TITLE 12
> CHAPTER 3 > SUBCHAPTER XII> § 411

§ 411. Issuance to reserve banks; nature of obligation; redemption

Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System 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 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 lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank.

Federal Reserve Act Remedy

Lets to speak for a moment about the Federal Reserve Act written in 1913 and the remedy found therein, and how to apply it today.

It's important to understand why a remedy had to be written into the Federal Reserve Act. To look at that, we look at the description in the title: [63rd Congress, Sess. 2; Ch. 4-6, P. 251]

"An Act. To provide for the establishment of Federal Reserve banks; to furnish an elastic currency; to afford means of rediscounting commercial [debt] paper…"

The important part for us to focus on is "to furnish an elastic currency". To understand the authority behind remedy in the United States of America, we should look back to 1789, the Judiciary Act, and read:

"…saving to suitors in all cases the right of a common-law remedy, where the common law is competent to give it."

This saving to suitors clause of 1789 also allows for the exclusive original cognizance by Congress and by the United States Government of all seizures on land. i.e. "reprisal"

Therefore, Congress was required to write the remedy from elastic currency into Section 16 of the Federal Reserve Act:

"They [Federal Reserve Notes] shall be redeemed in gold on demand at the Treasury Department of the United States, or in gold or lawful money at any Federal Reserve bank."

However, reading Section 16 carefully, the remedy from central banking reveals that Federal Reserve Notes are for reserve banks. If you have Federal Reserve

Notes in your wallet, in other words, you are considered a reserve bank. [Or holder in due course]

To restate remedy, one could quit being a reserve bank by redeeming lawful money with their Federal Reserve Notes.

Corporate powers are defined in the Federal Reserve Act.

[63rd Congress, Sess. 2; Ch. 4-6, P. 254]

"Upon 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 each 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 soon dissolved by and 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."

So, do the math. From 1913 to 1933 was twenty years. All these reserve banks — people with Federal Reserve Notes in their pockets, in their wallets, in their pillows, under their mattresses, whatever, in their bank accounts — they wanted to get their Federal Reserve Notes redeemed in 1933 for gold or gold certificates like United States notes (lawful money), in elastic currency.

Because the nature of Federal Reserve Notes is elastic currency, the Federal Reserve banks had been producing far more notes than they had gold and gold certificates redeemable in gold to return.

[Sandusky Masonic Bulletin – March 1933; Mason Museum Colorado Springs, Colorado]

Franklin Delano Roosevelt, formerly Governor of New York, quickly came to the bankers' rescue. He declared the Bankers Holiday.

To make sense of "legal tender" versus "lawful money" one has to understand that the Constitution of the United States of America speaks about money in two distinct places:

[US Const., Art. 1, Sec. 10]

"No state shall … make anything but gold and silver coin a tender in payment of debts"

And the other power is to Congress:

[US Const., Art. 1, Sec. 8, Cl. 5]

"To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

Considering these two clauses in the context intended by the Founding Fathers, the United States of America does not have fiat currency, and it didn't have fiat currency between 1789 and 1861. That's when there was an extraordinary occasion, according to President Lincoln. [Congressional Globe, July 4, 1861]

Here's where I'm going to have to warn you that I'm skipping a lot of history about emergency in America. But, on March 28, 1861, the emergency began, and it's still in place today.

Parts of the emergency were ended in the late 70s, 1970s, but in the stipulations at the end of this Act from Congress, we find that the Trading With the Enemy Act, Title 12, Sections 95A and so forth about the Bankers Holiday, remain in full force and effect; meaning that, under this same emergency, a Bankers Holiday can be called at any time by the Secretary or the President.

[Public Law 94-412; 90 Stat. 1225; Sept. 14, 1976]

This is a critical point to remember if you are considering applying remedy today because they've kept the ability to make a Bankers Holiday. They've kept the ability to keep a Bankers Holiday in case all you reserve bankers with Federal Reserve Notes — private credit — in your pockets decide to redeem lawful money at the same time. That's a bank run. Bankers Holidays are for bank runs.

If you're following this evidence, the remedy is still in place. Logically, you should be wondering what happened after 1933. In 1934, the wording was changed to accommodate the gold seizure of FDR.

Section 16 of the Federal Reserve Act of 1913 was codified into Title 12, Section 411, and its been there ever since. It was changed in 1933 to read:

"They [Federal Reserve Notes] shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank."

Now, since then, many a patriot has marched into a Federal Reserve Bank with Federal Reserve Notes demanding gold, gold or silver coin, some sort of substance, some sort of lawful money according to that patriot's rendition of what the Constitution reads.

And because of such patriots, it's become impossible to even get into the lobby of the Federal Reserve bank under such a demand. I think it's important to explain clearly that due to the saving to suitors clause of 1789, Congress can not take away remedy. Congress had to leave remedy in place.

So, we have to examine inelastic currency, United States notes:

"The amount of United States currency notes outstanding and in circulation-

(1) May not be more than $300,000,000; and

(2) May not be held or used for a reserve."

