

# A Critical Review of the Federal Reserve Act of 1913

## *The Devil is in the Details*

by Conrad LeBeau



08/10/2024.

Inside the archives of the Federal Reserve Bank of St Louis MO is an original copy of the Federal Reserve Act signed by President Woodrow Wilson on Dec 23, 1913. Recently, I was able to obtain a copy through an external link from Wikipedia that I downloaded to my computer. A copy (not marked up) is one of several exhibits in the Appendix to this treatise.

The Act itself can be compared to a shotgun wedding where the bride (Congress) is led down the aisle with her spouse, the devil, who is dressed as a respectable banker in a three-piece business suit.

Of course, there is much fanfare as the band plays and flowers adorn the aisle and vows are exchanged between the spouses to love, cherish and be loyal to each other until death do they part. Thus, this unholy wedding occurred between wealthy Wall St Bankers and the US Government on Dec 23, 1913.

Now, as the loan sharks of the privately owned Federal Reserve Banking System come to collect on massive mounting public and private debts, or foreclose on people's homes, businesses and farms, consider this brief review of the history of money and banks, its creation and origins.

To quote the late and honorable Fr. Charles E Coughlin in his 1936 book on "Money! Questions and Answers" he wrote in the Foreword of his book a title he cryptically discarded: "Your Money or Your Life!"

### **What is Money?**



Historically, barter was the first form of money. Thousands of years ago, the Egyptians used wheat as a medium of exchange (money). However, because gold and silver did not spoil like food does over time, precious metals became the preferred medium for exchanging products and services locally, and was the preferred form of money used in international trade.

Money is an artificial creation of man and is defined by governments around the world. Money does not exist in nature nor do debts exist nor do corporations or banks exist. Money is a medium of exchange for equal values. In civilized societies, money is assigned by the authority of government, a numerical value, and is used as a common denominator for purchasing goods and services, including the paying of debts and taxes.

In 1775, the Continental Congress issued their own form of currency known as "Continental Currency" and it helped pay for the revolutionary war against King George.

During the war, England waged economic warfare against the states by counterfeiting and circulating fake notes of Continental currency causing them to lose much of their value.

After US Constitution was drafted and ratified, copper pennies in 1 cent and 1/2 cent values were minted and used as money during President George Washington's first term, but coins of higher legal tender value made of gold and silver were minted to use as "lawful money." Today, this was and remains mandated in the US Constitution in Art I, Sec, 10, but this has been ignored by both the Federal and State governments since June 24, 1968 when the redemption of Federal Reserve Notes for silver coins ended.

The words "Money" has taken on multiple meanings over time. First, it was gold and silver coins, then paper currency redeemable in gold and silver, and then fiat currency as in "United States Notes" printed during the Civil war under Pres. Abraham Lincoln. Eventually, fiat currency included Federal Reserve Notes printed after June 24, 1968 when they were no longer redeemable in silver coins. Redemption in gold had ended earlier under Pres. Franklin Roosevelt. To summarize the best definition of money today, it is '**Money is Cash**' and all else is "Credit" which is a "a promise to pay dollars".



### What is Credit?

Credit is a word that like "money" has multiple meanings. The term, "your credit is good," means that a person or corporation is trust worthy and pays its bills. A personal or business check is a credit instrument as it "promises to pay dollars" to the recipient of the check. Dollars as cash are only coins or currency. Credit instrument like checks, money orders, credit cards, debit cards, e-funds, lines of credit, and Fed Funds are all instruments of credit and are not real money. The best definition is: "**Credit is a promise to pay money.**"

### What is Debt?

Debt, like credit, is also a promise to pay money. Today the United States Government, supposedly, has a \$35 Trillion debt and the total private debts grew to \$93.5 Trillion as of 2022. Most of the growth of both public and private debts is the result of borrowing at interest rates higher than 0% that increases the growth of the total debts each year. If 6% annual interest rates are paid out, the Federal governments debt will grow by 2 Trillion each year while the entire private sector will grow by about 6 Trillion each year. This is due to a fundamental flaw in the design of the banking and monetary system of the United States that I will explain later in this treatise.

### The Knight's Templars - the Safe Houses of Europe as the first banks



About 1000 years ago as horses and chariots kicked up dust on the primitive roads of Europe, travelers clutched their gold and silver coins as they passed on their journey to regions of trade where they could buy or sell their wares. On the left is a photo of Templar Chief money of Tyre that was stored in safe houses managed and

guarded by the Knight Templars. I can't confirm if this image is a polished original or a replica of earlier Templar coins. Each depositor received a paper receipt. In due time, some of the Templars began writing more receipts than the gold and silver coins they stored. Thus, the beginning of the fraudulent practice of fractional reserve banking was hatched.

The credit monopoly of the Templar's creation of fictitious money has been copied by bankers since the 17th century. This happens when the banker substitutes a paper receipt for gold and silver coins; and the receipt, not the gold or silver coins, is used as money. While the Christian Templars started this fractional reserve banking system in the 17th century, it was a Jewish businessman named Mayer Anselm Rothschild of England and his five sons who started the first modern banks with the printing of paper bank notes. Eventually, checks and checking accounts were introduced by banks.

### **The United States Constitution**

In drafting and ratifying the US Constitution, it was Congress, not privately owned corporations (banks), that were delegated the power to coin money and regulate its value. This is found in Section 8 under "**Powers Granted to Congress**":

**"5. To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standards of Weights and Measures."**

With the experience of the colonies printing Continental Currency that inflated when counterfeit copies later arrived from England during the Revolutionary war, the framers took the cautious route of authorizing the minting of coins, but did not mention paper currency. The powers of Congress were expanded when Pres. Lincoln had United States Notes printed during the Civil War to pay Union soldiers.

The power of Congress to print a paper currency was upheld by the US Supreme Court in 1883 in Legal Tender Cases 110 U.S. 421. In an 8 to 1 decision, the Court stated: "*Congress has the undoubted right to make currency lawful money for all purposes.*"



### **The Coinage Act of 1792**

The Coinage Act of 1792 was also known as the Mint Act. This Act was passed by the Congress on April 2, 1792, and was signed into law by President George Washington- the same day. The Act established a mint for the coinage of money. It stated that the "Dollar" was to be the standard unit of value to be used as money in the United States. It also declared the dollar to be lawful tender, and created a decimal system for U.S. currency.

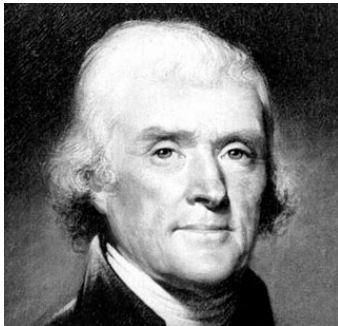
The act also provide for the minting of gold coins and copper pennies in various denominations. The first US Silver dollar contained 27 grams of standard silver and was based on the popular Spanish milled Silver dollar - it was designed to have the same face value. Recently, Wikipedia, the world's encyclopedia, recently reported it could not find any current legal definition of what is a "dollar"?

# The History of Banking in the United States

## First US Bank 1791 - 1811 - 20 yr charter

Alexander Hamilton, who was Pres. George Washington's Treasurer, is the brainchild behind the First Bank of the United States. The first U.S. bank founded in 1791 issued Notes based on the Rothschild model used at the Bank of England. It was the legislative child of Alexander Hamilton, then George Washington's Treasury Secretary. Thomas Jefferson and James Madison opposed the bank as a private corporation that was allowed to issue money. Aaron Burr, Jefferson's Vice President challenged Alexander Hamilton to a gun duel. Hamilton lost to Burr and died the following day. The First United States Bank was set up in 1791 and was mainly owned by foreign bankers, although the U.S. Government owned 20% of its stock.. Its 20 yr charter expired in 1811.

### Thomas Jefferson Opposed the First United States Bank



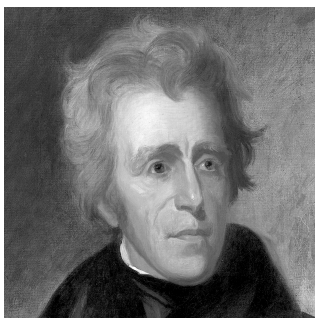
Thomas Jefferson and John Adams were both opposed to Alexander's Hamilton's First United States bank.

*"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised-up a moneyed aristocracy that has set the government at defiance. The issuing power (of money) should be taken from the banks, and restored to Congress and the people to whom it belongs."* (Jefferson's letter to George Logan 1816)

## Second Bank of the United States: 1816-1836

The Second Bank was similar in structure to the First Bank, but bigger; it had capital of \$35 million, with the government again holding one-fifth of the shares. Like the First Bank, it was headquartered in Philadelphia; over the time it operated, it had offices in 29 major cities around the country.

Unlike the First Bank, however, the Second Bank was poorly managed at its outset and was on the verge of insolvency within a year-and-a-half after it opened. But after a Congressional inquiry into the Second Bank's problems, Langdon Cheves was brought in as president in 1819 and saved it from collapse. Nicholas Biddle succeeded Cheves in 1822. (4)



However, the Second Bank still had powerful opponents, primarily in the form of President Andrew Jackson. Jackson hadn't forgotten the lessons from the early years of the Bank's existence—that such a powerful private institution was susceptible to corruption and would be difficult to control. At the time Jackson was elected, the Bank was operating successfully and was one of the most powerful organizations in the country. (4)

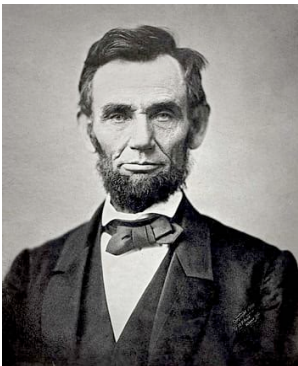
Jackson made his opposition to the Bank clear from the

beginning. When Bank President Nicholas Biddle heard Jackson intended to close the Bank, he began to use the Bank's resources against Jackson, which ignited a bitter struggle.

When Jackson refused to renew the Bank's charter in 1832 and later began to pull federal deposits from its vaults, it was effectively crippled and withered until the charter expired in 1836. (4)

### **National Banks: 1863-1913**

The outbreak of the Civil War and the need to finance it led again to a renewed interest in a national bank. But this time, with the lessons of the Second Bank, the designers took a different approach, modeled on the free banking system. In 1863, they established what is now known as the "national banking system." The National Bank Act of 1863 was passed on February 25, 1863 and was signed by President Abraham Lincoln on this same date and he was probably too distracted with the civil war to read the bill or analyze its nefarious implications. Lincoln later regretted signing this act, and with the bankers in mind stated:



*"The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, and more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes."*

With a national charter, banks purchased federal government bonds and then were given government printed notes (bank currency) in quantities equal to the value of the bonds they purchased. No one seemed to raise an alarm bells at this fraudulent arrangement as the banks got currency in equal face value to the bonds they just bought. The effect of this arrangement is that the banks got their currency for free while still collecting interest (double dipping) on the bonds they had purchased. The same fraudulent methods were later repeated in the passage of the Federal Reserve Act of 1913.

### **National Bank Notes**



After the national banking system scam came to fruition, at least one bank panic occurred in every decade after the Civil War. A bank panic would often begin when depositors would learn that their bank was unable to meet withdrawal requests. This, in turn, caused a "run" on the bank, in which a large number of depositors attempted to pull out their money, causing the bank to fail. Seeing this, depositors at other banks were led to withdraw their funds, causing a system wide collapse.

