

SUBCHAPTER VI—CAPITAL AND STOCK OF  
FEDERAL RESERVE BANKS; DIVIDENDS  
AND EARNINGS

**§ 281. Capital**

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

(Dec. 23, 1913, ch. 6, § 2, 38 Stat. 253.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 377, 481 of this title.

**§ 282. Subscription to capital stock by national banking association**

Every national banking association within each Federal reserve district shall be required to subscribe to the capital stock of the Federal reserve bank for that district in a sum equal to 6 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 Board of Governors of the Federal Reserve System, 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 Board, said payments to be in gold or gold certificates.

(Dec. 23, 1913, ch. 6, § 2, 38 Stat. 252; Aug. 23, 1935, ch. 614, title II, § 203(a), 49 Stat. 704.)

CHANGE OF NAME

Section 203(a) of act Aug. 23, 1935, changed name of Federal Reserve Board to Board of Governors of the Federal Reserve System.

CROSS REFERENCES

Payment of obligations containing a gold clause, see section 5118 of Title 31, Money and Finance.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 377, 481 of this title.

**§ 283. Public subscription to capital stock**

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.

(Dec. 23, 1913, ch. 6, § 2, 38 Stat. 253.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 377, 481 of this title.

**§ 284. Omitted**

CODIFICATION

Section, act Dec. 23, 1913, ch. 6, § 2, 38 Stat. 251, was omitted as obsolete pursuant to a communication from the Board of Governors of the Federal Reserve System dated Mar. 7, 1941, which stated "As originally enacted the Federal Reserve Act provided for a Reserve Bank Organization Committee to have charge of the initial steps in organizing the Federal Reserve System and this Committee was authorized to allot Federal Re-

serve Bank stock to the United States in the event that subscriptions to such stock by banks and by the public were inadequate. However, subscriptions by member banks were adequate and there was no necessity or authority for the allocation of any stock to the United States. Accordingly, [this section] is now of no practical effect, and may be regarded as obsolete."

**§ 285. Nonvoting stock**

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

(Dec. 23, 1913, ch. 6, § 2, 38 Stat. 253.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 377, 481 of this title.

**§ 286. Transfers of stock; rules and regulations**

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

(Dec. 23, 1913, ch. 6, § 2, 38 Stat. 253; Aug. 23, 1935, ch. 614, title II, § 203(a), 49 Stat. 704.)

CHANGE OF NAME

Section 203(a) of act Aug. 23, 1935, changed name of Federal Reserve Board to Board of Governors of the Federal Reserve System.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 377, 481 of this title.

**§ 287. Value of shares of stock; increase and decrease of stock; member banks as shareholders; surrender of shares**

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 6 per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Board of Governors of the Federal Reserve System. 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 6 per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of 1 per centum a month from the period of the last dividend. When a member bank reduces its capital stock or surplus it shall surrender a proportionate amount of its holdings in the capital stock of said Federal Reserve bank. Any member bank which holds capital stock of a Federal Reserve bank in excess of the amount required on the basis of 6 per centum of its paid-up capital stock and surplus shall sur-

render such excess stock. 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 any such case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board of Governors of the Federal Reserve System, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of 1 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.

(Dec. 23, 1913, ch. 6, § 5, 38 Stat. 257; Aug. 23, 1935, ch. 614, title II, § 203(a), title III, § 319(a), 49 Stat. 704, 713.)

#### AMENDMENTS

1935—Act Aug. 23, 1935, § 319(a), amended last four sentences.

#### CHANGE OF NAME

Section 203(a) of act Aug. 23, 1935, changed name of Federal Reserve Board to Board of Governors of the Federal Reserve System.

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 321 of this title.

### § 288. Cancellation of stock held by member bank on insolvency or discontinuance of banking operations for sixty days; repayment of cash-paid subscriptions

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 1 per centum per month from the period of last dividend, if earned, 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.

If any national bank which has not gone into liquidation as provided in section 181 of this title, and for which a receiver has not already been appointed for other lawful cause, shall discontinue its banking operations for a period of sixty days the Comptroller of the Currency may, if he deems it advisable, appoint a receiver for such bank. The stock held by the said national bank in the Federal reserve bank of its district shall thereupon be canceled and said national bank shall receive in payment therefor, under regulations to be prescribed by the Board of Governors of the Federal Reserve System, a sum equal to its cash-paid subscriptions on the shares canceled and one-half of 1 per centum a month from the period of the last dividend, if earned, not to exceed the book value thereof, less any liability of such national bank to the Federal reserve bank.

(Dec. 23, 1913, ch. 6, § 6, 38 Stat. 258; Apr. 23, 1930, ch. 207, § 1, 46 Stat. 250; Aug. 23, 1935, ch. 614, title II, § 203(a), title III, § 319(b), 49 Stat. 704, 713.)

#### AMENDMENTS

1935—Act Aug. 23, 1935, § 319(b), struck out provision requiring execution of certificate of reduction of capital stock.

1930—Act Apr. 23, 1930, among other changes, added second par.

#### CHANGE OF NAME

Section 203(a) of act Aug. 23, 1935, changed name of Federal Reserve Board to Board of Governors of the Federal Reserve System.

#### EXCEPTION AS TO TRANSFER OF FUNCTIONS

Functions vested by any provision of law in Comptroller of the Currency, referred to in this section, not included in transfer of functions to Secretary of the Treasury, see note set out under section 1 of this title.

### § 289. Dividends and surplus funds of reserve banks

#### (1) Stockholder dividends

##### (A) In general

After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders of the bank shall be entitled to receive an annual dividend of 6 percent on paid-in capital stock.

##### (B) Dividend cumulative

The entitlement to dividends under subparagraph (A) shall be cumulative.