[31 USC 5115]

What this means is the amount of United States currency notes outstanding and in circulation is fixed. The amount of United States notes in circulation cannot be expanded upon through fractional lending. This is the difference between elastic currency and inelastic currency.

For some insight into what the courts think of redeeming lawful money, let's listen to the ninth circuit court [Milan v. United States , 524 F.2d629]:

Although golden eagles, double eagles, and silver dollars were lovely to look at and delightful to hold, holder of $50 Federal Reserve Bank Note, although entitled to redeem his note, was not entitled to do so in precious metal. Federal Reserve Act, § 16, 12 USCA § 411; Coinage Act of 1965, § 102, 31 USCA § 392.

Would you listen that! The justices of the ninth circuit admit that this gentleman was entitled to redeem his notes.

"(a) saving to suitors, in all cases, the right of a common law remedy, where the common law is competent to give it;"

It's wise for the justices of the ninth circuit not to stand between people and their remedy by law. Sadly, by the verbiage, we can deduce that this gentleman did not know about the emergency since 1861 and did not know about the gold seizure in 1933, at least he wasn't acknowledging it in law, whereas the ninth circuit justices do know about the history of America.

For example, here's an informed opinion from the attorney general of the State of Michigan:

It is my opinion, therefore, that the US Const., art. 1, Sec. 10 does not require the State of Michigan to pay its debts or receive payment for debts exclusively in either gold or silver coin. It is further my opinion that the State may not require payment of private debts exclusively in either gold or silver coin since Congress alone possesses and exercisesthat authority. [Opinion 5934, July 15, 1981]

Therefore, one should pay attention only to how Congress defines lawful money.

US v. Rickman, 638 F.2d 182:

In the exercise of that power Congress has declared that Federal Reserve Notes are legal tender and are redeemable in lawful money.

In a similar case, US v. Ware, 308 F.2d 400:

United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt.

Attorneys in black robes are trained to give opinions that make it sound as though they have the authority to define lawful money. I just told you the definition by Congress and it's from this case, this very case.

Defendant argues that the Federal Reserve Notes in which he was paid were not lawful money within the meaning of the Art. 1, s. 8, United States Constitution. We have held to the contrary. US v. Ware, 308 F.2d 400, 402-403. We find no validity in the distinction which defendant draws between "lawful money" and "legal tender."

You see, Gary Rickman endorsed his paychecks, and by doing so he bonded his substance behind the fractional lending or the elastic currency, and therefore the elastic currency is as good as lawful money. It's bonded.

Now, back to the citation.

Money is a medium of exchange. Legal tender is money which law requires a creditor to receive in payment of an obligation. The aggregate powers granted to Congress by the Constitution includes broad and comprehensive authority over revenue, finance and currency. Norman v. Baltimore & Ohio Railroad , 294 US 240; 55 S.Ct. 407; 79 L.Ed. 885. In the exercise of that power Congress has declared that Federal Reserve Notes are legal tender and are redeemable in lawful money. Defendant received Federal Reserve Notes when he cashed his pay checks and used those notes to pay his personal expenses. He obtained and used lawful money.

That's what Gary Rickman did.

This explains the frustration of so many patriots going into the bank with Federal Reserve Notes demanding lawful money for them. They walk in with the admission they'd already endorsed private credit because they're walking in with admitted Federal Reserve Notes. It's not lawful money. It's not United States notes in the form of lawful money.

They're coming in with Federal Reserve Notes, private credit, demanding Federal Reserve Notes lawful money, but they already accrued the tax liability. They've already endorsed private credit.

[Milan v. USA, 524 F.2d 629]

Because the limitation of the exemption on the income tax for coinage is only $1,000, I'm only going to touch upon that lightly.

Coins do not say that they are Federal Reserve tokens. They say that they are coins equivalent to US dollars too. This recent asset report from the Federal Reserve to Congress reveals the situation about gold since the late 1970s. Financial ministers around the world, in amending the Bretton Woods agreements, accepted France and America's decision to go from the fixed exchange rate of gold — US dollar domestic to US dollar foreign — to a floating exchange rate, Special Drawing Rights [SDR].

[Statistical Supplement to the Federal Reserve Bulletin, May 2008]SDR's are often called "paper gold," and here we see that the gold in the United States, United Nations, IMF trust fund is still earmarked at $42.22 per ounce.This should peak the interest of anybody who has bought and sold gold because spot today is nearly $1,000 per ounce.

Wouldn't that be nice to find one window where you could buy gold at $42 and sell it at another window at about $1,000. That would crash the windows. That would crash the difference between the US dollar and the Federal Reserve Note.

However, I intend to conclude this point about coins. The same coins, four quarters for instance, divide equally into US Dollars as they divide into Federal Reserve Notes. There's a discrepancy in the physical metaphysics of the value of the coin.

