regulations as the Secretary of the Treasury may approve, all records and accounts relating to the issue and redemption of United States notes, gold certificates, silver certificates, and currency certificates. There shall be transferred from the accounts of the general fund of the Treasury of the United States, and taken up on the books of said divisions, respectively, accounts relating to the reserve fund for the redemption of United States notes and Treasury notes, the gold coin held against outstanding gold certificates, the United States notes held against outstanding currency certificates, and the silver dollars held against outstanding silver certificates, and each of the funds represented by these accounts shall be used for the redemption of the notes and certificates for which they are respectively pledged, and shall be used for no other purpose, the same being held as trust funds.

Act Mar 14,  
1900, sec. 4; 31  
Stat. L., 46.

**WHEN SILVER DOLLARS ARE COINED FROM BULLION PURCHASED UNDER ACT OF JULY 14, 1890, AN EQUAL AMOUNT OF TREASURY NOTES TO BE CANCELED AND SILVER CERTIFICATES ISSUED.**

Act Mar. 14,  
1900, sec. 5; 31  
Stat. L., 47.

**753. Sec. 5.**—That it shall be the duty of the Secretary of the Treasury, as fast as standard silver dollars are coined under the provisions of the Acts of July fourteenth, eighteen hundred and ninety, and June thirteenth, eighteen hundred and ninety-eight, from bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, to retire and cancel an equal amount of Treasury notes whenever received into the Treasury, either by exchange in accordance with the provisions of this Act or in the ordinary course of business, and upon the cancellation of Treasury notes silver certificates shall be issued against the silver dollars so coined.

**ISSUE OF GOLD CERTIFICATES. ISSUE OF GOLD CERTIFICATES PAYABLE TO ORDER.**

Act Mar. 14,  
1900, sec. 6; 31  
Stat. L., 47.

Act Mar. 4, 1907,  
sec. 1; 34 Stat. L.,  
1289.

Act Mar. 2,  
1911; 36 Stat. L.,  
965.

Act June 12,  
1916; 39 Stat. L.,  
225.

**754. Sec. 6** [as amended by acts of March 4, 1907, March 2, 1911, and June 12, 1916].—That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer, or any assistant treasurer of the United States, in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve: *Provided*, That whenever and so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars the authority to issue certificates as herein provided shall be suspended: *And provided further*, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for: *And provided further*, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less: *And provided further*, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order: *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer in New York and the assistant treasurer in San Francisco, deposits of foreign gold coin at their bullion value in amounts of not less than one thousand dollars in value and issue gold certificates there-



for of the description herein authorized: *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the Treasurer or any assistant treasurer of the United States, deposits of gold bullion bearing the stamp of the coinage mints of the United States, or the assay office in New York, certifying their weight, fineness, and value, in amounts of not less than one thousand dollars in value, and issue gold certificates therefor of the description herein authorized. But the amount of gold bullion and foreign coin so held shall not at any time exceed two thirds of the total amount of gold certificates at such time outstanding. And section fifty-one hundred and ninety-three of the Revised Statutes of the United States is hereby repealed.

#### ISSUE OF SILVER CERTIFICATES.

755. Sec. 7.—That hereafter silver certificates shall be issued only of denominations of ten dollars and under, except that not exceeding in the aggregate ten per centum of the total volume of said certificates, in the discretion of the Secretary of the Treasury, may be issued in denominations of twenty dollars, fifty dollars, and one hundred dollars; and silver certificates of higher denomination than ten dollars, except as herein provided, shall, whenever received at the Treasury or redeemed, be retired and canceled, and certificates of denominations of ten dollars or less shall be substituted therefor, and after such substitution, in whole or in part, a like volume of United States notes of less denomination than ten dollars shall from time to time be retired and canceled, and notes of denominations of ten dollars and upward shall be reissued in substitution therefor, with like qualities and restrictions as those retired and canceled.

Act Mar. 14,  
1900, sec. 7; 31  
Stat. L., 47.

NOTE.—The act of February 28, 1878, authorized the issue of silver certificates in sums of not less than ten dollars. The act of March 3, 1887, authorized the issue of one, two, and five dollar certificates. This section supersedes these acts as to all new issues.

#### SUBSIDIARY SILVER COINAGE.

756. Sec. 8.—That the Secretary of the Treasury is hereby authorized to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the Act of July fourteenth, eighteen hundred and ninety, for coinage into such denominations of subsidiary silver coin as may be necessary to meet the public requirements for such coin: *Provided*, That the amount of subsidiary silver coin outstanding shall not at any time exceed in the aggregate one hundred millions of dollars. Whenever any silver bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, shall be used in the coinage of subsidiary silver coin, an amount of Treasury notes issued under said Act equal to the cost of the bullion contained in such coin shall be canceled and not reissued.

Act Mar. 14,  
1900, sec. 8; 31  
Stat. L., 47.



**RECOINAGE OF UNCURRENT SUBSIDIARY SILVER COIN.**

Act Mar. 14,  
1900, sec. 9; 31  
Stat. L., 43.

**757. Sec. 9.**—That the Secretary of the Treasury is hereby authorized and directed to cause all worn and uncurrent subsidiary silver coin of the United States now in the Treasury, and hereafter received, to be recoined, and to reimburse the Treasurer of the United States for the difference between the nominal or face value of such coin and the amount the same will produce in new coin from any moneys in the Treasury not otherwise appropriated.