#### (2) Deposit of net earnings in surplus fund

That portion of net earnings of each Federal reserve bank which remains after dividend claims under paragraph (1)(A) have been fully met shall be deposited in the surplus fund of the bank.

#### (3) Payment to Treasury

During fiscal years 1997 and 1998, any amount in the surplus fund of any Federal reserve bank in excess of the amount equal to 3 percent of the total paid-in capital and surplus of the member banks of such bank shall be transferred to the Board for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury.

(Dec. 23, 1913, ch. 6, § 7(a), 38 Stat. 258; Mar. 3, 1919, ch. 101, § 1, 40 Stat. 1314; June 16, 1933, ch. 89, § 4, 48 Stat. 163; Aug. 10, 1993, Pub. L. 103-66, title III, § 3002(a), 107 Stat. 337; Sept. 23, 1994, Pub. L. 103-325, title VI, § 602(d), 108 Stat. 2291.)

#### CODIFICATION

Section is comprised of subsec. (a) [formerly first undesignated par.] of section 7 of act Dec. 23, 1913. Subsecs. (b) and (c) of section 7 are classified to sections 290 and 531, respectively, of this title.

#### AMENDMENTS

1994—Par. (1)(B). Pub. L. 103-325, § 602(d)(1), inserted “(A)” after “subparagraph”.

Par. (2). Pub. L. 103-325, § 602(d)(2), substituted “paragraph (1)(A)” for “subparagraph (A)”.

1993—Pub. L. 103-66 inserted section catchline and amended section generally. Prior to amendment, section read as follows: “After all necessary expenses of a Federal reserve bank shall have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net

earnings shall be paid into the surplus fund of the Federal reserve bank.”

1933—Act June 16, 1933, provided that net earnings shall be paid into surplus instead of to the United States as a franchise tax.

#### EFFECTIVE DATE OF 1933 AMENDMENT

Section 4 of act June 16, 1933, provided that the amendment made by that section is effective July 1, 1932.

#### ADDITIONAL TRANSFERS FOR FISCAL YEARS 1997 AND 1998

Section 3002(b) of Pub. L. 103-66 provided that:

“(1) IN GENERAL.—In addition to the amounts required to be transferred from the surplus funds of the Federal reserve banks pursuant to section 7(a)(3) of the Federal Reserve Act [12 U.S.C. 289(3)], the Federal reserve banks shall transfer from such surplus funds to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, a total amount of \$106,000,000 in fiscal year 1997 and a total amount of \$107,000,000 in fiscal year 1998.

“(2) ALLOCATION BY FED.—Of the total amount required to be paid by the Federal reserve banks under paragraph (1) for fiscal year 1997 or 1998, the Board of Governors of the Federal Reserve System shall determine the amount each such bank shall pay in such fiscal year.

“(3) REPLENISHMENT OF SURPLUS FUND PROHIBITED.—No Federal reserve bank may replenish such bank’s surplus fund by the amount of any transfer by such bank under paragraph (1) during fiscal years 1997 and 1998.”

### § 290. Use of earnings transferred to Treasury

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.

(Dec. 23, 1913, ch. 6, §7(b), 38 Stat. 258; Aug. 10, 1993, Pub. L. 103-66, title III, §3002(c)(1), 107 Stat. 337.)

#### CODIFICATION

Section is comprised of subsec. (b) [formerly second undesignated par.] of section 7 of act Dec. 23, 1913. Subsecs. (a) and (c) of section 7 are classified to sections 289 and 531, respectively, of this title.

#### AMENDMENTS

1993—Pub. L. 103-66 inserted section catchline.

## SUBCHAPTER VII—DIRECTORS OF FEDERAL RESERVE BANKS; RESERVE AGENTS AND ASSISTANTS

### SUBCHAPTER REFERRED TO IN OTHER SECTIONS

This subchapter is referred to in section 442 of this title.

### § 301. Powers and duties of board of directors; suspension of member bank for undue use of bank credit

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 of directors shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and may, subject to the provisions of law and the orders of the Board of Governors of the Federal Reserve System, 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 members banks, the maintenance of sound credit conditions, and the accommodation of commerce, industry, and agriculture. The Board of Governors of the Federal Reserve System may prescribe regulations further defining within the limitations of this chapter the conditions under which discounts, advancements, and the accommodations may be extended to member banks. Each Federal reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions; and, in determining whether to grant or refuse advances, rediscounts, or other credit accommodations, the Federal reserve bank shall give consideration to such information. The chairman of the Federal reserve bank shall report to the Board of Governors of the Federal Reserve System any such undue use of bank credit by any member bank, together with his recommendation. Whenever, in the judgment of the Board of Governors of the Federal Reserve System, any member bank is making such undue use of bank credit, the Board may, in its discretion, after reasonable notice and an opportunity for a hearing, suspend such bank from the use of the credit facilities of the Federal Reserve System and may terminate such suspension or may renew it from time to time.

(Dec. 23, 1913, ch. 6, §4 (pars.), 38 Stat. 255; June 16, 1933, ch. 89, §3(a), 48 Stat. 163; Aug. 23, 1935, ch. 614, title II, §203(a), 49 Stat. 704.)

#### REFERENCES IN TEXT

This chapter, referred to in text, was in the original “this Act”, meaning act Dec. 23, 1913, ch. 6, 38 Stat. 251, as amended, known as the Federal Reserve Act. For complete classification of this Act to the Code, see References in Text note set out under section 226 of this title and Tables.

#### CODIFICATION

Section is comprised of pars. 6 to 8 of section 4 of act Dec. 23, 1913.

Pars. 1 to 3 and 25 of section 4 were omitted from the code as executed.

Pars. 4 and 5, 9 to 12, 13 to 15, 16 to 21, 22, 24, and 26 of section 4, and par. 23 of section 4 as added June 21,