Congress has stretched the metaphysics of the Federal Reserve Notes and United States notes to the point where if you were to tender United States notes they could be accepted at the same face value as Federal Reserve Notes, about a 20 to 1 discrepancy.

Since 1933 when remedy was fresh on people's minds and they threatened a bank run by threatening to redeem lawful money instead of the Federal Reserve Notes, so very few people have been redeeming lawful money in the form of United States notes that on January 21, 1971 the Treasury decided to quit putting more United States notes into circulation simply because nobody was demanding lawful money instead of private credit from the Fed, Federal Reserve Notes.

[Department of the Treasury, Online FAQ]

Consider if you endorse private credit from the Fed with your paycheck by signing the back without any restrictive or non-endorsement verbiage, you've just accepted private credit from the Fed instead of lawful money.

[Typical Federal Tax Lien]

If you'd like to own a piece of property, you have to purchase it. You have to buy it. You have to pay for it in lawful money. You can't pay for it in private credit

without having an obligation or a residual first lien upon that property by whoever you got the private credit from.

In finding remedy, it's critical to understand the distinction between discharging a debt and buying something. If you buy something you own it in allodium. That means you used lawful money to purchase it. If you discharge debt, there's still an obligation that resides in that item.

There is a distinction between a "debt discharged" and a debt "paid". When discharged, the debt still exists though divested of it's charter as a legal obligation during the operation of the discharge, something of the original vitality of the debt continues to exist, which may be transferred, even though the transferee takes it subject to it's disability incident to the discharge.[Stanek v. White, 172 Minn. 390, 215 N.W. 784]

Many well intentioned patriots fall into the mental trap of thinking the Notice of Federal Tax lien is part of curing out the lien. It's not part of perfecting the lien at all. It's notice to third parties that the lien is already cured. The lien is already cured because the Treasury had first lien.

And don't be fooled by a comic book designed so 10 year olds can understand fractional reserve lending. The Fed takes you and your substance bonding this increase in the elastic currency as serious as a heart attack.

The law simply states the remedy is simple.

"They [Federal Reserve Notes] shall be redeemed in gold on demand…" [Federal Reserve Act, § 16]

Okay. So that's all there is to it. I found a fellow on the internet doing it with this verbiage above his signature on the reverse side [of the check]. And this works rather well with tellers. They don't quite understand it so they quickly give you your funds, lawful money. United States notes in the form of Federal Reserve Notes.

DEPOSITED FOR CREDIT ON ACCOUNT OR EXCHANGED FOR NON-NEGOTIABLE FEDERAL RESERVE NOTES OF FACE VALUE

However, many people have found this direct approach works much better.

REDEEMED IN LAWFUL MONEY PURSUANT TO 12 USC 411

John Doe d/b/a JOHN DOE

This intrepid suitor filed a libel of review in admiralty in the United States district courts using lawful money. He kept track of the bills. See, there's the bank notary authorizing both the bills and his true name.

Congress keeping wartime provisions through the Trading with the Enemy Act for a Bankers Holiday sometime in the future may not be proof enough to convince you. Reading from Juliard v. Greenman (Legal Tender Cases), 110 US 421, the backbone case of the Legal Tender Cases following the war between the States:

…providing that notes of the United States issued during a War of the Rebellion, under acts of congress declaring them to be legal tender in payment of private debts, shall be reissued and kept in circulation.

The important point to get is that Congress has never enacted any legislation to take United States notes out of circulation.

At the beginning I showed you Title 31 United States Code 5115 defining United States notes to be inelastic. Interestingly, in 1982 Congress made another revision to that same section.

In the section the words "United States currency notes" are substituted for "United State notes" for clarity and consistency in the revised title.

Remember that the Constitution grants the power to remove United States notes from circulation only to the Congress, not to the Treasury. Let's pretend, though, for a moment that the Treasury does have the authority. Listen to this wording, carefully:

United States notes serve no function that is not already adequately served by Federal Reserve notes. As a result, the Treasury Department stopped issuing United States notes, and none have been placed into circulation since January 21, 1971. [Treasury Dept. Online FAQ]

The Treasury has not removed United States notes from circulation. Rather, for all intents and purposes, Federal Reserve Notes function adequately as inelastic currency, United States notes, when their not endorsed.

It's interesting to note, that as hundred, maybe even thousands of Americans started redeeming lawful money from their paychecks, Congress escalated the frivolous filing penalty from $500 to $5,000. A Frivolous Positions memorandum was issued to all IRS agents. The memorandum itemized quite a few various frivolous positions for which the taxpayer could be penalized this new $5,000 fine. Items 11 and 12 come close to the redeeming lawful money issue:

(11) Federal Reserve Notes are not taxable income when paid to a taxpayer because they are not gold or silver and may not be redeemed for gold or silver.