**758. Sec. 10.**—

Amends section 5138, Revised Statutes. (See said section under National-bank act.)

**REFUNDING OF UNITED STATES BONDS.**

Act Mar. 14,  
1900, sec. 11; 31  
Stat. L., 43.

**759. Sec. 11.**—That the Secretary of the Treasury is hereby authorized to receive at the Treasury any of the outstanding bonds of the United States bearing interest at five per centum per annum, payable February first, nineteen hundred and four, and any bonds of the United States bearing interest at four per centum per annum, payable July first, nineteen hundred and seven, and any bonds of the United States bearing interest at three per centum per annum, payable August first, nineteen hundred and eight, and to issue in exchange therefor an equal amount of coupon or registered bonds of the United States in such form as he may prescribe, in denominations of fifty dollars or any multiple thereof, bearing interest at the rate of two per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after thirty years from the date of their issue, and said bonds to be payable, principal and interest, in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority: *Provided*, That such outstanding bonds may be received in exchange at a valuation not greater than their present worth to yield an income of two and one-quarter per centum per annum; and in consideration of the reduction of interest effected, the Secretary of the Treasury is authorized to pay to the holders of the outstanding bonds surrendered for exchange, out of any money in the Treasury not otherwise appropriated, a sum not greater than the difference between their present worth, computed as aforesaid, and their par value, and the payments to be made hereunder shall be held to be payments on account of the sinking fund created by section thirty-six hundred and ninety-four of the Revised Statutes: *And provided further*, That the two per centum bonds to be issued under the provisions of this Act shall be issued at not less than par, and they shall be numbered consecutively in the order of their issue, and when payment is made the

last numbers issued shall be first paid, and this order shall be followed until all the bonds are paid, and whenever any of the outstanding bonds are called for payment interest thereon shall cease three months after such call; and there is hereby appropriated out of any money in the Treasury not otherwise appropriated, to effect the exchanges of bonds provided for in this Act, a sum not exceeding one-fifteenth of one per centum of the face value of said bonds, to pay the expense of preparing and issuing the same and other expenses incident thereto.

**760. Sec. 12.—**

This section is inserted in the national-bank act following section 5171 which it supersedes.

**761. Sec. 13.—**

See paragraph 445.

**INTERNATIONAL BIMETALLISM.**

**762. Sec. 14.—**That the provisions of this Act are not intended to preclude the accomplishment of international bimetallism whenever conditions shall make it expedient and practicable to secure the same by concurrent action of the leading commercial nations of the world and at a ratio which shall insure permanence of relative value between gold and silver. Act Mar. 14,  
1900, sec. 14; 31  
Stat. L., 49.

**ACT MARCH 4, 1907.**

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| <p>763. Sec. 1. Amends section 6 of act of March 14, 1900.</p> <p>764. Sec. 2. Issue of Treasury notes.</p> <p>765. Sec. 3. Amends section 5153 of the Revised Statutes.</p> |  | <p>766. Sec. 4. Amends section 9 of act of July 12, 1882. The amended section follows section 5167 of the Revised Statutes.</p> |
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**763. Sec. 1, Act March 4, 1907.**

Amends section 6 of act of March 14, 1900. This amended section is incorporated in said act, paragraph 754, ante.

**ISSUE OF TREASURY NOTES. ACT MARCH 4, 1907.**

**764. Sec. 2.—**That whenever and so long as the outstanding silver certificates of the denominations of one dollar, two dollars, and five dollars, issued under the provisions of section seven of an Act 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," approved March fourteenth, nineteen hundred, shall be, in the opinion of the Secretary of the Treasury, insufficient to meet the public demand therefor, he is hereby authorized to issue United States notes of the denominations of one dollar, two dollars, and five dollars, and upon the issue of United States notes of such denominations an equal amount of United States notes of higher denominations shall be retired and canceled: *Provided, however,* That the aggregate amount of United States notes at any time outstanding shall remain as at Act Mar. 4,  
1907, sec. 2; 34  
Stat. L., 1289.

present fixed by law: *And provided further*, That nothing in this Act shall be construed as affecting the right of any national bank to issue one-third in amount of its circulating notes of the denomination of five dollars, as now provided by law.

**765. Sec. 3.—**

Amends section 5153, Revised Statutes, paragraph 243, *ante*.

**766. Sec. 4.—**

Amends section 9 of act of July 12, 1882, as amended by act of March 14, 1900. See paragraph 314, *ante*.

PANAMA CANAL BONDS.

**PANAMA CANAL BONDS—ADDITIONAL ISSUE AUTHORIZED AT RATE OF INTEREST NOT TO EXCEED 3 PER CENT PER ANNUM.**

Act Aug. 5,  
1909, sec. 39;  
Stat. L., 117.