## **The Panics or Depressions of 1873, 1893, and 1907**

In 1893, a bank panic coincided with the worst depression the United States had ever seen, and the economy stabilized only after the intervention of financial mogul J. P. Morgan. During this period, bank notes were redeemable in gold or silver coins and were the only form of money considered "lawful." Fractional reserve banking was the standard of lending as the bankers would keep less gold and silver in their vaults than the amount of paper money or checks they would lend that were redeemable in gold or silver. Thus, they repeated the same fraudulent methods of the earliest bankers - the Templars.

### **“United States Notes” 1862 to 1996**



When the Civil War started, the union soon found itself short of gold and silver coins to finance operations and pay its soldiers. Banks organized under the various State Banking Charters from 1837 offered to lend the union their privately issued currency. Lincoln refused loans from the bankers and told them – “we can print this stuff ourselves.”

Due to a shortage of gold and silver coins to redeem the government’s Demand Notes, President Abraham Lincoln signed the First Legal Tender Act, passed by Congress on February 25, 1862. This act authorized a fiat currency called “United States Notes.” The United States Notes were printed by the U.S. Treasury and stated on their face: “This Note is legal tender for all debts, public and private...” except for import fees.

The paper currency soon would be known as "greenback dollars" and were spent into circulation as interest free money. Private bankers were opposed to Lincoln’s greenbacks, as they wanted the Union to borrow their privately issued bank notes and collect interest on these loans. Lincoln wisely showed them the door to leave the White House. By the end of the Civil War, 450 million dollars worth of United States Notes had been issued.

In September 1994, the "Riegle Act" released the US Treasury from its requirement to keep United States Notes in circulation. In 1996, the US Treasury destroyed the remaining balance of \$100 United States Notes. However, if the public demands it, Congress could reauthorize the engraving of United States Notes in any denomination and quantity for use as a debt free, interest free currency to spend, lend, or distribute.

The National Banking Act of 1863, amended in 1864 and 1865 created a single national currency redeemable in gold coins. It also taxed State banks and forced most of them to join the National banking system or go out of business. The introduction of checking accounts made state chartered banks viable after 1870 and privately owned check-clearing houses were used. There were several recessions and panics (1882, 1887, 1893, 1896 and 1907) that occurred under the National Banking Acts of 1863 et seq. until 1913.

## **Nov 22, 1910 -The Bankers Secret Meeting at Jekyll Island**



Paul M Warburg

Paul Warburg was born in Hamburg, Germany, to the Warburg family, a German Jewish banking dynasty with origins in Venice. He was born on Aug 10, 1868. He is credited with higher than average intelligence, and served as one of the original members of the Federal Reserve Board in 1914.

Warburg was at the secret meeting held at Jekyll Island on November 22, 1910, by a handful of New York's richest bankers along with Senator Nelson Aldrich. The bankers plotted a takeover of the credit and currency system of the United States as they discussed how to form the framework for the Federal Reserve Act. Many details of the meeting at Jekyll Island are documented by Eustace Mullins in his book "Secrets of the Federal Reserve," published in 1983. Library of Congress No 83-072665. Mullins cites many sources that credit Paul Warburg as the brains behind the creation of the Federal Reserve Act of 1913. Besides Paul Warburg were Senator Nelson Aldrich, his secretary Shelton, Andrews, Davidson, and Vanderlip.

The plan was a variation of the Aldrich Plan. It would be signed 3 years later by President Woodrow Wilson on Dec 23, 1913, conveniently timed just before Christmas so that most members of Congress never read or thought much about its contents before voting and leaving town for their Christmas recess.

### **Free Currency for over 10,000 Federal Reserve member banks**

The Federal Reserve Act included one of the worst features of the National Banking Act of 1863. It allowed banks that purchased government bonds to receive free currency printed by the U.S. government equal to the total dollar value of the government bonds they had just purchased. At the same time, the banks are also allowed to collect interest on the entire value of these same bonds. This is double dipping - plain and simple. The banks are not required to repay any of these cash advances. This is as dishonest a scheme for wealth accumulation as anyone has ever conceived in world history. It is a secret that they have hidden from the American people for 110 years and is a significant reason today for the massive un-repayable US National Debt now at \$35 Trillion and growing.

**What is the total value of all Free Currency member banks receive?**

**Answer - about 200 Billion a year or \$10 Trillion Total since 1913.**

The Act as written and applied is a slush fund for rich bankers. It is a major reason why bankers are millionaires or billionaires while their customers are trapped in perpetual debts paying interest for the use of bank credit. The free currency is used as a basis for fractional reserve banking, when bank credit is created and loaned out as money. Bank credits include checks, electronic funds, credit and debit cards - basically, bank credits today are numbers called "dollars" that are stored in the bank's computers. Today's banks also own all the major credit card companies in the United States and charge exorbitant fees (high interest rates and late fees) for their record keeping services.

## Father Charles Coughlin



Sometime after the stock market crash of Oct 29, 1929, a radio priest from Detroit, Michigan, began his weekly Sunday radio broadcasts. Rev. Coughlin was soon an outspoken critic of the existing Federal Reserve banking system. Born on Oct 25, 1891, in Hamilton, Ontario, Canada, Coughlin was ordained a priest on June 29, 1916. In 1925, he founded and was the Pastor of the St. Therese Shrine in Royal Oak, Michigan. A year later, he began his Sunday radio broadcasts from the Shrine of the Little Flower of St Therese.

From 1930 to 1940, his radio audience was carried to millions of people through an independent radio network. On March 13, 1936, he founded Social Justice Magazine to publicly expose the dishonesty in our money and banking system.

He wrote a book on "Money! Questions and Answers". The 190-page soft cover book was published in 1936. In his weekly radio broadcasts, Coughlin reached an audience of 12 to 20 million Americans with his spiritual and economic messages. He was opposed to US involvement in the war in Europe at the time. He was falsely accused of being anti-Semitic for criticizing international bankers upon whom he blamed for causing the U.S. depression of the 1930s. In his book on "Money!", I read the following explanation of how banks receive and use interest-free currency. On page 49 in response to the question of how member banks obtain Federal Reserve Notes, he stated:

*"The Federal Reserve Banks obtain Federal Reserve Notes by sending to the United States Treasury Government Bonds (equal) to the face value of the number of \$5, \$10 etc. bills desired. The United States Treasury places the government bonds in sealed containers on which is labeled the name of the bank from which the bonds came. The bank receives from the Bureau of Engraving Federal Reserve Notes (equal) to the full face value of the bonds sent to the United States Treasury. The local banks lend these Federal Reserve Notes to their customers as currency."*

*"While these Federal Reserve Notes are in circulation the bank which pledged the bonds, collects the interest coupons from the bonds sent to the United States Treasury as collateral for the Federal Reserve Notes. Let me make it clear that the banks obtain government bonds by merely making bookkeeping entries.....They collect interest on the bonds deposited with the United States Treasury but pay no interest on the currency they receive from the United States Treasury." End of quote*

Editors comment: My research indicates there are no terms and conditions for these interest-free advances of currency. On my second set of Freedom of Information Act (FOIA) requests sent to the Federal Reserve Board on April 24, 2024, they refused in their reply to provide any documents that the banks that obtain interest-free currency are required to pay any of it back. This means that the banks that buy Treasury Notes get free cash for these T-Notes while still collecting interest on the entire bond.

In an honest exchange of values, the cash advances should have been subtracted from the bonds leaving a zero balance of indebtedness due to the banks. In the current arrangement, the banks receive cash for the bonds and still collect interest on these same bonds. This is fiscal insanity - a scam that can only be stopped by Congress or by a lawsuit in Federal Court challenging this most defective part of the Fed. Res. Act of 1913.

## What Caused the Stock Market Crash of 1929?



Excerpts from "Money Creation" by Conrad LeBeau (Ref:1)

Carney, Michigan. It was 1956 and I was 13 years old. Living on a small dairy farm in the Upper Pennsylvania of Michigan just west of Nadeau and Carney, my father, Herbert J LeBeau, born in 1905, and who lived through the 1930's shared with me the causes of the Great Depression; how a small group of financiers on Wall Street and in the nation's biggest banks create money (credit), and manipulate the expansion of credit and debt to control the economic life blood of the nation. (See the 1978 photo left where Herbert played the violin, his favorite musical instrument).

One day while we were milking cows he told me when and how the Great Depression started. "Herby" as my mother called him, stated that there were two reasons for the stock market crash of October 1929, and the subsequent depression that followed.

First, Herb stated the Federal Reserve Board raised interest rates in 1929 making it harder for people to borrow money, and second, President Hoover tried paying off the U.S. National Debt. He said that both actions shrunk the money supply, leaving a shortage of funds available to finance the purchases of consumer goods, services, and property. He added, *"Of course paying off the national debt was a noble idea but President Hoover did not understand that this would also create a depression."*

The basic problem is the debt nature of our money system and the creation and use of credit as money by private bank corporations. All money we use is borrowed into existence. As loans are repaid, our supply of money shrinks and with it goes our ability to buy products and services that creates jobs. As a result, unemployment rises in proportion to the shrinking money supply. Herb added: *"The nation's prosperity depends entirely on someone borrowing money to replace the loans that are being paid off."*

He explained it this way: *"Except for coins and a few United States Notes (Greenback Dollars) printed during the Civil War by Abraham Lincoln, the U.S. Government does not print money and spend it into circulation. If the Federal Government financed its deficits by printing money, they would have no need to borrow money (credit) from the banks and there would be no national debt."*

He further stated: *"Imagine the entire nation's money supply as air in a balloon that is floating overhead. All the air (money) in the balloon is borrowed and owed back to the bankers. Thus the balloon has a continuous leak. Someone has to pump more air into the balloon to keep the balloon (our supply of money) afloat. Otherwise, the balloon collapses as it runs out of air just like the economy collapses when the supply of money dries up."*

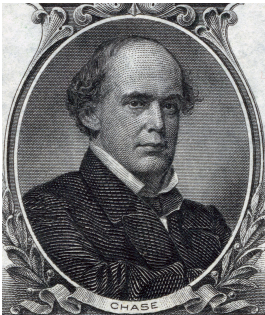
The U.S. Government's national debt, as well as the private debt, must grow every year or the economy will slide into a recession. If the Federal Government tries to balance its budget or pay off the national debt, it will shrink the supply of money leading to economic hardships, unemployment, and foreclosures.

(Ref I: "Money Creation - from the Knight's Templars to Wall St Bankers" by Conrad Lebeau - 2018

## The "National Banking Act of 1863" - the precursor to the... "Federal Reserve Act of 1913"

We all know and have experienced what a dishonest money system is like to live under because that is what we now are living under in 2024. While the Federal Reserve Act was passed 110 years ago in 1913, an earlier version of fractional reserve banking that was not as organized and centrally controlled was the National Banking Act of Feb 25, 1863 that may have originated the scheme of letting banks have free currency "National Bank Notes" in exchange for the banks buying government bonds with the same face value while the banks were still allowed to collect interest on the bonds.

I believe that President Lincoln was so preoccupied with ending the civil war that he may not have read the National Bank Act in its entirety and trusted the judgment of his Secretary of the Treasury as to whether or not to sign it. After the act was signed into law, here is what Lincoln's Sec. of the Treasury, Salmon P Chase, said about this Act:



*"My agency is promoting the passage of the National Bank Act was the greatest financial mistake of my life. It has built up a monopoly that affects every interest in the country. It should be repealed, but before that can be accomplished, the people will be on one side and the bankers on the other, in a contest such as we have never before seen in this country."*

(Quote Source: Pastor Sheldon Emry - America's Promise, "Billions for Bankers - Debts for the People". Engraved photo of Salmon P Chase on the left.)