(12) In a transaction using gold and silver coin, the value of the coins is excluded

from income or the amount realized in the transaction is the face value of the coins and not their fair market value for purposes of determining taxable...
But neither one of these are redeeming lawful money pursuant to Title 12, Section 411. At the end of the memorandum, summarized, it says:
Returns or submissions that contain positions not listed above, which on their face have no basis for validity in existing law, or which have been deemed frivolous in a published opinion of the United States Tax Court or other court of competent jurisdiction, may be determined to reflect a desire to delay or impede the administration of Federal tax laws and thereby subject to the $5,000 penalty.
Well, as I've shown, Title 12 Section 411 is the existing law. And the ninth circuit court opinion supports that Federal Reserve Notes may be redeemed at any time in lawful money.
In debating with a tax attorney in an Internet chat room, the tax attorney pointed out to me that the employee agrees to handle Federal Reserves Notes and private credit from the Fed when filling out the W-4 or the 1099 form. By providing that information that's the agreement.
Okay. I agree. Our hypothetical employee is a federal reserve bank handling private credit as intended by the 1913 Federal Reserve Act. That's what remedy is provided for. That's who the remedy is provided for.
Now, our hypothetical employee is on his way home from work, and he drops in his boss's bank to cash his $500 paycheck. He still has the option to redeem lawful money and get out private reserve banking.
I produced a video along these lines about a year ago and was chatting on a website called Restore the Republic by Aaron Russo, started before he died of course. He's the producer of a movie called America: Freedom to Fascism.
Today, a member made a comment there that I thought was worth sharing:
We must stop the Federal Reserve before our nation is completely destroyed! The US Code states that all Federal Reserve Notes can be redeemed at any Federal Reserve Bank for lawful money. This is a fact! I propose to all the members of RTR to start today. Talk to everyone they know and get a copy of the section of the US Code that details the redemption of Federal Reserve Notes in lawful money.
It goes on and you can pause if you'd like to read this entire comment. My point being, in conclusion, it's not a legal determination that's up to the Treasury, the Treasurer, the Secretary of the Treasury, the bank teller or the bank notary. This is a decision to demand lawful money that's up to you, by remedy. You're the one who makes the choice.

A woman in a small Maine bank had the bank manager demand that she strike through the restricted endorsement (is what it was called up there).
DEPOSITED FOR CREDIT ON ACCOUNT OR EXCHANGED FOR NON-NEGOTIABLE FEDERAL RESERVE NOTES OF EQUAL VALUE
She was a single mom. She had to. Her demand was clear and witnessed by the notary at the bank. The following week she hand wrote a simpler demand for lawful money, and it worked fine.
REDEEMED IN LAWFUL MONEY PURSUANT TO 12 USC 411
John Doe d/b/a JOHN DOE
I heard that the next week, she had trouble again. The banks are a little bit confused about how to do the accounting on this non-endorsement, this redemption of lawful money. The bank attorneys become very concerned when they realize that they cannot fractionally lend on the funds that have been withdrawn or deposited.
In this case, one fellow had a rubber paycheck from his employer who didn't have funds to cover it, and he deposited it. Well, they had to return the instrument to this fellow, and when they did they had torn the non-endorsement verbiage off the check, hiding the fact that they had counterfeited money off of his funds because they fractionally lent upon it without a bond.
He had not assured them that his substance and everything he owned was on first lien by the Treasury as a bond behind the extra inelastic currency.
An employee paid periodically, dropping by his boss's bank where he does not have an account, is the simplest scenario to understand redemption of lawful money. If you can understand that scenario and your right to demand lawful money, in that it's nobody else's legal determination, then you can add it to signature cards and withdrawal slips, and so forth, in more complicated scenarios.
The posting member on the Restore the Republic site was speaking specifically about ordering up a certified copy of Title 12 Section 411 by calling 7195206200 and asking for reception #207015932 filed February 5, 2007.
Like-minded suitors redeeming lawful money were meeting in Colorado Springs. I was at a meeting and a fellow came from Denver. He'd been redeeming lawful money on his signature card with his bank. He'd altered the signature card for the authorizing signature to redeem lawful money on every transaction.
They called him, under false pretenses, saying his wife had trouble with her account. So, he went into the bank and then found out that they were telling him,

"We're closing down your accounts unless you change it back." So, he changed it back because he needed the accounts.

What we did is we got him a certified copy of this from the County Clerk and Recorder in Colorado Springs, and then he took it up to Denver, showed it to them and they allowed him to redeem lawful money on his account by signature card again. They allowed him to change it back.

This suitor is a state employee in California. He retroactively got refunds from the state for two years by simply declaring, in effect, "If I had known in good faith I could have been redeeming lawful money, I would have been doing so for these past two years."

Now, we have the possibility of redeeming withholdings. That is to say, if an employee is having withholdings sent to the IRS during the year, he could get a full refund by redeeming lawful money simply by proving that he had been redeeming lawful money all year long. Which is to say, if he showed that refund check to his boss, his boss might discontinue withholding because the IRS had been unlawfully using the interest on all those funds during that year before he got his refund.