**767. Sec. 39.**—That the Secretary of the Treasury is hereby authorized to borrow on the credit of the United States, from time to time, as the proceeds may be required to defray expenditures on account of the Panama Canal and to reimburse the Treasury for such expenditures already made and not covered by previous issues of bonds, the sum of two hundred and ninety million five hundred and sixty-nine thousand dollars (which sum together with the eighty-four million six hundred and thirty-one thousand nine hundred dollars already borrowed upon issues of two per cent bonds under section eight of the Act of June twenty-eight, nineteen hundred and two, equals the estimate of the Isthmian Canal Commission to cover the entire cost of the Canal from its inception to its completion), and to prepare and issue therefor coupon or registered bonds of the United States in such form as he may prescribe, and in denominations of one hundred dollars, five hundred dollars, and one thousand dollars, payable fifty years from the date of issue, and bearing interest payable quarterly in gold coin at a rate not exceeding three per centum per annum; and the bonds herein authorized shall be exempt from all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority: *Provided*, That said bonds may be disposed of by the Secretary of the Treasury at not less than par, under such regulations as he may prescribe, giving to all citizens of the United States an equal opportunity to subscribe therefor, but no commissions shall be allowed or paid thereon; and a sum not exceeding one-tenth of one per centum of the amount of the bonds herein authorized is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to pay the expenses of preparing, advertising, and issuing the same; and the authority contained in section eight of the Act of June twenty-eight, nineteen hundred and two, for the issue of bonds bearing interest at two per centum per annum, is hereby repealed.



**PANAMA CANAL BONDS ISSUED UNDER ACT OF AUGUST 5, 1909, NOT RECEIVABLE AS SECURITY FOR THE ISSUE OF CIRCULATING NOTES TO NATIONAL BANKS.**

768. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury be, and he is hereby, authorized to insert in the bonds to be issued by him under section thirty-nine of an Act entitled "An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," approved August fifth, nineteen hundred and nine, a provision that such bonds shall not be receivable by the Treasurer of the United States as security for the issue of circulating notes to national banks; and the bonds containing such provision shall not be receivable for that purpose.

Act Mar. 2,  
1911; c. 195, 34  
Stat. L., 1013.

**CERTIFIED CHECKS WHEN RECEIVABLE FOR DUTIES AND TAXES.**

**CERTIFIED CHECKS DRAWN ON NATIONAL AND STATE BANKS RECEIVABLE FOR DUTIES ON IMPORTS AND INTERNAL TAXES. ACT MARCH 2, 1911.**

769. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That it shall be lawful for collectors of customs and of internal revenue to receive for duties on imports and internal taxes certified checks drawn on national and State banks, and trust companies during such time and under such regulations as the Secretary of the Treasury may prescribe. No person, however, who may be indebted to the United States on account of duties on imports or internal taxes who shall have tendered a certified check or checks as provisional payment for such duties or taxes, in accordance with the terms of this Act, shall be released from the obligation to make ultimate payment thereof until such certified check so received has been duly paid; and if any such check so received is not duly paid by the bank on which it is drawn and so certifying, the United States shall, in addition to its right to exact payment from the party originally indebted therefor, have a lien for the amount of such check upon all the assets of such bank; and such amount shall be paid out of its assets in preference to any or all other claims whatsoever against said bank, except the necessary costs and expenses of administration and the reimbursement of the United States for the amount expended in the redemption of the circulating notes of such bank.

Act Mar. 2,  
1911; c. 191, 34  
Stat. L., 965.

SEC. 2. That this Act shall be effective on and after June first, nineteen hundred and eleven.

**CERTIFIED CHECKS—WHEN RECEIVABLE FOR DUTIES AND TAXES. ACT MARCH 3, 1913.**

770. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress*



Act Mar. 3, 1913; c. 119, Stat. L., 733. 37 *assembled*, That it shall be lawful for collecting officers to receive certified checks drawn on national and State banks and trust companies, during such time and under such regulations as the Secretary of the Treasury may prescribe, in payment for duties on imports, internal taxes, and all public dues, including special customs deposits; and the Act of March second, nineteen hundred and eleven, entitled "An Act to authorize the receipt of certified checks for duties on imports and internal taxes," is hereby amended accordingly.

AMERICAN NATIONAL RED CROSS.

**NATIONAL BANKS AUTHORIZED TO SUBSCRIBE TO AMERICAN NATIONAL RED CROSS DURING THE WAR.**

Act May 22, 1918. 771. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That during the continuance of the state of war now existing it shall be lawful for any national banking association to contribute to the American National Red Cross, out of any net profits otherwise available under the law for the declaration of dividends, such sum or sums as the directors of said association shall deem expedient. Each association shall report to the Comptroller of the Currency within ten days after the making of any such contribution, the amount of such contribution, and the amount of net earnings in excess of such contribution. Such report shall be attested by the president or cashier of the association in like manner as the report of the declaration of any dividend.

SEC 2. That all sums so contributed shall be utilized by the American National Red Cross in furnishing volunteer aid to the sick and wounded of the combatant armies, the voluntary relief of the Army and Navy of the United States, and the relief and mitigation of the suffering caused by the war to the people of the United States and their allied nations.

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**SPECIAL ACTS.**

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## CHAPTER VIII.

### SPECIAL ACTS RELATING TO NATIONAL BANKS.

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| 800. Act April 12, 1900. National banking laws applicable to Porto Rico. | 802. Granting Fifth-Third National Bank of Cincinnati, Ohio, the right to use original charter No. 20. |
| 801. Act April 30, 1900. National banking laws applicable to Hawaii.     | 803. Special acts authorizing change of name or location of national banks.                            |

### NATIONAL BANKING LAWS APPLICABLE TO PORTO RICO. ACT APRIL 12, 1900.

800. Sec. 14.—That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Porto Rico as in the United States, except the internal-revenue laws, which, in view of the provisions of section 3, shall not have force and effect in Porto Rico.