### **What should an Honest Money and Banking System look like?**

Government is created for the common good. One purpose of government is to provide a common denominator for buying goods and services including the payment of debts and taxes. That common denominator for this medium of exchange is called money. Money can include coins, currency redeemable in gold and silver or a non-redeemable as in a fiat currency or just plain numbers that are stored in written accounting records or in computers called digital dollars.

The most important component of an honest money system is to have it designed by honest people and also managed by honest people. Greed and privileges like monopolies are the inherent enemies of an honest money system. If the government alone originated all forms of money - coins, currency and credit, it could be held accountable to the people. An independent Federal Reserve does not serve the interest of the American people as a whole, but rather, the narrow self-interest of wealthy bankers.

There are 3 ways for an honest government to create, print or coin money and use it to enter circulation. They are:

1. **As a Spender:** Print money and use it to pay for government services, national defense and other expenses. No debts are created.

2. **As a Lender:** The government can act like a bank in one of two ways. As a lender of money, the government can lend credit, coins or currency to the banks for a small fee between 0 and 1%. The banks that borrow these forms of money can loan it out to the

public for a fee (a small interest rate of 1 or 2% added on to the base cost). However, the government can also bypass the banks and make direct loans of cash through the Small Business Administration, the Veterans Administration, Federal Housing Administration, or private non-profit partners like small charities, non-profit credit unions and state banks that are not part of the Federal Reserve System.

3. **As a Distributor** of free cash direct to the public. I have drafted a "Cash Distribution Act - for the People (See Appendix). It is proposed that Congress print 300 Billion in currency, and distribute \$1000 in cash, to be picked up at the local Post Office of every citizen of the United States who is over 18 years of age. This should be done once a year for the next 40 years in order to equal the amount of free currency (about \$10 Trillion) the US Treasury has given to the Federal Reserve Bankers since 1913.

### **What can go wrong with an honest money system?**

Nothing, until and unless some smart con-artists bribe corrupt members of the government to gain special privileges - a monopoly to create and lend bank credit which is a "promise to pay money" and set the fees (interest rates etc.) that they charge their customers, without being regulated by the government, but self-regulated, by those in control of this privileged monopoly on credit.

When credit instruments replace real money and certain people (bankers) gain monopoly privileges, this is where the real problem begins. Unless this is corrected, the banks will eventually own everything and the people will be left with all the debts.

The money of a nation must not enter circulation only as a loan as this creates the growth of endless debts. With interest rates attached to loans of credit, the debt will grow, until one day, it will be a cancer that has metastasized throughout the host - the host being both the public and the government itself, and this terminal cancer (unrepayable debts) destroys both the government and the people living under their jurisdiction. That is just about the point where the United States is at - right now!

### **The Federal Reserve Act of 1913**

This Act was designed by a small group of wealthy New York bankers and was to service the needs of bankers. It was written to consolidate and control the credit system of the United States by creating a money monopoly that included the right to purchase the currency of the United States for the cost of printing. Thus, since its inception in 1913, the Federal Reserve Banks have purchased quantities of Federal Reserve Notes in any denomination for the mere cost of engraving and printing them.

### **How Banks collect Twice for the same Treasury Notes or Bonds**

A Special Agent to the Federal Reserve Board places the Order with the Comptroller of the Currency for Bureau of Engraving when a member bank tenders a bond or T-Note equal to the face dollar value of the currency ordered from their regional Federal Reserve Bank. There is no lack of middlemen in these transactions.

They are:

1. A Special Agent for one of the 12 Federal Reserve Banks takes the Order. 2. The Comptroller of the Currency whose department is independent and located inside the U.S. Treasury Dept. and receives the Order. 3. The Bureau of Engraving prints the Notes and ships them by armored truck to the member bank.

Three big secrets that the Federal Reserve Banks and member banks have hidden from the Congress, the Press, and the public for over 100 years are that 1. The banks receive in cash all the money they spend on U.S. bonds they offer as collateral to the Federal Reserve Bank for these cash advances. 2. The bank pays no interest on the cash they receive, and are not required to pay back the cash that they receive and, 3. Continue to collect interest on the bonds used as collateral for these advances of cash. What a scam!

In other words, this is double dipping and the legality of this sequence of events has never been challenged in a Federal Court in the 110 years since President Woodrow Wilson signed the Federal Reserve Act on Dec 23, 1913.

### **Where in the Fed. Res. Act does it Authorize Free Cash for Bankers?**

The answer is found in the last of eight privileges and powers granted to the 12 Federal Reserve Banks on page 5 of Public Law 43 of the 63rd Congress also known as HR 7837 or simply - the Federal Reserve Act. On page 5, the 3rd paragraph from the top states the eighth privilege as follows:

"Eighth. 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 circulation 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,..... "

### **Double dipping - A simple and clear explanation of the 8th Privilege**

The term "circulation notes" underlined above means "Federal Reserve Notes." The same term as applied to the National Bank Act of 1863 meant "National Banks Notes." The term "par value" means equal in dollar value. However the deceptive part of the above paragraph is that it fails to distinguish between dollars as a debt and dollars as money. The government bond that is purchased by the bank is an IOU from the government to the bondholder. The bond has no legal tender value for the payment of debts whereas the currency (Federal Reserve Notes) has legal tender value for the payment of debts, public and private. The currency is money with a fixed dollar amount and the bond is an uncollected debt to be paid at some future date.

A real asset to back up the lending of cash would be a 1st mortgage loan against a bank building and the land upon which it is built. One problem with the law as written is that the exchange of cash for the bond is not codified as a loan. There are no interest rates paid on the cash advances and there are no terms to repay the loan. Furthermore, if the exchange were a loan. the Federal Reserve Act would have said so. It is quite plain and

simply - stealing- via a coded word puzzle called privilege No 8. The "the par value" exchanges are not equal. The banker gets all the money he paid for the bond while also collecting interest on the bond. This theft of the government's money is as plain as the nose on their face, and is done under the color of unconstitutional laws and regulations.

### **Exhibit No 1.**

#### **Letter from a Federal Reserve Agent tells what they pay for currency**

This letter was a response from Don Winn, an Assistant to the Federal Reserve Board, to my Congressman Henry S. Reuss dated May 21, 1981. The letter was in response to several questions from Conrad LeBeau, a constituent of Rep. Henry Reuss.

[Unfortunately, the entire response from Don's letter I either lost or misplaced in the past 43 years. What remains is the cover letter and page 2 of the response and that portion survived because of a reader of the American Free Press had kept it for all this time and mailed me a copy earlier this year.]

Here is an excerpt of the question and the reply from Don Winn.

Question: When one of the 12 federal Reserve Banks obtains Federal Reserve Notes (currency) from the Treasury Department, how is it paid for?.....

Answer (from page 2 of Don Winn's letter): "*New paper currency is purchased by the System from the Bureau of Engraving for \$20.60 per 1,000 notes, regardless of denomination .... the current cost of production. The Board pays for the currency by a check drawn on the Board's account at the Federal Reserve Bank of Richmond; the Board then assesses the Reserve Banks for the currency supplied to them.....*"

*"A Reserve bank must pledge collateral at least equal in amount to the notes outstanding from the Bank. Although this collateral may legally take a number of forms, the collateral is usually U.S. Bonds or Treasury Notes....."*

#### **Translation of the above excerpts**

In 1981, when the Federal Reserve Board purchased currency from the Bureau of Engraving, the \$20.60 per 1000 notes cost was applied to all denominations whether they were a \$1 bill, \$5, \$10, \$20, \$50 or \$100. Imagine, the Federal Reserve Banks, as privately owned - for profit corporations, purchasing 1000 One Hundred Dollar Bills with a total legal tender value of \$100,000 for a mere \$20.60?! This would even be an unbelievable bargain if they were just \$1 bills. The real value of the Federal Reserve Notes are their legal tender (face value) - not the cost of printing.

It should be noted here that the 12 Federal Reserve Banks, like the thousands of member banks under their jurisdiction, are the primary buyers of T-Notes and U.S. Bonds. [Note that China actually owns less than 3% of the US Government's national debt]. So when the Federal Reserve Banks buys currency from the Bureau of Engraving for the cost of printing, they tender these Bonds as collateral for the currency they receive while still collecting the interest on these bonds. This is the first level of double dipping. Other buyers of U.S. Bonds do not get this free cash privilege, just the banks do.

The next question is whether there is a second level of double dipping?: In other words, do the thousands of member banks also get free currency from their district Federal Reserve Bank? The answer is "Yes" as long as the local banks provide their

district Federal Reserve Bank with T-Notes or U.S. Bonds equal to the dollar value of the Federal Reserve Notes they requested. Thus, the member banks, like the Federal Reserve Banks, are also double dipping. The deposit of Bonds for cash is a cover story for the uneducated members of Congress, the Press and the public. It makes it appear that the banks have given up some thing of value in exchange for the cash, but when the bankers still collect interest on the entire bond for which they just received back all the cash they paid for the bond, this is fraud against the US Government and the American taxpayers.

The problem, as I see it, is that there are too many middlemen in these transactions and they are all bankers. In an honest money system, the middlemen should be the American people, not a small privileged class of businesses called banks. Congress has the power to order the Bureau of Engraving to print \$200 to \$300 Billion or more of currency each year and distribute about \$1000 in actual cash to every American and they should do this annually for the next 40 years to equal the amount of free currency they have already given to banks since 1913. As the people spend this cash, most of it will end up in the banks anyway, but instead of the banks claiming first ownership, the people will own and use it first for their own needs. See the Appendix for my first draft of the Cash Distribution Act - for the People.

**How much has this free cash for bankers cost the American consumer in the past 100 years? Answer: \$40,000 per person or \$10 Trillion Total**

The Federal Reserve Board has a website, [federalreserve.gov](http://federalreserve.gov) that stated the projected cost for printing Federal Reserve Notes for 2023 as follows:

*"On December 15, 2022, the Board approved the following:*

*1. A \$931.4 million single-cycle operating budget for 2023 primarily to reimburse Treasury for the costs of producing Federal Reserve notes."..... The revised print order increases the total number of notes from a range of ....4.6 billion to 8.7 billion notes.... The total face value of the revised order is \$166.6 billion to \$190.5 billion. "*

You can see from the above figures that for less than One Billion dollars (\$931.4 million) the Federal Reserve can purchase up to \$190.5 Billion dollars of currency at face value. Once the Federal Reserve pays the Bureau of Engraving for the currency, they (the Federal Reserve Banks) own these notes.

The free currency for bankers scam has added Trillion of dollars to the total US National Debt in the past 110 years. This figure does not include the amount of interest taxpayers have paid for the increased borrowing required to offset the loss of revenue to the US Treasury because of this free currency slush fund for bankers.

**Exhibit No 2.**

**How Federal Reserve Banks create Credit with the stroke of a Pen**

The Federal Reserve Bankers have a loose definition of what is "money." To the public and the legal tender laws, lawful money is cash (coins and currency), whereas in the bank's mindset, deposits of money are files (records) stored in the bank's computers. The millions of files in bank computers contain numbers that are spent as money through

debit cards, credit cards and checks. This is called credit and includes all checks, money orders, e-funds, and lines of credit. These are all instruments of credit or "promises to pay money" which is cash (coins and currency). The record itself is spent or loaned as "money."

The Federal Reserve is self-funding because it can pass on its instruments of credit (checks or Fed funds) as money. Federal Reserve Banks do not print Federal Reserve Notes. This misinformation is reported almost daily on television and in the mass media. The Federal Reserve buys currency from the Bureau of Engraving for the cost of printing - a secret they do not publicize, as they would have some difficulty explaining how this serves the public's interest, as it obviously does not. Today, coins minted by the U.S. Government are the only form of money that makes a small profit for the U.S. Treasury and these coins are all deposited in the Federal Reserve Banks.