This is where it's wise to wonder, if America is shifted over to "paper gold" or Special Drawing Rights, then isn't it patriotic to continue paying the income tax, continue subjecting yourself to be the chattel bonding the money supply?

The comment you're reading is found in the State Department bulletin late 1975 from Undersecretary of the Treasury Katz, and what he's talking about is a preamble to the secret Jamaica/Rambouillet Accord between France and America, piggy-backed on the amendments of Bretton Woods agreements in 1976.

This is when we went over to Special Drawing Rights, a basket of currencies, a fictional basket of currencies between five exemplary nations, originally between 23 nations I believe, but it's long since been between five exemplary nations where the conditioning to endorse private credit as the only option is prevalent.

The CIA offers accurate and current information about macroeconomics all around the world. This is probably no surprise to see China at the top, nearly $400 billion dollars in the black.

Then it might not surprise you if among the 200 or so nations listed, United States is in the bottom, nearly $800 billion dollars in the red.

There's of course a lot of factors to consider about import and export, account deficits, etc., but remember that America started the SDR's back in 1975.

Looking at China's information, in the middle of the paragraph:

… After keeping its currency tightly linked to the US dollar for years, China in July 2005 revalued its currency by 2.1% against the US dollar and moved to an exchange rate system that references a basket of currencies. [CIA World Factbook, Online]

That's Special Drawing Rights (SDR).

Regardless of what you might think of Ron Paul, the American people have stated what they think of the Federal Reserve by simply endorsing private credit thereof. I think Ron Paul should be commended, however, for putting legislation before the Congress on at least two occasions to abolish the Fed with virtually no constituency.

These, of course, flopped the moment he quit talking about them. They didn't make it 'til the next morning because there is no constituency. America loves the Fed because America endorses the Fed. That's their vote. They vote by signature on the back side of every paycheck.

The good side of that is they do it by conditioning. Conditioning can be defeated because conditioning is a state of mind. And I hope I don't say that hastily because conditioning can also be the most powerful thing to defeat. Our belief sets are one of our most protected assets.

An outstanding example of conditioning is how few Americans will believe what they can see what they can see right there on camera, watching the Treasury Secret Service driver's left hand. In observing the simple physics, the momentum, the direction of the bullet as it hits JFK's head, it may be hard to believe but one construction is the American people killed JFK by supporting private credit and endorsing private credit from the Fed.

JFK, by executive order, was standing up against the Fed.

Before the Convention of States in 1933, Franklin Delano Roosevelt admits that it's voluntary to help out. He's pleading to the people to enter their paychecks into these new forms, private credit of the Fed, to save the Fed past the 20 year charter expiration.

Recognize Government bonds are as safe as Government currency. They have the same credit back of them. And, therefore, if we can persuade people all through the country, when their salary checks come in, to deposit them in new accounts, which will be held in trust and kept in one of the new forms I have mentioned, we shall have made progress. [Address Before the Governor's Conference at the White House, March 6, 1933; The Public Papers and Addresses of Franklin D. Roosevelt, 1928-1932]

In summary, I'd like to paint a picture of the box that you would use to paint the prosecution into a corner with on this redeeming lawful money issue. Simply put, if someone tells you that you don't have the right to redeem lawful money, you use Title 12 Section 411 [United States Code] and Section 16 of the Federal Reserve Act. That's your remedy. That's the law that says so, and it's current law. If they tell you you're doing it incorrectly, then you simply say, "Well then the burden on you is to show me how it's done correctly."

Another box to consider is that, if they were to argue, "Well, you started redeeming lawful money in the first month of 2004."

Well then you'd simply say, "Okay, then you admit that I do have the right to redeem lawful money and things changed when I started doing so."

But, while you're establishing the record in a court of equity to begin with, try this, "If I had in good faith known that I could have been redeeming lawful money all along, I would have done so since my first paycheck ever."

Proverbs 11:1. A false balance is abomination to the LORD: but a just weight is his delight.

Federal Reserve Act

Section 13. Powers of Federal Reserve Banks

1. Receipt of Deposits and Collections

Any Federal reserve bank may receive from any of its member banks, or other depository institutions, and from the United States, deposits of current funds in lawful Money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, or other items, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful Money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, or other items, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company or other depository institution deposits of current funds in lawful Money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation or other items, or maturing notes and bills: *Provided*, Such nonmember bank or trust company or other depository institution maintains with the Federal reserve bank of its district a balance in such amount as the Board determines taking into account items in transit, services provided by the Federal Reserve Bank, and other factors as the Board may deem appropriate; *Provided further*, That nothing in this

or any other section of this Act shall be construed as prohibiting a member or nonmember bank or other depository institution from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

[12 USC 342. As amended by act of Sept. 7, 1916 (39 Stat. 752), which completely revised this section; June 21, 1917 (40 Stat. 234); and March 31, 1980 (94 Stat. 139). With respect to the receipt by Reserve Banks of checks and drafts on deposit, see also section 16.]