Act Apr. 12, 1900,  
sec 14; 31 Stat. L.,  
80

NOTE.—The Attorney General of the United States in an opinion rendered June 2, 1900, held "There seems to be in the structure of the national banking laws no general provisions which can not be carried into force and effect in Porto Rico equally with all of the various States and Territories to which the laws were originally applied. I can find no reason to hold that the statutes relative to the organization and powers of national banks have not, by section 14 of the Porto Rican act, above referred to, been extended to that island. The language of that section is broad enough, and in my opinion does authorize the organization and carrying on of national banks in Porto Rico."

### NATIONAL BANKING LAWS APPLICABLE TO HAWAII. ACT APRIL 30, 1900.

801. Sec. 5.—That the Constitution, and except as herein otherwise provided, all the laws of the United States which are not locally inapplicable, shall have the same force and effect within the said Territory as elsewhere in the United States: *Provided*, That sections eighteen hundred and fifty and eighteen hundred and ninety of the Revised Statutes of the United States shall not apply to the Territory of Hawaii.

Act Apr. 30,  
1900, sec. 5  
Stat. L., 141

NOTE.—The Attorney General of the United States in an opinion rendered June 23, 1900, held "That the act of April 30, 1900, \* \* \* extended the national banking acts to the Territory of Hawaii, and would authorize the Comptroller to grant permission for the organization of national banks therein. (See my opinion of June 2, 1900, relative to the same question as applied to Porto Rico.) But I do not think that the provisions of section 5154 apply to banks existing in Hawaii prior to the passage of the act of April 30, 1900. Sections 5154 and 5155 seem, by their especial terms, to refer only to banking institutions organized under special or general laws of a State, and do not seem to apply at all to banks organized under the laws of any Territory. I think the object of these two sections was to enable the banks that were previously strictly State institutions to become national corporations, and the operation of the act in that respect is to be so restricted."



**GRANTING FIFTH-THIRD NATIONAL BANK, OF CINCINNATI, OHIO, THE RIGHT TO USE ORIGINAL CHARTER NUMBER TWENTY.**

Act Feb. 26, 1913; 37 Stat. 1373. L.,

802. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Comptroller of the Currency be, and he is hereby, authorized and directed to issue to the Fifth-Third National Bank, of Cincinnati, Ohio, charter numbered twenty in lieu of their present charter numbered twenty-seven hundred and ninety-eight, said charter numbered twenty being the original charter number of the Third National Bank, of Cincinnati, Ohio, which bank, was merged and consolidated with the Fifth National Bank, of Cincinnati, Ohio, in the year nineteen hundred and eight, under the name of the Fifth-Third National Bank, of Cincinnati, Ohio, said consolidated bank having succeeded to all the assets, good will, rights, privileges, and emoluments of the said Third National Bank, of Cincinnati, Ohio.

**SPECIAL ACTS AUTHORIZING CHANGE OF NAME OR LOCATION. ACT JUNE 7, 1872.**

Act June 7, 1872, sec. 1; Stat. L., 281. 7, 17

803. Sec. 1.—That the First National Bank of Annapolis, now located in the city of Annapolis and State of Maryland, is hereby authorized to change its location to the city of Baltimore, in said State. Whenever the stockholders representing three-fourths of the capital of said bank, at a meeting called for that purpose, determine to make such change, the president and cashier shall execute a certificate, under the corporate seal of the bank, specifying such determination, and shall cause the same to be recorded in the office of the Comptroller of the Currency, and thereupon such change of location shall be effected, and the operations of discount and deposit of said bank shall be carried on in the city of Baltimore.

Act June 7, 1872, sec. 2; Stat. L., 282. 7, 17

SEC. 2. That nothing in this act contained shall be so construed as in any manner to release the said bank from any liability or affect any action or proceeding in law in which the said bank may be a party or interested. And when such change shall have been determined upon, as aforesaid, notice thereof and of such change shall be published in two weekly papers in the city of Annapolis not less than four weeks.

Act June 7, 1872, sec. 3; Stat. L., 282. 7, 17

SEC. 3. That whenever the location of said bank shall have been changed from the city of Annapolis to the city of Baltimore, in accordance with the first section of this act, its name shall be changed to 'The Traders' National Bank of Baltimore, if the board of directors of said bank shall accept the new name by resolution of the board, and cause a copy of such resolution, duly authenticated, to be filed with the comptroller of the currency.

Act June 7, 1872, sec. 4; Stat. L., 282. 7, 17

SEC. 4. That all the debts, demands, liabilities, rights, privileges, and powers of the First National Bank of Annapolis shall devolve upon the 'Traders' National

Bank of Baltimore whenever such change of name is effected.

SEC. 5. That this act shall take effect and be in force from and after its passage.

Act June 7,  
1872, sec. 5; 17  
Stat. L., 282.

NOTE.—Acts of a similar nature to the one preceding have been enacted by Congress for the following purposes:

Authorizing The Manufacturers' National Bank of New York to change its location from the city of New York to the city of Brooklyn. (Approved July 27, 1868.)

Authorizing The City National Bank of New Orleans, Louisiana, to change its name to The Germania National Bank of New Orleans (Approved March 1, 1869.)

Authorizing The Second National Bank of Plattsburgh, New York, to change its name to The Vilas National Bank of Plattsburgh. (Approved March 1, 1869.)