Coins represent less than 1% of our entire money supply. The other 99% is currency (Federal Reserve Notes) and bank credit. Of that 99%, about 9% is currency and the other 90% is bank credit - stored as records in the files of the banks computers. These records are sometimes called "digital dollars" and are a fictional form of money.

### **-Voodoo Economics-**

The Federal Reserve is self-funded. A pamphlet called "Putting It Simply - the Federal Reserve," was published by the Federal Reserve Bank of Boston in 1980. In the following statement (page 17, see Exhibit 2) this pamphlet explains how easy it is for a Federal Reserve Bank to create its own credit and use it as money:

*"The Federal Reserve is different. It is the central bank. It is the depository for all of the member banks, but itself, has no bank account anywhere in the country because it is the central bank for the entire economy. When you or I write a check there must be sufficient funds in the account to cover that check, but when the Federal Reserve writes a check there is no bank account on which that check is drawn.....When the Federal Reserve writes a check, it is creating money. That check, written by the Federal Reserve, is deposited in the account of one commercial bank, but is not deducted from the account of another commercial bank."*

The words written above should take the breath away from the average person. Anyone with a checking account knows that if you write a bad check you can be arrested and charged with either a misdemeanor or a felony like money laundering, fraud, and even racketeering. In fact, in reviewing the original Federal Reserve Act of 1913, I found nothing in this Act that gave the Federal Reserve Banks the power to do what the Federal Reserve Bank of Boston reported in "Putting It Simply." In 1913, typewritten or hand written records were used and referred to as "demand deposits." These records were treated as money from the banks mindset.

From the consumer's point of view, these records are supposed to be backed by something real, like cash (coins and currency), but the under the trade secrets of the bankers, as long as people trust and believe that the banks have backing for these records, they will use checks or debit cards in commerce like they are the real thing. As a result, bank records of demand deposits are spent as fictional "digital dollars."

## **The Federal Reserve as an unelected 4th branch of Government**

Besides tapping the free cash banks get for government bonds while still collecting interest on these same bonds, the Federal Reserve Act of 1913 makes more than a dozen references to the Federal Reserve Board and empowers the Board to make rules and regulations that have the force of law for carrying out the purposes of this Act which was to consolidate a complete monopoly by bankers over the currency and credit of the United States without having to return to Congress for approval to make these changes.

While the Comptroller of the Currency is appointed by the President and approved by the U.S. Senate, the U.S. House of Representatives has no say in any of this and the U.S. Constitution is not even mentioned once in this Act. The Act also prohibits any member of Congress from serving as a Director at any of the 12 Federal Reserve Banks.

Since the Act empowers the Federal Reserve Board to write their own rules that have the force of law that protects the privileges of their money and credit monopoly, there are no oversights from the people's House of Representatives, thus the Federal Reserve Board has changed many parts of the original Act and added to it during the last 110 years. When was the Fed's Discount window started? It is not mentioned in the original Act. High interest rates, like high taxes, add to the cost of living for working Americans.

As an example, in multiple readings of the original Act, (See appendix), I have found no provision authorizing the Federal Reserve Banks to write checks against no funds and then to make a bookkeeping or computer entry and call this "money." The U.S. Constitution does not give Congress the power to write checks with no funds in their account, so where did this amazing power come from?

The original Act of 1913 did not give the Federal Reserve Banks this power. The Federal Reserve Bankers are a gang of con-artists, and apparently, they have decided to help themselves to as much money and power as the people and the Congress will allow them to have.

### **Why is a lawsuit needed to void parts of the Federal Reserve Act?**

There are several parts of the Federal Reserve Act that need to get the legislative or judicial ax. I will attempt from this day forward to raise sufficient money to file a lawsuit in Federal Court, obtain adequate Legal Counsel to assist and present to the Court the worst parts of the Federal Reserve Act of 1913 as amended to date. Every detail will be examined, discovery will be aggressively pursued, and all legal arguments will be presented and relief sought, and everything will be posted online.

I know where there are other parts of the Federal Reserve Act that are self-serving, unconstitutional and unfair to the federal government and the public; that this Act will not survive intact from a challenge in Federal Court without substantial changes being made to the Act itself. [E.G. Price fixing under the Federal Reserve Open Market Committee]

To view the updated 2024 version of the Federal Reserve Act, go online to the section on "corporate powers" at <https://www.federalreserve.gov/aboutthefed/section4.htm> Also go to section 16 part 2 - this entire paragraph inflates the number of debt obligations that the banks can exchange for cash.

## **Why Congress needs to establish its own Monetary Policy**

One fact should be emerging in the minds of the people and in Congress and it is this: The policy of allowing the Federal Reserve System to independently control interest rates, mortgage and consumer credit cards rates, and all lending rates including the rates on Treasury Notes and Bonds has resulted in the unending growth of the public and private debt. Meanwhile, all this is happening without any Congressional investigation or limits being placed on the interest rates of T- Notes, bonds, mortgages and credit cards.

We are now at a point of facing the high probability of a default on the U.S. National debt in the near future while millions of people are late or struggling to pay their rent, mortgage and car payments. When the fuel that feeds the financial engine runs out of gas, consumer spending is reduced and unemployment lines and soup kitchens will grow longer. I would think that this is not what Congress wants for their constituents.

If any member of Congress feels otherwise, then send an email to the your constituents and ask them if they approve of Congress directing the printing and distribution of \$1000 in cash (not debit cards, not checks, not e-funds) just actual cash. The cash would be counted out at every U.S. Post office in the nation and given to everyone with proper identification at every zip code that has a mailing address. Requirements are to be a U.S. citizen over 18 years of age with proper Identification.

This is a common sense proposal that will directly benefit some 200 million Americans who are currently under financial stress from inflation, high interest rates, student loans, car loans, rent, mortgage payments, credit card debts, and for other purposes. This initial distribution of cash must be debt-free, interest free, and tax free, with no income limit restrictions. This first step in implementing a Congressional Monetary Policy is common sense competition to the existing credit monopoly of the Federal Reserve System. It will give the people some immediate financial relief and hope for the future.

### **Part 1**

It is suggested that the denominations of currency printed and distributed per person be the following: 1. Five \$100 bills 2. Two \$50 bills 3. Twelve \$20 bills 4. Ten \$10 bills, 5. Ten \$5 bills and 6. Ten \$1 bills. Total cash received per person is \$1000.

Congress should direct that this distribution of cash be repeated once each year or within 90 days when the unemployment rate reaches 4% or higher; and annually thereafter. The \$1000 direct cash distribution plan should be repeated once each year.

### **Part 2**

Congress should amend the Federal Reserve Act and require that any member bank that needs cash from a district bank shall first prepay the total face value of the currency they order. A check made payable to the Department of the U.S Treasury must be made in advance for the delivery of currency or coins to a Federal Reserve Bank or to any member bank. This provision will add about \$200 Billion dollars a year to the U.S. Treasury's account balance and will reduce future Federal deficits.

Also, the use of Treasury Notes, U.S. Bonds or any other instruments of government indebtedness as collateral for free cash advances to banks should be repealed immediately. The last President who printed currency and spent it was Abraham Lincoln.

## Questions and Answers

Q: Will printing currency by the Federal government cause inflation?

A: That depends on how much is printed and spent. Too much bank credit loaned at high interest rates is the major cause of inflation today. Bank credit comprises 90% of what the public uses as money while cash (coins and currency) are less than 10% of our money supply. There are many other causes of inflation that the corporate media does not talk about. They are high taxes, high interest rates, too much government spending, too much consumer spending, and too much debt - both public and private.

Also, there are corporate monopolies (gas, phone service, electricity etc.) that if not regulated by an impartial government authority may get greedy and overcharge for their services. Thus, monopoly capitalism can be a major contributor to inflation while free enterprise and competition usually leads to lower prices with little or no inflation.

Another factor is the supply chain and the quantity of raw or manufactured materials that support it. Weather also can be a factor in higher or lower food prices. Inflation is a subject not honestly addressed if it is reduced to a sound bite like - the government is printing too much money.

Corporate TV leaves out an important detail when they keep showing the printing of Benjamin's - \$100 bills. The TV does not state that the U.S. government prints and directly spends its currency, but it implies that. The government actually sells all the currency it prints to the bankers for the cost of printing; then bankers lend it to the public and back to the government while charging them interest. This is a cash cow for wealthy bankers - while you and I, and all other taxpayers get the bills.

Q: Are you saying that the U.S. government sells all the currency it prints to the privately owned Federal Reserve Banks for the cost of printing; then the Federal Reserve Banks gives this currency free to member banks for the total dollar value of the U.S. bonds they bought while also allowing them to also collect interest on these same bonds?

A. Yes!!! .... clearly, there is fraud going on here.

Q: What is fractional reserve banking?

A: The Knight's Templars started this practice over 1000 years ago when they wrote out paper receipts payable in gold and silver coins. They sometimes printed as much as 10 times as many paper receipts as the actual quantity of gold and silver they had in their vaults, known as safe houses. While charging interest on these loans of paper receipts, they ended up owning some of finest vineyards in Europe, and they helped finance the crusades in the Middle East. Welcome to the world's first bankers.

Today's bankers are basically doing the same thing - making loans with checks, drafts, lines of credit, that are greater in numerical values than the combined cash in their vaults. The nature of money is that the banks are the continuous recipients of cash deposits for safekeeping. Since cash that is spent is constantly being returned to the bank, the banks keep recycling the cash by making more loans of credit (checks, bank drafts, lines of credit) although with less than the total value of reserves in cash. The public helps the banks create more credit when they accept checks and credit cards instead of cash.

## **What have we learned so far?**

First of all, if you have read and understand everything thus far, Congratulations, you know more than 99% of the members of Congress, the media or the general public about the secretive workings of the Federal Reserve banking system; and the unfair and illegal credit monopoly created under past and existing banking laws. Most of the Federal Reserve Act is an excessively wordy mind trap to confuse the reader and trick the government into giving convoluted powers to this privately owned monopoly - powers that were originally delegated only to Congress in the U.S Constitution.

### **Powers Granted to Congress** U.S. Constitution Article I, Section 8

[5] To coin Money, regulate the Value thereof, and of foreign Coin, and fix the standards of Weights and Measures;

[6] To provide for the Punishment of counterfeiting the Securities and current Coin of the United States'

This is a simple, concise and short sentence that says it all in just 7 words: "*To Coin Money, regulate the Value thereof.*" Instead, most of the Federal Reserve Act is extremely difficult to read with many sentences having over 100 words or more in them. Some words like "at par" were not commonly used even in 1913 or are used today to describe "at cost" or "equal in value." Thus, because the writers of corrupt laws have self-interests to hide using uncommon words, many with double meanings. They camouflage the true intent and purpose of these unjust laws.

#### **Robert Hemphill, credit manager of the Federal Reserve Bank of Atlanta:**

"If all bank loans were paid, no one would have a bank deposit, and there would not be a dollar of currency in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Some one has to borrow every dollar we have in circulation, cash or credit.

"If the banks create ample synthetic money (checks or credit cards), we are prosperous; if not, we starve. We are absolutely without a permanent monetary system.

"When one gets the complete grasp upon the picture, the tragic absurdity of our hopeless position is almost incredible - but there it is. It is the most important subject intelligent persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it is widely understood and the defects remedied very soon" (8)

### **What can you do to help restore an Honest Money System?**

1. First, read and understand the contents of this book with all its exhibits and multiple Reform Proposals.

2. Download for Free this entire "Critical Review of the Federal Reserve Act of 1913". Send copies to your Senators and Congressman, and pray that someone listens.