2. Discount of Commercial, Agricultural, and Industrial Paper

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Board of Governors of the Federal Reserve System 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, and the notes, drafts, and bills of exchange of factors issued as such making advances exclusively to producers of staple agricultural products in their raw state shall be 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 90 days, exclusive of grace.

[12 USC 343. As amended by act of Sept. 7, 1916 (39 Stat. 752), which completely revised this section; and by act of March 4, 1923 (42 Stat. 1478). As used in this paragraph the phrase "bonds and notes of Government of the United States" includes Treasury bills or certificates of indebtedness. (See act of June 17, 1929, amending section 5 of Second Liberty Bond Act of Sept. 24, 1917). As to eligibility

for discount under this paragraph of notes representing loans to finance building construction, see this act, section 24).]

3. Discounts for Individuals, Partnerships, and Corporations

A. In unusual and exigent circumstances, the Board of Governors of the Federal Reserve System, by the affirmative vote of not less than five members, may authorize any Federal reserve bank, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this Act, to discount for any participant in any program or facility with broad-based eligibility, notes, drafts, and bills of exchange when such notes, drafts, and bills of exchange are indorsed or otherwise secured to the satisfaction of the Federal Reserve bank: *Provided*, That before discounting any such note, draft, or bill of exchange, the Federal reserve bank shall obtain evidence that such participant in any program or facility with broad-based eligibility is unable to secure adequate credit accommodations from other banking institutions. All such discounts for any participant in any program or facility with broad-based eligibility shall be subject to such limitations, restrictions, and regulations as the Board of Governors of the Federal Reserve System may prescribe.

B.

i. As soon as is practicable after the date of enactment of this subparagraph, the Board shall establish, by regulation, in consultation with the Secretary of the Treasury, the policies and procedures governing emergency lending under this paragraph. Such policies and procedures shall be designed to ensure that any emergency lending program or facility is for the purpose of providing liquidity to the financial system, and not to aid a failing financial company, and that the security for emergency loans is sufficient to protect taxpayers from losses and that any such program is terminated in a timely and orderly fashion. The policies and procedures established by the Board shall require that a Federal reserve bank assign, consistent with sound risk management practices and to ensure protection for the taxpayer, a lendable value to all collateral for a loan executed by a Federal reserve bank under this paragraph in determining whether the loan is secured satisfactorily for purposes of this paragraph.

ii. The Board shall establish procedures to prohibit borrowing from programs and facilities by borrowers that are insolvent. Such procedures may include a certification from the chief executive officer (or other authorized officer) of the borrower, at the time the borrower initially borrows under the program or facility

(with a duty by the borrower to update the certification if the information in the certification materially changes), that the borrower is not insolvent. A borrower shall be considered insolvent for purposes of this subparagraph, if the borrower is in bankruptcy, resolution under title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other Federal or State insolvency proceeding.

iii. A program or facility that is structured to remove assets from the balance sheet of a single and specific company, or that is established for the purpose of assisting a single and specific company avoid bankruptcy, resolution under title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other Federal or State insolvency proceeding, shall not be considered a program or facility with broad-based eligibility.

iv. The Board may not establish any program or facility under this paragraph without the prior approval of the Secretary of the Treasury.

C. The Board shall provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives—

i. not later than 7 days after the Board authorizes any loan or other financial assistance under this paragraph, a report that includes—

I. the justification for the exercise of authority to provide such assistance;

II. the identity of the recipients of such assistance;

III. the date and amount of the assistance, and form in which the assistance was provided; and

IV. the material terms of the assistance, including—

§ aa. duration;

§ bb. collateral pledged and the value thereof;

§ cc. all interest, fees, and other revenue or items of value to be received in exchange for the assistance;

§ dd. any requirements imposed on the recipient with respect to employee compensation, distribution of dividends, or any other corporate decision in exchange for the assistance; and

§ ee. the expected costs to the taxpayers of such assistance; and

ii. once every 30 days, with respect to any outstanding loan or other financial assistance under this paragraph, written updates on—

I. the value of collateral;

II. the amount of interest, fees, and other revenue or items of value received in exchange for the assistance; and

III. the expected or final cost to the taxpayers of such assistance.

D. The information required to be submitted to Congress under subparagraph (C) related to—

i. the identity of the participants in an emergency lending program or facility commenced under this paragraph;

ii. the amounts borrowed by each participant in any such program or facility;

iii. identifying details concerning the assets or collateral held by, under, or in connection with such a program or facility, shall be kept confidential, upon the written request of the Chairman of the Board, in which case such information shall be made available only to the Chairpersons or Ranking Members of the Committees described in subparagraph (C).