Authorizing The First National Bank of Delhi, New York, to change its location and name to The First National Bank of Port Jervis, New York. (Approved May 5, 1870.)

Authorizing The First National Bank of Fort Smith, Arkansas, to change its location and name to the First National Bank of Camden, Arkansas. (Approved July 1, 1870.)

Authorizing the Jersey Shore National Bank, Pennsylvania, to change its location and name to The Williamsport National Bank, Pennsylvania. (Approved December 22, 1870.)

Authorizing the Worcester County National Bank of Blackstone, Massachusetts, to change its location and name to The Franklin National Bank, Massachusetts. (Approved February 9, 1871.)

Authorizing The Farmers' National Bank of Fort Edward, New York, to change its location and name to The North Granville National Bank, New York. (Approved February 18, 1871.)

Authorizing The Worthington National Bank of Cooperstown, New York, to change its location and name to The First National Bank of Oneonta, New York. (Approved February 27, 1871.)

Authorizing The Warren National Bank of South Danvers, Massachusetts, to change its name to The Warren National Bank of Peabody, Massachusetts. (Approved March 12, 1872.)

Authorizing The First National Bank of Seneca, Illinois, to change its location and name to The First National Bank of Morris, Illinois. (Two acts, approved April 5, 1872, and June 18, 1874.)

Authorizing The Railroad National Bank of Lowell, Massachusetts, to change its location and name to The Railroad National Bank of Boston, Massachusetts. (Approved May 31, 1872.)

Authorizing The National Bank of Lyons, Michigan, to change its location and name to The Second National Bank of Ionia, Michigan. (Approved December 24, 1872.)

Authorizing The East Chester National Bank of Mount Vernon, New York, to change its location and name to The German National Bank of Evansville, Indiana. (Approved January 11, 1873.)

Authorizing The First National Bank of Newnan, Georgia, to change its location and name to The National Bank of Commerce, Atlanta, Georgia. (Approved January 23, 1873.)

Authorizing The First National Bank of Watkins, New York, to change its location and name to The First National Bank of Penn Yan, New York. (Approved February 19, 1873.)

Authorizing The National Bank of Springfield, Missouri, to change its name to The First National Bank of Springfield Missouri. (Approved March 3, 1873.)

Authorizing The Kansas Valley National Bank of Topeka, Kansas, to change its name to The First National Bank of Topeka, Kansas. (Approved March 3, 1873.)

Authorizing The First National Bank of Saint Anthony, Minnesota, to change its location and name to The Merchants' National Bank of Minneapolis, Minnesota. (Approved January 8, 1874.)

Authorizing The Second National Bank of Havana, New York, to change its name to The Havana National Bank of Havana, New York. (Approved January 9, 1874.)

Authorizing The Passaic County National Bank of Paterson, New Jersey, to change its name to The Second National Bank of Paterson, New Jersey. (Approved April 15, 1874.)

Authorizing The Citizens' National Bank of Hagerstown, Maryland, to change its location and name to The Citizens' National Bank of Washington City, District of Columbia. (Approved May 1, 1874.)

Authorizing The Irasburg National Bank of Orleans, at Irasburg, Vermont, to change its location and name to The Barton National Bank, Vermont. (Approved June 3, 1874.)

Authorizing The Farmers' National Bank of Greensburg, Pennsylvania, to change its location and name to The Fifth National Bank of Pittsburg, Pennsylvania. (Approved June 23, 1874.)

Authorizing The Citizens' National Bank of Sanbornton, New Hampshire, to change its name to The Citizens' National Bank of Tilton, New Hampshire. (Approved February 19, 1875.)

Authorizing the Second National Bank of Jamestown, New York, to change its name to The City National Bank of Jamestown, New York. (Approved March 3, 1875.)

Authorizing The Second National Bank of Watkins, New York, to change its name to The Watkins National Bank, New York. (Approved March 3, 1875.)

Authorizing The Slater National Bank of North Providence, Rhode Island, to change its name to The Slater National Bank of Pawtucket, Rhode Island. (Approved March 3, 1875.)

Authorizing The Auburn City National Bank of Auburn, New York, to be consolidated with The First National Bank of Auburn, New York. (Approved March 3, 1875.)

Authorizing The Miners' National Bank of Braidwood, Illinois, to change its location and name to The Commercial National Bank of Wilmington, Illinois. (Approved January 31, 1878.)

Authorizing The Windham National Bank, Windham, Connecticut, to change its location to the village of Willimantic, Connecticut. (Approved February 10, 1879.)

Authorizing the National Bank of Commerce of Cincinnati, Ohio, to change its name to The National Lafayette and Bank of Commerce. (Approved April 29, 1879.)

Authorizing the City National Bank of Manchester, New Hampshire, to change its name to The Merchants' National Bank of Manchester. (Approved June 11, 1880.)

Authorizing The Blue Hill National Bank of Dorchester, Massachusetts, to change its location and name to the Blue Hill National Bank of Milton, Massachusetts. (Approved January 13, 1881.)

Authorizing The First National Bank of Meriden, West Meriden, Connecticut, to change its name to The First National Bank of Meriden, Connecticut. (Approved March 1, 1881.)

Authorizing The National Mechanics' Banking Association of New York, New York, to change its name to Wall Street National Bank. (Approved February 14, 1882.)