3. If you don't have a printer, you can request one or more copies at 414-231-9817. Each report is bound in a ring binder for easy reading and review. You can also post comments and links on social media to [lebeaubooks.com](http://lebeaubooks.com).

Thank you. *Conrad LeBeau*

**Exhibit No 3**  
**Big-Bank Probe Urged - Handful Controls Industry**  
(Milwaukee Sentinel July 9, 1968 headlines)

On July 9, 1968, I picked up a copy of the Milwaukee Sentinel, with this electrifying headlines "BIG BANK PROBE URGED - Handful Controls Industry". To this day, I still have the original copy that I picked up in July, 1968. A copy of the full front page is an exhibit in the Appendix. A transcription of the entire article is reprinted in my booklet on "Money Creation" first published in 2018. I included it here to show just how much wealth the banks have accumulated since passage of the Federal Reserve Act of 1913. The article cited a report by Hon. Wright Patman, chairman of the House Banking Committee that "49 big city banks hold slightly more than 54% of all bank assets in the nation."

The article cited a letter to then Attorney General Ramsey Clark asking for a criminal antitrust investigation of bank trust departments stating that many bank officials who make loans to corporations often sit on the Board of Directors of the corporations that receive the loans and that this is a conflict of interest but also a possible violation of Federal Antitrust laws.

**Exhibit No 4**  
**FOIA Requests to the Federal Reserve Board**

The Federal Reserve Board failed to provide the documents I requested in two Freedom of Information Act (FOIA) requests I mailed to them in April and May of 2024. There were 5 sets of files requested in my first FOIA and 7 in the second FOIA. However, the Federal Reserve Board came up with several excuses for not providing the files I requested. I am certain they have some dark secrets to hide and made up their replies accordingly so as not to reveal what they are.

After locating an original copy of the Federal Reserve Act of 1913 from the archives of the Federal Reserve Bank of St Louis, MO, I found answers to 4 of the 12 issues I had raised in my earlier FOIA requests and they are located in this report. The other documents would require either a Congressional Investigation or discovery as part of a lawsuit in Federal Court to void the worst part of this Act as amended to date.

**Exhibit No 5.**  
**The Cash Distribution Act - for the people**

The Cash Distribution Act is a 2-page document in the Appendix. The first page is a reprint of the eighth privilege found in the Federal Reserve Act of 1913 that allows the banks to receive cash for the full face value of a U.S. bond while still collecting interest payments on the same bond- hence double dipping, which means the banks get paid twice. The 2nd page has a 4-part proposal where Congress does for the American people what they have done for the bankers for the past 110 years- give them some free currency. I suggested \$1000 cash per year for everyone. See Exhibit 5 for more info.

## **Exhibit No 6**

### **The Federal Reserve Overdraft Protection Act**

This is 5 part set of proposals where Congress would create and implement its own monetary policies for the benefit of all the people and not just the donor class of wealthy bankers. A full-page article about the proposals was published in the American Free Press for 4 months in 2023. About half the members of Congress received a copy and probably a few of them actually read it. Someone mailed a copy to Donald Trump and he made public comments indicating that he may have read it. Unfortunately, most Congressmen who read it acted like a herd of deer who just seen the headlights of a car. They froze and were speechless.

I have more hopes that parts of both the original and amended Federal Reserve Act can be struck down in a trial in Federal Court as unconstitutional and illegal. I already have enough evidence to file a lawsuit to void parts of the Federal Reserve Act in Federal Court in a trial before a fair judge. Before I take this legal plunge, I will need to find one or two good patriotic attorneys to help, and also raise money to fund this fight in Federal Court, that would be filed in Federal Court - probably here in Milwaukee, Wisconsin.

## **Exhibit No 7**

### **The Original Federal Reserve Act of 1913**

This is the longest the exhibits - 32 pages total. It was important to include this original document so you can see for yourself what a difficult piece of legislation it is to read, understand and follow. One sentence I counted had over 180 words in it. The eighth privilege given to the Federal Reserve Banks was also written in banker code words. This was done to mislead the reader into believing that when the bank offered the government a bond as collateral for the receipt of an equal dollar value in currency, that this was an equal exchange of values. It was not.

The bond as collateral was not an asset for the government, but actually a liability as the government continued to pay interest on the very bond for which the bank had already received cash in an amount equal to the value of the bond. In other words, the government paid the bondholder (the bank) the full amount of the bond with cash.

There was no legitimate loan for these cash advances to the bank so the offering of collateral is simply a lie. By collecting interest on a bond that is fully repaid in cash, there is no unpaid balance for the bank to legitimately claim any right to receive any more interest payments. If the banks continue this practice to double dip and defraud both the U.S. Government and the American public, they should be arrested for fraud and jailed along with any public officials that have collaborated with their money laundering schemes. I will have more to say on this subject in the future.

## **The Exhibits**

No 1. 1981 letter from Federal Reserve Special Agent Don Winn to Rep. Henry Reuss

No 2. A publication of the Federal Reserve Bank of Boston explains How Federal Reserve Banks create credit with no money needed.

No 3. Big Bank Probe Urged - Handful Controls Industry (Milwaukee Sentinel July 9 1968 headlines)

No 4 The two Freedom of Information Act Requests and the failure of the Federal Reserve to produce any of the files or documents requested.

No 5. The Cash Distribution Act - for the people - with Questions and Answers

No 6 The Federal Reserve Overdraft Protection Act Petition to Congress (published in the American Free Press) from June 2023 through October 2023.

No 7. The Original Federal Reserve Act of 1913



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20561

May 21, 1981

The Honorable Henry S. Reuss  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Reuss:

Thank you for your recent letter enclosing questions from your constituent, Conrad LeBeau, concerning the Federal Reserve System and the Federal Open Market Committee. I enclose for you a listing of his questions and the answers.

I hope that this information will be useful to you.

Sincerely,

Donald J. Winn  
Assistant to the Board

Enclosure

March 23, 2023

Conrad,

Can you provide me with a copy of this 1981 item, the questions and answers you rec'd?

H. Cannon

Incredible, but true

ANSWER on this

deposits" (in general terms, time and savings deposits issued to parties other than natural persons). These required reserves may take two forms: (1) currency and coin held in the bank's vault, and (2) deposits in a reserve account at the Federal Reserve Bank.

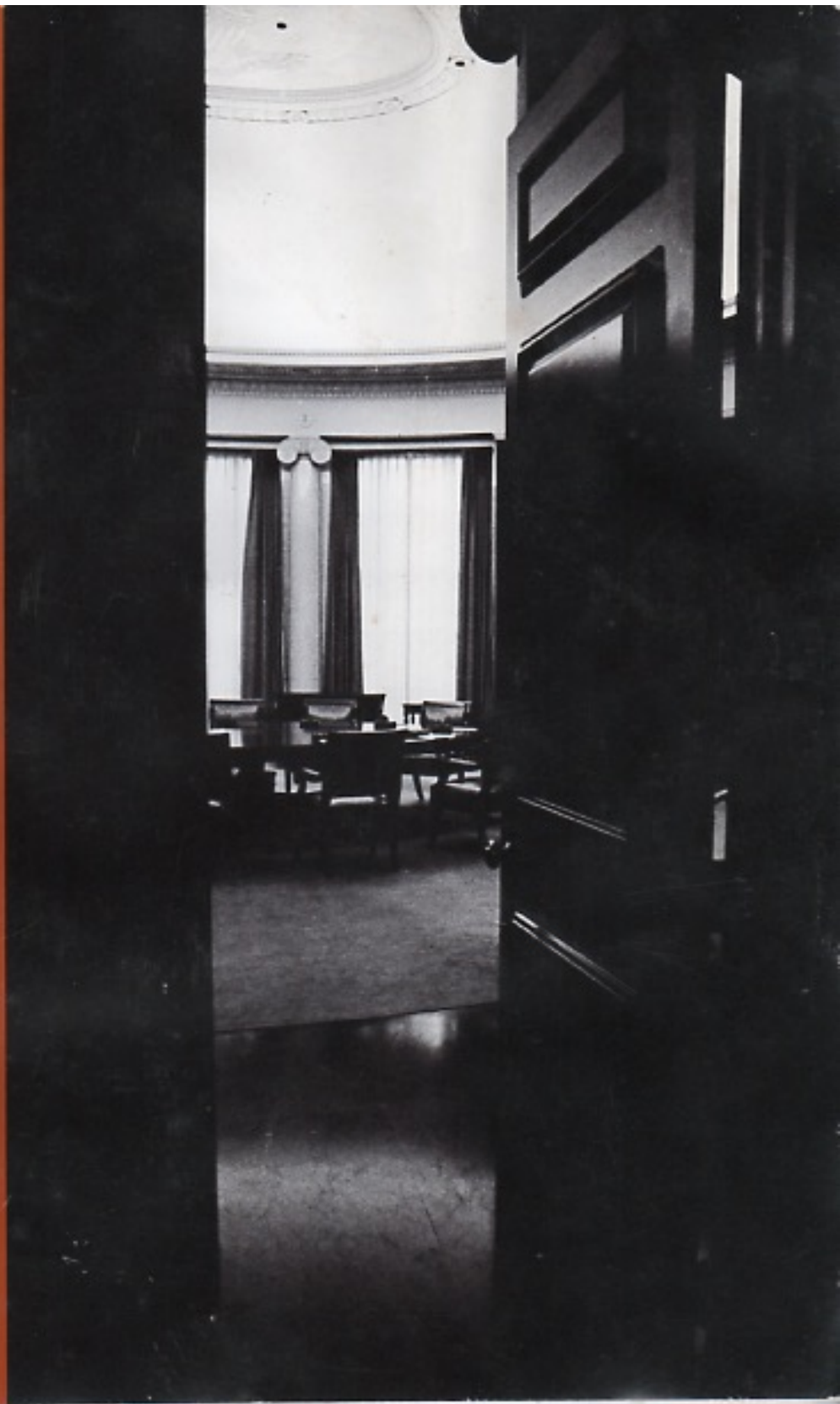
Questions 3 & 4. When one of the 12 Federal Reserve Banks obtains Federal Reserve notes (currency) from the Treasury Department, how is it paid for? Are they paid by writing a check equal to the face value of the currency obtained; or by exchanging a government security for an amount in equal value of currency; or do the Federal Reserve Banks only pay the cost of printing for these notes; or are they merely exchanged for new notes by turning in the old Federal Reserve notes?

Answer. All paper currency goes into and out of circulation through the Federal Reserve Banks or their branches. Paper currency is produced by the Bureau of Engraving and Printing in Washington, D.C.; this bureau is part of the Treasury, although the broad responsibility for currency distribution rests with the Federal Reserve System. ~~New~~ New paper currency is purchased by the System from the Bureau of Engraving for \$20.60 per 1,000 notes, regardless of its denomination--the current cost of production. The Board pays for the currency by a check drawn on the Board's account at the Federal Reserve Bank of Richmond; the Board then assesses the Reserve Banks for currency supplied to them.

The issuance of Federal Reserve notes to a Reserve Bank is controlled by a special representative of the Board of Governors of the Federal Reserve System known as the Federal Reserve Agent. A Reserve Bank must pledge collateral at least equal in amount to the notes outstanding from the Bank. Although this collateral may legally take a number of forms, the collateral

2023

Putting it  
simply ...  
The  
Federal  
Reserve



Now, the reason that the Federal Reserve can increase the money supply by buying government securities on the open market and decrease the money supply by selling government securities is because the Federal Reserve has a unique responsibility — it can literally create its own credit. Let me use an everyday example to make the point. If I were to buy a government bond from one of you, what that would mean is that I would give you a check for, say, \$10,000, and you would in return give me that government bond worth \$10,000. What left my checking account when I bought the bond entered your checking account when you sold it. The total volume of checking account money in the economy has not changed one penny. What has happened is a simple transfer of some of that money from one account to another. Put another way, I cannot, legally or morally, write a check payable to you unless I have at least that much in my checking account at the time I write the check.

