An Act to Provide for direct loans by Federal Reserve banks to State banks and trust companies in certain cases, and for other purposes

U.S. Congress
[PUBLIC—No. 4—73d CONGRESS]

[H. R. 3757]

AN ACT

To provide for direct loans by Federal reserve banks to State banks and trust companies in certain cases, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title IV of the Act entitled "An Act to provide relief in the existing national emergency in banking, and for other purposes," approved March 9, 1933, is amended by adding at the end thereof the following new section:

"SEC. 404: During the existing emergency in banking, or until this section shall be declared no longer operative by proclamation of the President, but in no event beyond the period of one year from the date this section takes effect, any State bank or trust company not a member of the Federal reserve system may apply to the Federal reserve bank in the district in which it is located and said Federal reserve bank, in its discretion and after inspection and approval of the collateral and a thorough examination of the applying bank or trust company, may make direct loans to such State bank or trust company under the terms provided in section 10 (b) of the Federal Reserve Act, as amended by section 402 of this Act: Provided, That loans may be made to any applying nonmember State bank or trust company upon eligible security. All applications for such loans shall be accompanied by the written approval of the State banking department or commission of the State from which the State bank or trust company has received its charter and a statement from the said State banking department or commission that in its judgment said State bank or trust company is in a sound condition. The notes representing such loans shall be eligible as security for circulating notes issued under the provisions of the sixth paragraph of section 18 of the Federal Reserve Act, as amended by section 401 of this Act, to the same extent as notes, drafts, bills of exchange, or bankers' acceptances acquired under the provisions of the Federal Reserve Act. During the time that such bank or trust company is indebted in any way to a Federal Reserve bank it shall be required to comply in all respects to the provisions of the Federal Reserve Act applicable to member State banks and the regulations of the Federal Reserve Board issued thereunder: Provided, That in lieu of subscribing to stock in the Federal reserve bank it shall maintain the reserve balance required by section 19 of the Federal Reserve Act during the existence of such indebtedness. As used in this section and in section 304, the term 'State bank or trust company' shall include a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone."

Sec. 2. (a) Section 304 of such Act of March 9, 1933, is amended by adding after the first sentence thereof the following new sen-
case in which under the laws of the State in which it is located a
State bank or trust company is not permitted to issue preferred
stock exempt from double liability, or if such laws permit such issue
of preferred stock only by unanimous consent of stockholders, the
Reconstruction Finance Corporation is authorized, for the purposes
of this section, to purchase the legally issued capital notes or deben-
tures of such State bank or trust company.”

(b) The second sentence of said section 304 is amended to read as
follows: “The Reconstruction Finance Corporation may, with the
approval of the Secretary of the Treasury, and under such rules and
regulations as he may prescribe, sell in the open market the whole
or any part of the preferred stock, capital notes, or debentures of
any national banking association, State bank or trust company
acquired by the corporation pursuant to this section.”

Such section 304 is further amended by adding at the end thereof
the following new sentence: (c) “As used in this section, the term
State bank or trust company’ shall include other banking corpora-
tions engaged in the business of industrial banking and under the
supervision of State banking departments or of the Comptroller of
the Currency.”

Approved March 24th, 1933