Authorizing The Lancaster National Bank of Lancaster, Massachusetts, to change its location and name to The Lancaster National Bank of Clinton, Massachusetts. (Approved February 25, 1882.)

Authorizing the National Bank of Kutztown, Pennsylvania, to change its location and name to The Keystone National Bank of Reading, Pennsylvania. (Approved June 27, 1882.)

Joint resolution authorizing The National Bank of Winterset, Iowa, to change its name to The First National Bank of Winterset, Iowa. (Approved January 18, 1883.)

Authorizing The Second National Bank of Xenia, Ohio, to increase its capital stock. (Approved February 17, 1883.)

Authorizing The First National Bank of West Greenville, Pennsylvania, to change its name to The First National Bank of Greenville, Pennsylvania. (Approved February 26, 1883.)

Authorizing The West Waterville National Bank of Oakland, Maine, to change its title to The Messalonskee National Bank of Oakland, Maine. (Approved April 15, 1884.)

Authorizing the Hillsborough National Bank, of Hillsboro, Ohio, to change its name to The First National Bank of Hillsborough, Ohio. (Approved December 18, 1884.)

Authorizing The Slater National Bank of North Providence, Rhode Island, to change its name. (Approved January 8, 1885.)

Authorizing the First National Bank of Omaha, Nebraska, to increase its capital stock. (Approved January 10, 1885.)

Authorizing The National Bank of Bloomington, Illinois, to change its name to the First National Bank of Bloomington, Illinois. (Approved January 27, 1885.)

Authorizing The Manufacturers' National Bank of New York to change its name to The Manufacturers' National Bank of Brooklyn, New York. (Approved February 20, 1885.)

Authorizing The Commercial National Bank of Chicago, Illinois, to increase its capital stock. (Approved February 28, 1885.)

Authorizing The First National Bank of Larned, Kansas, to increase its capital stock. (Approved March 3, 1885.)

Authorizing The First National Bank of Fort Benton, Montana, to change its location and name. (Approved December 18, 1890.)

Authorizing the National Safe Deposit Company of Washington to change its title to The National Safe Deposit, Savings and Trust Company of the District of Columbia. (Approved February 18, 1892.)

Authorizing a national bank of Chicago, Illinois, to establish a branch office upon the grounds of the World's Columbian Exposition. (Approved May 12, 1892.)

Authorizing The First National Bank of Sprague, Washington, to change its location and name. (Approved March 20, 1896.)

Authorizing the Interstate National Bank of Kansas City, Kansas, to change its location. (Approved March 2, 1897.)

Authorizing any bank or trust company located in the State of Missouri to conduct a banking office on the Louisiana Exposition grounds at St. Louis, Mo. (Approved March 3, 1901.)

Authorizing The American National Bank of Graham, Virginia, to change its location and name. (Approved February 15, 1906.)

Authorizing the National Safe Deposit Savings and Trust Company of the District of Columbia to change its title to National Savings and Trust Company. (Approved January 31, 1907.)





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**OPINIONS OF THE ATTORNEY GENERAL.**

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## CHAPTER IX.

### OPINIONS OF THE ATTORNEY GENERAL ON GUARANTY LAWS OF OKLAHOMA AND KANSAS, AND ON THE INSURANCE OF BANK DEPOSITS.

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| 900. Opinion of Attorney General of United States on Oklahoma deposit guaranty law.   | 903. Opinion of Attorney General of United States on power of a national bank to make a contract with an insurance company by which the company insures and guarantees each depositor in the bank the full payment of his deposit therein. |
| 901. Opinion of Attorney General of United States on Kansas deposit guaranty law.   |  |
| 902. Opinion of Attorney General of the United States on power of a national bank to enter into a contract with an insurance company guaranteeing the solvency of the bank. |  |

#### THE OKLAHOMA DEPOSIT GUARANTY LAW.

900. The Attorney General of the United States, in an opinion rendered July 28, 1908, said:

The business of insuring deposits is a wholly separate business from that of banking \* \* \*. A national bank has no power to guarantee the obligations of a third party, unless in connection with the sale or transfer of its own property and as an incident to the business of the bank \* \* \*.

But a contract guaranteeing the payment by another corporation or individual of obligations in nowise connected with the business of the bank is entirely ultra vires. I hold \* \* \* that it is illegal for the officers of a national bank to enter into any such agreement as that contemplated by section 4 of the Oklahoma statutes, and any willful action to this effect on the part of any national bank is sufficient cause for the forfeiture of charter.

#### THE KANSAS DEPOSIT GUARANTY LAW.

901. The Attorney General of the United States, in an opinion rendered April 6, 1909, said:

The question of the power of a national bank to avail of the invitation extended to it by this act involves primarily a consideration of the nature of the agreement contemplated by it. Attorney General Bonaparte, in an opinion rendered to the Secretary of the Treasury, under date of July 28, 1908, considering an act of the Legislature of the State of Oklahoma (27 Op. A. G., p. 38), determined that a national bank could not lawfully enter into the plan or scheme contemplated by that act, because it involved essentially a guaranty to the depositors of all State banks in Oklahoma, and other national banks in that State which might accept the terms of the law, that their respective depositors should be paid in full; a contract which he deemed to be clearly ultra vires.