*Federal Reserve Bank*

The Federal Reserve is different. It is the central bank; it is a depository for all of the member banks, but it, itself, has no bank deposit anywhere in the country because it is the central bank for the entire country. When you or I write a check there must be sufficient funds in our account to cover that check, but when the Federal Reserve writes a check there is no bank deposit on which that check is drawn. When the Federal Reserve writes a check, it is creating money. That check, written by the Federal Reserve, is deposited in the account of one commercial bank, but is not deducted from the account of another commercial bank. Likewise, when the Federal Reserve sells a government security, the check paying for it is deducted from the account of the commercial bank on which it is drawn, but it is not deposited to the account of another commercial bank. Put another way, when the Federal Reserve buys government securities, it is by the mere stroke of a pen putting new money into the banking system — money



*When the Federal Reserve writes a check, it is creating money.*

# House Panel Cites Antitrust Danger

# G-BANK PROLE GARG

## Mystery Car Tag Bared During Trial

By JOE PECOR

The license number of the mystery auto from which several witnesses have claimed the first shot was fired during a gun battle in last summer's rioting was revealed Monday.

Chicago Area School Told To Stop Bias

Chicago, Ill. (UPI)—A federal court judge, acting in the first school desegregation case brought in the north by the justice department, ordered a suburban school district Monday to stop discriminating on the basis of race or color.

Picture on Page 5

in testimony at the John Orin Tucker murder trial.

Authorities said the license was listed to a 31 year old white man who lives on N. 50th st.

He told The Sentinel Monday night that on July 31, the morning of the gun battle, he was not outside the Tucker home, 134 W. Center st. He was four blocks west of the home on Center st, he said.

"I think there was another car (auto) down there," he said. "It was between 5th and 6th (sts)."

The man told the reporter that he had been injured in rioting that night.

Tucker is charged with slaying Patrolman Ryan Mochel, 24, and wounding several other police officers during the gun battle.

The man to whom the car was listed has been ordered to report to the district attorney's office Tuesday morning "to explain what happened that night," he said.



Six major Republican office seekers Monday filed their nomination papers in Madison, a day before the deadline. They are (from left): Secretary of State Robert Zimmerman; Treasurer Harold Clements; Senate Majority leader Jens Leonard; of Bayville, who is running for the United States senate; Gov. Warren Knowles; Lt. Gov. Jack Olson and State Sen. Robert Warren, of Green Bay, who is a candidate for attorney general. Each displayed his nomination papers. All were endorsed by the state GOP convention.

## Knowles Calls Core Ills No. 1 Problem

By NEIL H. SHIVELY  
Sentinel/Madison Bureau

Madison, Wis. — Gov. Knowles said Monday the problems of Milwaukee's inner city would be "the focal point" of his proposal to the 1969 legislature if he is re-elected.

He called the Milwaukee situation "the No. 1 problem" we have on a statewide basis, and stressed that it is vitally important to the state to get the community functioning again as a growing metropolis.

Knowles told a press conference here that the effectiveness of the \$1 million pilot projects in the inner core, authorized by the last legislature, will give direction to his presentation to the next legislature if he is returned to office for a third term.

Knowles is opposed for reelection by Atty. Gen. Bronson C. La Follette.

task force" on local government and finance would produce some answers to the inner city's dilemma of a crumbling tax base and increasing demands for services. That group is scheduled to report to the 1969 legislature with a revised system of distributing state aids and share taxes.

The governor spoke of a two pronged approach in aiding the disadvantaged minorities—educating them on employment opportunities available and providing more jobs

to produce "tax paying citizens."

He said he is looking at the "whole problem" to try to establish rules, regulations and laws that are operable and en-

forceable to protect the citizens of the state.

"Whatever is done, Knowles said, should be done on a uniform basis throughout the state. The people, such as sportsmen, who use guns in specific activities have to be protected, he said.

"These are not the people we're really looking at in the enforcement of gun control," Knowles said. "We're talking about crime control and gun control is but one element of crime control."

## Wife Killed, Priest Injured in England

The wife of a Whitefish Bay Episcopal priest was killed and he was injured in an auto accident in England early Monday.

Mrs. Victor E. H. Bolle died in the accident which took place about 20 miles from Bristol, England, police there said. The Sentinel, Bolle was reported in satisfactory condition in Frenchay Receiving hospital in Bristol undergoing treatment for head and chest injuries.

Bolle is rector of Christ Episcopal church, 585 N. Lakeland, Whitefish Bay.

The couple had been vacationing in England and Scotland since June 15. They reportedly were on their way to Ealey to visit the ruins there when the accident occurred.

Mr. and Mrs. H. U. Barnes, 5427 N. Milwaukee av., Whitefish Bay, friends of the Bolles, had joined them in England. The Barneses, also vacationing in Europe, were not with the Bolles at the time of the accident.

Bristol police said the Bolle car and a truck collided at a crossroad near Tetbury. The driver of the truck was not injured, they said.

Bishop Donald H. V. Fallock of the Milwaukee diocese and his wife, who had planned to join in the Bolles later on their trip, left for England Monday night, church officials there said.



MRS. LUCILLE BOLLE

## Forecast Offers Relief From Heat

Tuesday's forecast promised relief from Monday's hot and humid weather in Milwaukee.

The temperature climbed to 85 in Milwaukee late Monday afternoon before a mild cold front moved through Wisconsin.

High temperatures in the Milwaukee area should be in the middle to low seventies Tuesday, under partly sunny skies, the weather bureau said.

Midwestern temperatures around the state included 80 at Eau Claire, 85 at Wausau, 87 at La Crosse, 83 at Green Bay and 84 at Madison.

Low temperatures will be in the middle 50s.

Wednesday's outlook is for sunny skies and warm temperatures.

## LBJ Back, Sees New Latin Dawn

President Johnson returned home Monday after a four-day trip to Central America and predicted a new dawn of co-operation and progress for the area.

He was greeted by cheering crowds at airports in the old banana republics of Nicaragua, Costa Rica, Honduras and Guatemala on a swift series of stops to return their presidents home after their weekend summit session at San Salvador, El Salvador.

The trip was something of a personal triumph for Johnson, who hasn't seen many big cities since he was in the White House last year or so in the United States.

But in all five of the Latin American countries he visited, people turned out by the thousands and greeted him with enthusiasm.

Guatemala City was the last stop of the trip for Johnson on a trip that started Saturday morning in Texas.

The president's plane arrived at San Antonio and five minutes later the president was en route to his ranch in a smaller plane. He landed at the ranch at 7:40 p.m.

In remarks, delivered at the airport in Guatemala City, Guatemala, last of four stops in his flight home to Texas from the meeting in San Salvador, Johnson noted that the name of the airport was "La Aurora," meaning the dawn, and said:

## Handful Controls Industry

From Sentinel Wire Services  
Washington, D. C. — The chairman of the house banking committee Monday called for an antitrust investigation of a handful of banks which he said control more than half of the nation's trillion-dollar investment industry.

Rep. Wright Patman (D-Tex.), in a letter to Atty. Gen. Ramsey Clark, asked the justice department to "look into the antitrust questions raised by the serious and widespread problems of interlocking stock holdings and directorships."

He acted after his panel's domestic finance subcommittee issued a 2,000 page report on a study of nearly all of the 3,125 United States banks which operate trust departments.

The study said that of the \$1 trillion in assets held by all institutional investors in the country, nearly 60%, or \$607 billion, is held by commercial banks. Of the \$607 billion, it said \$250 billion is held by bank trust departments.

It added that 49 big-city banks hold slightly more than 54% of all bank assets in the nation. These banks, the subcommittee reported, are in Baltimore, Boston, Chicago, Cincinnati, Cleveland, Detroit, Kansas City, Los Angeles, Minneapolis and Washington.

The report said the Morgan Guaranty Trust Co. of New York holds \$10.8 billion in trust assets which the subcommittee said is more than the combined assets of the 36 banks in California that are included in the study.

Clark said that the Morgan bank has 7.5% of the common stock of American Airlines and that some of its directors also serve on American's board.

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**Wisconsin Traffic Deaths**

1968 1967

560 488

Story on Page 4



**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20561**

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 1, 2024

Mr. Conrad LeBeau  
P.O. Box 270041  
West Allis, WI 53227

Re: *Freedom of Information Act Request No. FOIA-2024-00622*

Dear Mr. LeBeau:

This is in response to your correspondence dated March 25, 2024, and received by the Board's Information Disclosure Section on April 2. Pursuant to the Freedom of Information Act, 5 U.S.C. §552, you seek:

1. Copies of any and all laws, US code banking regulations, rules promulgated by the Federal Reserve Board or under the Administrative Procedures Act, that would prevent the Congress of the United States from printing Federal Reserve Notes or United States Notes and directly depositing said notes into the US Treasury's bank account at the Federal Reserve Bank for the purpose of paying expenses approved by Congress.
2. Pursuant to question No 1, if Congress authorizes the printing of United States Notes or Federal Reserve Notes to pay interest on the National Debt, and for other purposes as authorized by Congress, copies of any laws, regulations or other legal impediments that could prevent Congress from depositing these notes into either banks or credit unions that are not members of the Federal Reserve System?
3. Copies of any court decisions or the citations to such decisions where Federal Court has voided part of the Federal Reserve Act of 1913 as amended to date, and including court decisions that have altered or voided rules under the Administrative Procedures Act or regulations approved by the Federal Reserve Board since 1913.
4. Copies of all legal opinions, pro and con, including mail, emails, sent and received, by members of the Federal Reserve

Board from both foreign and domestic bankers and other sources such as the World Economic Forum (WEC), International Monetary Fund (IMF) on whether or not the Federal Reserve Board has legal authority to design a Central Bank Digital Currency (CBDC).

5. Copies of existing laws that provide legal definitions for the following words:

- a. What is a "Dollar"?
- b. What is "Currency"?

To be considered a proper FOIA request, the Board's Rules Regarding Availability of Information ("Board's Rules") require that "a request must include a description of the records that enables the Board's staff to identify and produce the records with reasonable effort and without unduly burdening or significantly interfering with any of the Board's operations. Whenever possible, the request should include specific information about each record sought, such as the date, title or name, author, recipient, and subject matter of the record." 12 C.F.R. § 261.11(b)(2).

Your request does not meet these standards because, as written, your request is unduly burdensome in that it does not include a description of records that would enable Board staff to identify and produce records with reasonable effort and without unduly burdening or significantly interfering with Board operations. Items 1, 2, 3, and 5 of your request would require Board staff to conduct legal research.<sup>1</sup> Please be aware that, an agency's obligations under FOIA do not include carrying out such research activities.<sup>2</sup> Additionally, as currently written, your request is unduly vague because the categories of documents you seek are not described with sufficient detail to allow knowledgeable staff to locate responsive documents with reasonable effort. For example, regarding item 4, you have not identified any foreign or domestic bankers nor did you provide a relevant date range for a search.

Because your request does not comply with the requirements of sections 12 C.F.R. § 261.11(b)(2) of the Board's Rules, it is not considered to be a proper FOIA request and.