E. If an entity to which a Federal reserve bank has provided a loan under this paragraph becomes a covered financial company, as defined in section 201 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, at any time while such loan is outstanding, and the Federal reserve bank incurs a realized net loss on the loan, then the Federal reserve bank shall have a claim equal to the amount of the net realized loss against the covered entity, with the same priority as an obligation to the Secretary of the Treasury under section 210(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

[12 USC 343. As added by act of July 21, 1932 (47 Stat. 715); and amended by acts of Aug. 23, 1935 (49 Stat. 714); Dec. 19, 1991 (105 Stat. 2386); and July 21, 2010 (124 Stat. 2113). As enacted by Public Law 111-203 (124. Stat. 2115), "any reference in any provision of Federal law to the third undesignated paragraph of section 13 of the Federal Reserve Act [FRA] (12 USC 343) shall be deemed to be a reference to section 13(3) of the FRA."]

4. Discount or Purchase of Sight Drafts

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which grow out of the domestic shipment or the exportation of nonperishable, readily marketable agricultural and other staples and are secured by bills of lading or other shipping documents conveying or securing title to such staples: *Provided*, That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival

of such staples at their destination: *Provided further*, that no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of ninety days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof.
[12 USC 344. As added by act of March 4, 1923 (42 Stat. 1479); and amended by act of May 29, 1928 (45 Stat. 975).]
5. Limitation on Discount of Paper of One Borrower
The aggregate of notes, drafts, and bills upon which any person, copartnership, association, or corporation is liable as maker, acceptor, indorser, drawer, or guarantor, rediscounted for any member bank, shall at no time exceed the amount for which such person, copartnership, association, or corporation may lawfully become liable to a national banking association under the terms of section 5200 of the Revised Statutes, as amended: *Provided, however*, That nothing in this paragraph shall be construed to change the character or class of paper now eligible for rediscount by Federal reserve banks.
[12 USC 345. As reenacted without change by act of March 3, 1915 (38 Stat. 958); and amended by act of Sept. 7, 1916 (39 Stat. 752), which completely revised this section; and by act of April 12, 1930 (46 Stat. 162).]
6. Discount of Acceptances
Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than 90 days' sight, exclusive of days of grace, and which are indorsed by at least one member bank: *Provided*, That such acceptances if drawn for an agricultural purpose and secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than six months' sight exclusive of days of grace.
[12 USC 346. As amended by act of March 3, 1915 (38 Stat. 958); by act of Sept. 7, 1916 (39 Stat. 752), which completely revised this section; and by act of March 4, 1923 (42 Stat. 1479).]
7. Banker's Acceptances
1. Any member bank and any Federal or State branch or agency of a foreign bank subject to reserve requirements under section 7 of the International Banking Act of 1978 (hereinafter in this paragraph referred to as "institutions"), may accept

drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace–

1. which grow out of transactions involving the importation or exportation of goods;

2. which grow out of transactions involving the domestic shipment of goods; or

3. which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples.

2. Except as provided in subparagraph (C), no institution shall accept such bills, or be obligated for a participation share in such bills, in an amount equal at any time in the aggregate to more than 150 per centum of its paid up and unimpaired capital stock and surplus or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board under subparagraph (H).

3. The Board, under such conditions as it may prescribe, may authorize, by regulation or order, any institution to accept such bills, or be obligated for a participation share in such bills, in an amount not exceeding at any time in the aggregate 200 per centum of its paid up and unimpaired capital stock and surplus or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board under subparagraph (H).

4. Notwithstanding subparagraphs (B) and (C), with respect to any institution, the aggregate acceptances, including obligations for a participation share in such acceptances, growing out of domestic transactions shall not exceed 50 per centum of the aggregate of all acceptances, including obligations for a participation share in such acceptances, authorized for such institution under this paragraph.

5. No institution shall accept bills, or be obligated for a participation share in such bills, whether in a foreign or domestic transaction, for any one person, partnership, corporation, association or other entity in an amount equal at any time in the aggregate to more than 10 per centum of its paid up and unimpaired capital stock and surplus, or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board under subparagraph (H), unless the institution is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance.

6. With respect to an institution which issues an acceptance, the limitations contained in this paragraph shall not apply to that portion of an acceptance which is issued by such institution and which is covered by a participation agreement sold to another institution.

7. In order to carry out the purposes of this paragraph, the Board may define any of the terms used in this paragraph, and, with respect to institutions which do not have capital or capital stock, the Board shall define an equivalent measure to which the limitations contained in this paragraph shall apply.

8. Any limitation or restriction in this paragraph based on paid-up and unimpaired capital stock and surplus of an institution shall be deemed to refer, with respect to a United States branch or agency of a foreign bank, to the dollar equivalent of the paid-up capital stock and surplus of the foreign bank, as determined by the Board, and if the foreign bank has more than one United States branch or agency, the business transacted by all such branches and agencies shall be aggregated in determining compliance with the limitation or restriction.

[Formerly 12 USC 372, as amended by act of March 3, 1915 (38 Stat. 958); by act of Sept. 7, 1916 (39 Stat. 752), which completely revised this section; and by acts of June 21, 1917 (40 Stat. 235) and Oct. 8, 1982 (96 Stat. 1239). Omitted from the U.S. Code.]