The act now under consideration attempts to avoid this objection by limiting the amount for which any bank may become liable, but within such limitation the same principle is involved, for to the extent of the contribution and liability required by the statute each bank becomes liable to creditors of the other banks which are parties to the plan. But even if a proper construction of the act would, as contended, make it a guaranty by each bank of payments to its own depositors, and not a general guaranty within the limits of contribution prescribed by the act, of all deposits in all the banks which are parties to the scheme, nevertheless I am strongly of the opinion that a national bank is without corporate power to expend its moneys for the purpose of providing insurance that its depositors shall be paid in full. It may, of course, insure its own property against loss or destruction; it may insure itself against loss of property through theft or other dishonesty, but the appli-



cation of its funds for the purpose of securing a collateral guaranty by third parties that it will pay in full its debts to its depositors is, it appears to me, beyond its corporate power.

Such contract would fall within the principles asserted in *Commercial National Bank v. Pirie* (32 Fed., 799), *Bowen v. Needles National Bank* (94 Fed., 925), for if, as is well established, a national bank has no power to guarantee the obligation of another, it certainly has no power to employ another to guarantee its own obligation to a third person.

**POWER OF NATIONAL BANK TO ENTER INTO A CONTRACT WITH AN INSURANCE COMPANY GUARANTEEING THE SOLVENCY OF THE BANK.**

902. The Attorney General of the United States, in an opinion rendered May 7, 1909, said:

Replying to yours of the 29th ultimo, in which, at the request of the Comptroller of the Currency, you ask for an opinion as to the power of a national bank to enter into a contract with an insurance company guaranteeing the solvency of the bank, and transmitting to me a form of policy which is proposed to be issued by an insurance company proposed to be organized, I beg to say that, as a general principle, I have no doubt that it is entirely within the powers of a national bank to contract for the insurance of its assets against loss. The form of the proposed policy submitted in your letter is somewhat peculiar. It purports to insure to the bank the payment of "a sum of money sufficient to indemnify the bank for any and all losses suffered by it by reason of theft, embezzlement, losses in realizing upon loans and investments, shrinkage in value of assets or otherwise, in an amount equal to but not exceeding the net excess of its obligations, other than by reason of the stock of the bank, over the total aggregate value of the assets of the bank thus reduced by such losses; provided that there shall be included in the assets of the bank all net sums which have been realized by reason of the additional liability of the stockholders of the bank."

Such contract is, in effect, an agreement to pay to the bank any deficiency in its assets upon ultimate realization necessary to enable it to pay all of its liabilities of every kind. The policy is to run for a period of three months, but to be renewable thereafter for periods of three months each with the consent of the insurance company, and at such premiums as the insurance company may fix at least one month before the expiration of the then current term of the insurance, the premium in every case to be a percentage of the average indebtedness of the bank during the period covered by such renewal, with the provision that, if such rate shall be in excess of one-sixteenth of 1 per cent upon such average indebtedness, then and in such event the insurance company shall be liable to account to the bank for the application of such premium paid by the bank in excess of one-sixteenth of 1 per cent. "which excess shall be applicable only to the payment of actual losses incurred by the company by reason of claims under this and similar policies, and any excess over such extra claims shall be divided pro rata among the banks paying such extra rate of premium as a participation in the profits during which period such extra rate of premium has been paid."

It is somewhat uncertain precisely what this paragraph means and what its effect may be. It seems to me to be objectionable as committing the bank to a profit-sharing feature, which might be contended to entail a corresponding liability for losses; and, as the attorney for the promoters of the proposed insurance company informs me that this is not regarded as an essential part of the plan, I should advise that it had better be eliminated from the policy.

Another provision contained in the policy subjects the bank to a periodical examination by the examiners of the insurance company without notice and at such times as the company may elect, one of such examinations to be within each period of six months covered by the policy and all renewals thereof. This period is probably inadvertently placed at six months, as the policy is proposed to be written for periods of three months only. Aside from that, I very much question the legality of this clause, or at least its enforceability. Section 5241 of the Revised Statutes provides that, "No association shall be subject

to any visitatorial powers other than such as are authorized by this title, or are vested in the courts of justice."

While this statute does not prohibit the bank from permitting an examination of its books, in my opinion it does operate to prohibit it from obligating itself to permit such examination; and if the covenant to insure can be considered as in any respect dependent upon this agreement to permit examinations, it might be vitiated by the unlawful provision. I should advise that the clause be reframed so as to make it clear that the agreement to insure is not dependent upon the failure to permit the examination, although it might be stipulated that in case, at any time, the examiner of the company should not be allowed access to the books of the bank for the purpose of making an examination the company should have the option, upon reasonable notice, to terminate the contract.

In my opinion, therefore, it is a matter for the discretion of the directors and officers of a bank to determine whether or not they will enter into any such contract in any given instance, this discretion to be exercised in view of the solvency and general financial condition of the company making the insurance and the reasonableness of the rate of premium; and the form of the policy being modified to conform to the foregoing suggestions, I see no legal reason why a bank may not enter into it.

**POWER OF A NATIONAL BANK TO MAKE A CONTRACT WITH AN INSURANCE COMPANY BY WHICH THE COMPANY INSURES AND GUARANTEES EACH DEPOSITOR IN THE BANK THE FULL PAYMENT OF HIS DEPOSIT THEREIN.**

903. The Attorney General of the United States, in an opinion rendered March 31, 1915, said:

I have the honor to acknowledge the receipt of your letter of February 12, 1915, inclosing letter of the Comptroller of the Currency, opinion of the Acting Solicitor of the Treasury, and brief filed with the Comptroller on behalf of a guaranty company and certain national banks, in which the question is raised as to whether a national bank may enter into a contract with a guaranty company under which, in consideration of premiums paid by the bank, the company "insures and guarantees each depositor in the bank the full payment of his deposit therein." You ask my opinion upon this question.