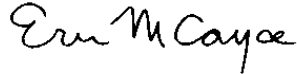
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<sup>1</sup> "As part of the Board's search for responsive records, the Board is not obligated to conduct any research, create any document, or modify an electronic program or automated information system." 12 C.F.R. § 261.2(e)(2).

<sup>2</sup> See *Assassination Archives & Research Ctr. v. CIA*, 720 F. Supp. 217, 219 (D.D.C. 1989), *aff'd in pertinent part*, No. 89 - 5414, 1990 WL 123924 (D.C. Cir. Aug. 13, 1990) (*per curiam*); *accord Nurse v. Sec'y of the Air Force*, 231 F. Supp. 2d 323, 329 (D.D.C. 2002) (quoting *Assassination Archives & Research Ctr.*, *supra* at 219); see, e.g., *Bloeser v. DOJ*, 811 F. Supp. 2d 316, 321 (D.D.C. 2011) (reasoning that "FOIA was not intended to reduce government agencies to full-time investigators on behalf of requesters . . .").

therefore, will not be processed as written. See 12 C.F.R. § 261.11(c)(2). Your request will be administratively closed without prejudice to your right to submit a revised request to the Board in the future that complies with the Board's Rules Regarding Availability of Information. If you have any questions regarding the processing of your request, you may contact the Board's FOIA Public Liaison, Ms. Candace Phillip, at 202-452-3684 for assistance.

Very truly yours,

A handwritten signature in black ink that reads "Erin M. Cayce". The signature is written in a cursive style with a large initial "E" and "M".

Erin M. Cayce  
Assistant Secretary of the Board

## FOIA Request (5 U.S.C. § 552), to the Federal Reserve Board

April 24, 2024  
Phone # 414-231-9817  
From - Conrad LeBeau  
PO Box 270041  
West Allis WI 53227

To - Office of the Secretary  
Board of Governors of the Federal Reserve System  
2001 C Street, NW, Washington, DC 20551

Gentlemen:

I am approving a sum up to \$100 that I will pay by check or money order for the cost of paying for copies of the following documents, records or files. If the cost is higher, send me a written estimate before making the copies. If the information, file or document requested does not exist or cannot be located, please indicate that in your reply to each numbered section or subsection of this FOIA.

Please provide an estimate for the cost of obtaining a copy of the following documents, records or files.

**1. Authority of member banks to borrow cash on bonds/T Notes.**

Copies of all laws or regulations made under the Administrative Procedures Act or regulations promulgated by the Federal Reserve Board under the Federal Reserve Act of 1913, and/or banking laws as amended to date that allows member banks of the Federal Reserve System to use T Notes and US Bonds as collateral to borrow cash (coins or currency) from the Federal Reserve Bank in the district in which they reside.

**2. Legal Definition is needed for the word "collateral."**

**3 Terms and Conditions.** Pursuant to question no 1, copies of the Terms and Conditions for cash advances loaned to member banks, and if any member bank receiving these cash advances is required to pay interest, the amount of interest required under the **Terms and Conditions** or if these cash advances are **interest free**.

**4. Repayment of Principal with interest or no interest.** Pursuant to question No 2, If interest payment are required for these cash advances, copies of records or proof that these cash advances have been or are being repaid with interest to the district Federal Reserve Bank; And, indicate the amount of interest that was charged to the member banks under the Terms and Conditions and if it is a constant figure or it changes from time to time.

**5. Total Amount of Dollars for all cash advances** made by all 12 Federal Reserve Banks to all member banks in 2022 where US Bonds or T-Notes were used as collateral. Cash as used in this section is only coins and currency minted by the US Government {not checks, e-funds or computer generated numbers.}

**6. Legal Definitions for Class A, B and C banks as is now used in 2024.** (Note: The original Federal Reserve Act of 1913 that I reviewed does not contain a definition for class A, B and C banks.)

**7. Ownership of the Federal Reserve Banks.**

a. A copy of any law or document that indicates that the United States Government owns shares of stock in the 12 Federal Reserve Banks.

b. A file that indicates if any employee of the Federal Reserve System is paid under civil service by the US Treasury Department.

c. A copy of any provision of the Banking laws or the Federal Reserve Act as amended that gives Congress the right to buy out the ownership of the 12 Federal Reserve Banks {for a fixed sum of dollars} and place its employees and management under civil service.

Thank you for your cooperation and assistance

Conrad LeBeau



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20561

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 23, 2024

Mr. Conrad LeBeau  
P.O. Box 270041  
West Allis, WI 53227

Re: *Freedom of Information Act Request No. FOIA-2024-00689*

Dear Mr. LeBeau:

This is in response to your correspondence dated April 24, 2024, and received by the Board's Information Disclosure Section on May 1.

You appear to have submitted a FOIA request seeking records related to individuals using the discount window on their own behalf, individual ownership of a master account, or the ability of individuals to submit their debts in exchange for Federal Reserve notes.

In response to a request that is properly submitted under the FOIA and accepted for processing, the Board will conduct a "reasonable search of such records of the Board as seem likely in the particular circumstances to contain information of the kind requested." 12 C.F.R. § 261.2(e)(1). In this case, the duty to search records is not triggered because the Board is not reasonably likely to have information responsive to your request.

Please be advised that there is no mechanism by which individuals are able to interact with the discount window on their own behalf. Additionally, master accounts are only available to financial institutions, not individuals. Further, there is no mechanism by which an individual may submit their personal debts to the Federal Reserve in exchange for Federal Reserve notes. Accordingly, there can be no records of the type you are seeking.

Because it is not reasonably likely that the Board possesses records of the kind you request, your FOIA request will not be accepted for processing. If you have questions regarding the processing of your request, you may contact the IDS or me, the Board's

FOIA Public Liaison, at 202-452-3684 for assistance.

Very truly yours,

*Candace Phillip*

Candace Phillip  
Manager, Information Disclosure Section

# The Cash Distribution Act - for the People

To all members of Congress -Answer this Question

Is it good fiscal policy for Congress to allow up to 200 Billions of dollars of Currency to be given Free to the privately-owned Federal Reserve Banks each year while Congress is unable to balance its own budget?

Due to a provision in the Original Federal Act of 1913, Federal Reserve Banks have bought as much as \$200 Billion dollars of currency each year since 1913 from the Bureau of Engraving for the cost of printing, which in 1981 was about 2 cents a note.

A letter I received from my Congressman Henry S. Reuss, dated May 21, 1981 was a response from Don Wynn, an Assistant to the Federal Reserve Board. The letter was a reply to several questions from Conrad LeBeau, a constituent of Rep. Henry Reuss. A reprint of page 3 of Don Wynn's response is contained in the Appendix of **"A Critical Review of the Federal Reserve Act of 1913 as Amended."** Here is an excerpt from Don Wynn's reply.

Question: When one of the 12 federal Reserve Banks obtains Federal Reserve Notes (currency) from the Treasury Department, how is it paid for?.....

Answer (from page 2 of Don Wynn's letter): *"New paper currency is purchased by the System from the Bureau of Engraving for \$20.60 per 1,000 notes, regardless of denomination ..... the current cost of production. The Board pays for the currency by a check drawn on the Board's account at the Federal Reserve Bank of Richmond; the Board then assesses the Reserve Banks for the currency supplied to them....."*

## **Double Dipping - Bankers get Free Cash plus Interest on the Bonds**

The Federal Reserve Banks pay for the cost of printing currency and then distribute the currency to member banks in amounts equal to the U.S. Bonds they bought while the banks continue to collect interest on these same bonds. The eighth privilege granted to the 12 Federal Reserve Banks is on page 5 of Public Law 43 of the 63rd Congress (1913) also known as HR 7837. On page 5, the 3rd paragraph states:

*"Eighth. 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 circulation 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,....."*

The term "circulation notes" mentioned above means "Federal Reserve Notes." The same term as applied to the National Bank Act of 1863 means "National Banks Notes." The term "par value" means equal in dollar value. However the deceptive part of the above paragraph is that it fails to distinguish between dollars as a debt and dollars as money. The government bond is an IOU from the government to the bondholder. The bond has no legal tender value for the payment of debts whereas the currency (Federal Reserve Notes) has legal tender value for the payment of all debts, public and private.

## **Double Dipping by Member Banks is Fraud Against U.S Taxpayers**

Thousands of Federal Reserve member banks get free currency from their district Federal Reserve Bank as long as the local banks provide their district Federal Reserve Bank with T-Notes or U.S. Bonds equal to the dollar value of the Federal Reserve Notes they requested. The Act makes it appear that the banks have given up some thing of value in exchange for the cash, but when the bankers continue to collect interest on the entire bonds for which they received back all their cash, this is double dipping and is simply fraud against the US Government and the American taxpayers.

### **Stop this Slush Fund - require prepayment for all currency ordered**

Repeal the Eighth Privilege given to banks in the original Fed. Res. Act of 1913 and also eliminate bonds and other debts used as collateral under Section 16 of the Fed. Res. Act under paragraphs 2, 4, 6 and the last 4 lines of 12. Amend the Federal Reserve Act to require the Federal Reserve Banks and member banks prepay for all orders of currency with a check or money order for the full face value of the currency they ordered.

This prepayment for currency at their full legal tender (face) dollar value eliminates the methods described in the eighth privilege. With prepayment of orders for the face value of currency, payment for the printing of Federal Reserve Notes is deleted. All orders shall be placed directly with the U.S. Treasury or a local Federal Reserve Bank.

### **Draft and Enact "The Cash Distribution Act for the People"**

**Why?** You can do for the American People what the Fed. Res. Act of 1913 has done for the banks since 1913. that is - to print and distribute cash directly to the people.

**How much?** For starters, print and distribute \$1000 in cash to all U.S. citizens over 18 years of age - the cash to be picked up at their local U.S. Post Office. This money is to be distributed to the very poor, the unemployed, the middle class, the upper class, social security recipients, government employees, and all members of Congress.

**How Often?** - Repeat this 1000 cash distribution once a year for the next 40 years as this is how long it will take for the people to recover the \$40,000 they have each paid in unnecessary government debt expansion and higher federal taxes to support the interest payment on these unnecessary expansions of government debts.

**Why this long?** Because in the last 110+ years, Congress has either knowingly or unknowingly allowed the Federal Reserve Board and member banks to access this free currency slush fund resulting in a loss of about 10 Trillion dollars to the U.S. Treasury. As a result of this grand steal, the U.S. Treasury has asked the Congress to raise the debt ceiling, then go back to the same bankers and borrow the money they previously sold to them for the cost of printing. This is fiscal insanity and must stop now!

Accordingly, We The People, demand a Congressional investigation, with subpoena powers over all employees of the Federal Reserve System, including Comptroller of the Currency and Treasury; and also hold public hearings on the reforms proposed herein.

X \_\_\_\_\_

# A PETITION TO CONGRESS *to enact....*

## THE FEDERAL RESERVE OVERDRAFT PROTECTION ACT AND... TO ISSUE "UNITED STATES NOTES" AND "GOLD OR SILVER COINS"

**Whereas** the growth of the national and private debts of farmers, small businesses and all Americans grows exponentially with the interest charged for the use of credit; and the Governments National Debt now exceeds \$31.7 Trillion, with mortgages and credit card debt that has reached astronomical levels, and:

**Whereas** the Constitutional authority to coin money are powers granted to the US Government; Congress can and must offer leadership by considering for enactment the proposed reforms contained herein; and

**Whereas** the banking system uses its own records as de-facto digital dollars that are stored in their computers to make loans and for the payment of debts; and

**Whereas** the U.S. Government Budget requires substantial amounts of money (cash) or credit to deliver public services and security, we propose the following:

### **The Federal Reserve Overdraft Protection Act**

Sections a and b

a. Overdraft Protection as Credits. This is a Petition to Congress to amend the Federal Reserve Act and require the Federal Reserve Bank(s) to enter digital bookkeeping dollars as credits to the U.S. Treasury checking account at a minimum sum of \$100 Billion to prevent default on the U.S Budget or bonds; to maintain normal working capital for all budgeted needs; and to deposit in the U.S. Treasury's checking account on a recurring basis additional sums of \$100 Billion on any day the account balance drops below \$100 Billion.