8. Advances to Member Banks on Promissory Notes

Any Federal reserve bank may make advances for periods not exceeding fifteen days to its member banks on their promissory notes secured by the deposit or pledge of bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or by the deposit or pledge of debentures or other such obligations of Federal intermediate credit banks which are eligible for purchase by Federal reserve banks under section 13a of this Act, or by the deposit or pledge of bonds issued under the pro visions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended; and any Federal reserve bank may make advances for periods not exceeding ninety days to its member banks on their promissory notes secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this Act, or secured by such obligations as are eligible for purchase under section 14(b) of this Act. All such advances shall be made at rates to be established by such Federal reserve banks, such rates to be subject to the review and determination of the Board of Governors of the Federal Reserve System. If any member bank to which any such advance has been made shall, during the life or continuance of such advance, and despite an official warning of the reserve bank of the district or of the Board of Governors of the Federal Reserve System to the contrary, increase its outstanding loans secured by collateral in the form of stocks, bonds, debentures, or other such obligations, or loans made to members of any

organized stock exchange, investment house, or dealer in securities, upon any obligation, note, or bill, secured or unsecured, for the purpose of purchasing and/or carrying stocks, bonds, or other investment securities (except obligations of the United States) such advance shall be deemed immediately due and payable, and such member bank shall be ineligible as a borrower at the reserve bank of the district under the provisions of this paragraph for such period as the Board of Governors of the Federal Reserve System shall determine: *Provided*, That no temporary carrying or clearance loans made solely for the purpose of facilitating the purchase or delivery of securities offered for public subscription shall be included in the loans referred to in this paragraph.

[12 USC 347. As added by act of Sept. 7, 1916 (39 Stat. 753), which completely revised this section; and amended by acts of May 19, 1932 (47 Stat. 160); May 12, 1933 (48 Stat. 46); June 16, 1933 (48 Stat. 180); Jan. 31, 1934 (48 Stat. 348); April 27, 1934 (48 Stat. 646); Oct. 4, 1961 (75 Stat. 773); and Sept. 21, 1968 (82 Stat. 856).]

9. Aggregate Liabilities of National Banks Repealed by

10. Regulation by Board of Governors of Discounts, Purchases and Sales

The discount and rediscount and the purchase and sale by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Board of Governors of the Federal Reserve System.

[Omitted from U.S. Code. As amended by act of Sept. 7, 1916 (39 Stat. 753), which completely revised this section.]

11. National Banks as Insurance Agents or Real Estate Loan Brokers

That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in

making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however*, That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: *And provided further*, That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

[Omitted from U.S. Code. As added by act of Sept. 7, 1916 (39 Stat. 753), which completely revised this section.]

12. Bank Acceptances to Create Dollar Exchange

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Board of Governors of the Federal Reserve System by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Board of Governors of the Federal Reserve System: *Provided, however*, That no member bank shall accept such drafts or bills of exchange referred to

[1] **this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further*, That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.**

[Formerly 12 USC 373, as added by act of Sept. 7, 1916 (39 Stat. 754), which completely revised this section. Not codified to the Federal Reserve Act. Omitted from the U.S. Code.]

13. Advances to Individuals, Partnerships, and Corporations on Obligations of United States

Subject to such limitations, restrictions and regulations as the Board of Governors of the Federal Reserve System may prescribe, any Federal reserve bank may make advances to any individual, partnership or corporation on the promissory notes of

such individual, partnership or corporation secured by direct obligations of the United States or by any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States. Such advances shall be made for periods not exceeding 90 days and shall bear interest at rates fixed from time to time by the Federal reserve bank, subject to the review and determination of the Board of Governors of the Federal Reserve System.

[12 USC 347c. As added by act of March 9, 1933 (48 Stat. 7) and amended by act of Sept. 21, 1968 (82 Stat. 856).]

14. Receipt of Deposits from, Discount Paper Endorsed by, and Advances to Foreign Banks

Subject to such restrictions, limitations, and regulations as may be imposed by the Board of Governors of the Federal Reserve System, each Federal Reserve bank may receive deposits from, discount paper endorsed by, and make advances to any branch or agency of a foreign bank in the same manner and to the same extent that it may exercise such powers with respect to a member bank if such branch or agency is maintaining reserves with such Reserve bank pursuant to section 7 of the International Banking Act of 1978. In exercising any such powers with respect to any such branch or agency, each Federal Reserve bank shall give due regard to account balances being maintained by such branch or agency with such Reserve bank and the proportion of the assets of such branch or agency being held as reserves under section 7 of the International Banking Act of 1978. For the purposes of this paragraph, the terms "branch", "agency", and "foreign bank" shall have the same meanings assigned to them in section 1 of the International Banking Act of 1978.

[12 USC 347d. As added by act of Sept. 17, 1978 (92 Stat. 621).]