In my opinion, it is within the power of a national bank to enter into such a contract.

The law confers upon national banks such incidental powers as are required to meet all legitimate demands of the banking business, and to enable them to conduct their affairs safely and prudently within the scope of their charters. Section 5136, Revised Statutes; *First National Bank v. National Exchange Bank* (92 U. S. 122, 127). The power to give security for deposits seems to be recognized by section 5153, Revised Statutes, as among these incidental powers. The section last mentioned, after providing that all associations created under the act, shall, when so designated by the Secretary of the Treasury, be depositaries, further provides that "The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe keeping and prompt payment of the public money deposited with them," etc. It is believed that this section is more reasonably construed as a recognition of the existence of the power on the part of national banks to give security for deposits than as a grant by implication of authority to give security for Government deposits alone.

The power of banks to give security for deposits or for payment of their debts has been frequently recognized. It has been held that the property of a bank may be pledged as security for a debt (*United States v. Robertson* (1831), 5 Pet., 641, 650); that a bond with sureties may be given to prevent depositors from withdrawing their accounts (*Wylie v. Commercial & Farmers' Bank* (1902), 41 S. E., 504, 509; 63 S. C., 406); and that a national bank may give its bond with sureties to secure a deposit of State funds (*State of Nebraska v. First National Bank of Orleans* (1898), 88 Fed., 947, 951).

The power to contract for guaranteeing or securing depositors arises from the nature of the relation existing between the banks and their depositors. The relation created between the bank and a depositor by the receipt of deposits is that of debtor and creditor. (*National Bank v. Millard* (1869), 10 Wall., 152, 155; *Davis v. Elmira Savings Bank* (1896), 161 U. S., 275, 288.) The power to receive deposits, expressly granted to every national bank (sec. 5136, R. S.), is, of course, indispensable to the conduct of the business of banking; and the extent of its exercise is in a degree the measure of the success of the bank. The ability of a bank to obtain deposits largely depends upon the confidence of depositors, or the belief that their deposits are secure. Loss of such confidence on the part of depositors is usually attended with loss and inconvenience to them, to the bank, and to the public. The law accordingly imposes upon the bank an imperative duty not only to repay deposits but to keep them secure. For the protection of depositors, its revenues and property are pledged, its stockholders are made subject to a double liability, and its directors may be held liable for a violation of their duties.

The means by which depositors are to be protected and secured are not expressly limited or restricted by statute. A large discretion is left to the officers and directors. They may use such means for the purpose as are not prohibited by or inconsistent with the provisions of the law and as they may reasonably find to be suitable and proper and not inconsistent with the prudent conduct of the affairs of the bank within the scope of its charter. "Whatever protects the depositors," it has been said, "protects the bank, because it assures confidence in the bank." (*Noble State Bank v. Haskell* (1908), 22 Okla., 48, 89.)

A contract of insurance or guaranty, such as described in the question submitted, may afford protection to depositors by securing the performance of an obligation on the part of the bank which otherwise might not be performed. And it is not unreasonable to believe that such a contract, at the same time, may prove valuable to the bank because of the confidence it may assure. No reason is perceived for prohibiting a national bank, in the discretion of its directors, from so securing its depositors, or for denying to the bank such benefits as they believe may accrue in the form of increased confidence resulting from such a contract.

Opinions of former Attorneys General, dated, respectively, July 28, 1908 (27 Op., 37), and April 6, 1909 (27 Op., 272), are referred to in the inclosures as having been construed by the Comptroller of the Currency as holding that national banks are without authority to pay, as part of their legitimate expenses, premiums on policies insuring their depositors against loss.

As I view these opinions, the conclusion in neither of them is inconsistent with the conclusion reached herein. The opinion of July 28, 1908, construing the Oklahoma State banking act, determined that a national bank could not lawfully participate in the plan contemplated by the act for the guarantee of deposits, because it involved essentially a guarantee to the depositors of other banks that they should be paid in full—a contract which was deemed beyond the powers of the bank to make. The opinion of April 6, 1909, held that national banks in the State of Kansas could not avail themselves of the bank depositor's guaranty law of that State. The inquiry, upon the answer to which the decision rests, was whether an acceptance of the provisions of the Kansas law "would so control the conduct of the affairs of national banks as to expressly conflict with the laws of the United States."

As pointed out in the opinion of the Solicitor of the Treasury, the more recent opinion of May 7, 1909 (27 Op., 324), in which the form of a policy of insurance guaranteeing the assets of a national bank against loss was approved provided certain suggested modifications should be made, is more nearly in point on the question now under consideration, and is in harmony with the views herein expressed.

The language employed in the opinions of July 28, 1908, and April 6, 1909, to the effect that national banks are without power to contract for insuring that depositors shall be paid in full, was used in the course of argument merely, applied to a question which it was not necessary to determine, and may be disregarded so far as inconsistent with this opinion.

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# INDEX TO NATIONAL-BANK ACT, ETC.

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