Credits advanced to the US Treasury's bank account(s) shall be backed by currency and coins.

### b. Overdraft Protection

**backed by Cash.** The credits advanced to the US Treasury's bank account at the Federal Reserve Bank (FRB) shall be legal tender "money" backed by the full faith and credit of the United States Government.

This backing shall include the delivery, at no cost to the Federal Reserve Banks, of coins and currency (lawful money) minted at the Bureau of Mint and Engraving, in an amount and in denominations as requested by the Federal Reserve Board up to the total monetary value of the credits that the Federal Reserve Banks have previously credited to the U.S Treasury's bank account.



### c. United States Notes:

President Abraham Lincoln issued United States Notes (Greenback dollars) during the Civil war, and the Constitutional authority to do so was upheld by the U.S. Supreme Court. Therefore, under the authority granted by our forbearers in the U.S. Constitution, we seek a legislative directive from Congress to the U.S. Treasury to print \$200 Billion dollars worth at face value of "United States Notes" in the following dominations: \$1, \$5, \$10, \$20, \$50, \$100, \$500 and \$1000.

Images chosen by Congress or as directed are to be placed on each denomination. It is suggested that one billion notes have a value of \$100 each with the image of former President John F Kennedy on the Notes with his famous quote:

*"Ask not what your country can do for you - Ask what you can do for your country"*



### d. Gold, Silver & Platinum

The U.S. Treasury shall use bullion stored at Fort Knox and mint \$100 Billion dollars worth of gold, silver or platinum coins in denominations chosen by the Sec. of the Treasury The face (legal tender) value of each coin shall be a minimum of 150% above the cost of production but not exceed 200% above the cost of production. Designs shall be approved as directed by Congress.

### e. Low Interest Credit

**Cards:** Congress should also make available to the public loans and credit cards at an interest rate of 3% per year and backed by currency in quantities that support public demands for cash. The availability of low interest loans will provide immediate financial relief for small businesses, farmers, homebuyers, students, and consumers.

### f. Repeal the Borrowing

**Authority:** Subject to approval by the States, Congress should amend the US Constitution and repeal Sec 8, (2) that gives Congress the power "to borrow money on the credit of the United States." This is to stop the creation of endless government debt. Once all these reforms are enacted, they will provide the necessary funds to support free enterprise and prosperity for all. For all the foregoing reasons, we seek public hearings on these proposals.

**X**

This Petition was drafted by Conrad LeBeau  
PO Box 270041, West Allis, WI 53227

For more info, visit [lebeaubooks.com](http://lebeaubooks.com)  
Please read, sign, and mail to Congress.  
Questions or Comments? 414-231-9817

# Letter Explains Petition to Congress for Honest Monetary Reform

October 3, 2023

**To:** E J. Antoni  
The Heritage Foundation  
214 Massachusetts Ave. NE  
Washington, D.C. 20002

**From:** Conrad LeBeau  
P.O. Box 270041  
West Allis, WI 53227  
414-231-9817

Greetings:

This morning I watched on RAV TV an interview you had with Stephen K Bannon. I was impressed with your knowledge of the Federal Reserve System and the central banks that preceded it.

Enclosed I have attached a copy of booklet I wrote on the money system called ***Money Creation: From the Knights Templars to Wall Street Bankers.***

In January of this year I updated a brochure I originally wrote in 1981 about “**Famous Quotations on Money.**” A copy is enclosed.

In May of this year I drafted a “**Petition to Congress to enact ... The Federal Reserve Overdraft Protection Act ... and to issue “United States Notes” and Gold or Silver Coins**”. (Copy enclosed. Also see reverse.)

The first part (a) the Overdraft Protection Act would permanently end the need to sell US Treasury Notes or bonds by requiring the Federal Reserve Banks to advance as credits to the US Treasury’s checking account \$100 Billion digital dollars anytime the Federal Government’s account balance drops below \$100 Billion.

Part (b) of this Act backs up 100% of these credit advances with coins and currency minted at the Bureau of Engraving. Both parts (a) and (b) together guarantee by law that the US Government will never again have to raise the debt ceiling, and yet, remain fully funded.

It simultaneously transfers the legal responsibility for paying the interest on the national debt from the taxpayers to the Federal Reserve Banks and the Bureau of Engraving. As Treasury Notes become due, it also provides for a gradual payoff of the entire U.S. Governments National Debt over a period of 20 to 30 years. Pending a Congressional sponsor, the preamble of 4 paragraphs in this Petition beginning with the word “**Whereas**” along with parts (a) and (b) could be copied and passed as is - as a single issue law.

Parts c, d, e and f each require more work to develop the details of each section and should be introduced as single issue Acts. Part (c) directs the US Treasury to print United States Notes and Part (d) the minting of gold and silver coins while (e) provides for low direct government interest rate loans from 0% to 3% to help the needy and the middle class, but not the millionaires and billionaire class. Part (f) is the last section to permanently repeal the Constitutional debt trap (favored by A Hamilton and opposed by Thomas Jefferson) in (Sec. 8 (2) from ever being used again.

As a final note. I have published this Petition to Congress in nearly every issue of the **American Free Press** in the past 4 months and I am continuing to do so every two weeks. If you agree with the Petitions core issues, please feel free to share or reprint or to use any of the enclosed information as you see fit, and, encourage your listeners to contact their Congressman.

Sincerely yours—for an honest money system.

*Conrad LeBeau*

**Patriots—Take Notice!**—You have the power to change Congress, but only if your voice is heard. Mail a copy of the Petition to Congress along with this letter today! We need to flood the halls of Congress with thousands of these Petitions.

[PUBLIC—No. 43—63D CONGRESS.]

[H. R. 7837.]

An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

*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."

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.

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.

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.

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."

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. 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.

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.

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.

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 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.

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.

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.

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 determine. 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.

Stock not held by member banks shall not be entitled to voting power.

The Federal Reserve Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. 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. 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.

#### BRANCH OFFICES.

SEC. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board. Directors of branch banks shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

## FEDERAL RESERVE BANKS.

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.

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 acknowledgment 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.

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—

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. 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.

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.

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.

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.

Directors of class A and class B shall be chosen in the following manner:

The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

Each member bank shall be permitted to nominate to the chairman 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 elector.

Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector 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.

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.

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, who shall be a person of tested banking experience, shall be appointed by the Federal Reserve Board as deputy chairman and deputy Federal reserve agent to exercise the powers of the chairman of the board and Federal reserve agent in case of absence or disability of his principal.

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.

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.

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 to 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.

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

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

scription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital 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. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account 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. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a 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 previously 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 dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank.

SEC. 6. If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal reserve bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal reserve 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 account 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 reduction of capital stock and the amount repaid to such bank.

#### DIVISION OF EARNINGS.

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. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank.

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.

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.

SEC. 8. Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows:

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 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.

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, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as

it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal reserve banks.

The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board. 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 banking Act.

Any bank becoming a member of a Federal reserve bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital, or the payment of unearned dividends, and to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe.

Such banks, and the officers, agents, and employees thereof, shall also be subject to the provisions of and to the penalties prescribed by sections fifty-one hundred and ninety-eight, fifty-two hundred, fifty-two hundred and one, and fifty-two hundred and eight, and fifty-two hundred and nine of the Revised Statutes. The member banks shall also be required to make reports of the conditions and of the payments of dividends to the comptroller, as provided in sections fifty-two hundred and eleven and fifty-two hundred and twelve of the Revised Statutes, and shall be subject to the penalties prescribed by section fifty-two hundred and thirteen for the failure to make such report.

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, it shall be within the power of the said board, after hearing, to require such bank to surrender its stock in the Federal reserve bank; upon such surrender the Federal reserve bank shall pay the cash-paid subscriptions to the said stock with interest at the rate of one-half of one per centum per month, computed from the last dividend, if earned, not to exceed the book value thereof, less any liability to said Federal reserve bank, except the subscription liability not previously called, which shall be canceled, and said Federal reserve bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice

cancel and retire its stock and make payment therefor in the manner herein provided. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

#### FEDERAL RESERVE BOARD.

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.

The members of said board, the Secretary of the Treasury, the Assistant Secretaries 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. 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. 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 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.

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 laying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal Reserve Board shall be held in Washington, District of Columbia, as soon as may be after the passage of this Act, at a date to be fixed by the Reserve Bank Organization Committee. The Secretary of the Treasury shall be ex officio chairman of the Federal Reserve Board. No member of the Federal Reserve Board shall be an officer or director of any bank, 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. 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.

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.

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 supervision, 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.

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.

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.

SEC. 11. The Federal Reserve Board shall be authorized and empowered:

(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.

(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.

(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.

(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.

(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.

(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.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

(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.

(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.

(j) To exercise general supervision over said Federal reserve banks.

(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, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.

(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.

#### FEDERAL ADVISORY COUNCIL.

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.

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.

#### POWERS OF FEDERAL RESERVE BANKS.

SEC. 13. Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks, payable upon presentation; or, solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, 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. 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: *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 may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one 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.

Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus.

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.

The rediscount 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.

#### OPEN-MARKET OPERATIONS.

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.

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;

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem 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 arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties

#### GOVERNMENT DEPOSITS.

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 ISSUES.

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.

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 and bills, accepted for rediscount under the provisions of section thirteen of this Act, and 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.

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, and not offset by gold or lawful money deposited with the Federal reserve agent. 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. 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 reserve 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 Treasury, 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.

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; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. 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 bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal Reserve Board, and the amount of such Federal reserve notes so issued to any 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.

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.

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 so much of said gold to the Treasury of the United States as may be required for the exclusive purpose of the redemption of such notes.

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 deposited with it and shall at the same time substitute therefor other like collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board.

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, 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 subtreasury 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.

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, nineteen 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.

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. 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.

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.

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 associations 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 is hereby repealed.

#### REFUNDING BONDS.

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.

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.

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.

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.

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 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.

#### BANK RESERVES.

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, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member bank shall establish and maintain reserves as follows:

(a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after said date, two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date six-fifteenths thereof, and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank seven-eighteenths.

The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as

described in section fourteen properly indorsed and acceptable to the said reserve bank.

If a State bank or trust company is required by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company, such reserve deposits so kept in such State bank or trust company shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember 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.

The reserve 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 reserve required by law is fully restored.

In estimating the reserves required by this Act, the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserves shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

National banks located in Alaska or 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, except in the Philippine Islands, 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.

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.

#### BANK EXAMINATIONS.

SEC. 21. Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

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.

SEC. 22. No member bank or any 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 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; and shall forever thereafter be disqualified from holding office as a national-bank examiner. No national-bank examiner shall perform

any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

Other than the usual salary or director's fee paid to any officer, director, or employee of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employee for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank. 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 person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.

Except as provided in existing laws, this provision shall not take effect until sixty days after the passage of this Act.

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 FARM LANDS.

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, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans 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.

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, upon such conditions and under such regulations as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries or dependencies 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. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. 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 accruing at each branch as a separate item.

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: *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.

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 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: *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:

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.

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.

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.

SEC. 30. The right to amend, alter, or repeal this Act is hereby expressly reserved.

Approved, December 23, 1913.

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