

TO SECURE BANK DEPOSITS.

Part of Tax on National Banks Can Be Set Aside to Create a Guarantee Fund—The Amount Probably Needed.

LINCOLN, Neb., Dec. 15.—Every depositor in a national bank is interested in the enactment of a law which will tend to the security of the deposit. I have prepared and enclose herewith, a bill for an amendatory act which has for its object absolute security to depositors without additional expense to the banks. If you can devote the space I request that you publish this bill and invite comment thereon. Briefly stated, its important features are these: The tax now paid by national banks upon circulation aggregates something more than two million dollars per annum. It is proposed that one-half this tax shall be retained by the treasurer as a trust fund for the payment of depositors in the insolvent national banks. It is estimated that, at the expiration of ten years, the fund will amount to at least ten million dollars, making due allowance for the demands that will be made upon it during that period. At the expiration of ten years the tax upon circulation is to be reduced one-half and the income of the trust fund will be reduced at the same rate exclusive of the interest from bonds in which the surplus of the fund may be invested. Since the adoption of the present banking system the total loss to depositors in national banks has been less than sixteen million dollars. In view of this fact it is believed that one-half the taxes now collected on circulation will be amply sufficient to create the necessary fund and one-half the amount collected after the tax is reduced with interest on bonds in which the fund may be invested will be sufficient to maintain it. The result of this legislation will be that depositors will be absolutely safe and have implicit confidence in the banks based upon the fact that in case of a failure they will get their money in full without waiting until the affairs of the bank are settled. It has been urged that if this measure becomes a law some banks will offer unwarranted inducements in the way of interest on deposits to secure business, and as all banks will be equally safe, depositors will patronize the institution which pays the highest rate of interest on deposits. This objection is met by the section of the bill which prohibits the payment of more than 2 per cent per annum on deposits.

The government has provided a banking system and yet it will not patronize the banks organized under national laws by the deposit of money therein unless the banks put up government bonds to secure the government deposit. By this bill it is proposed to place all depositors with reference to these banks in a position equally as good as that

occupied by the government. It may be urged that national banks have creditors other than depositors and this bill makes no provision for securing them, but prefers one class of creditors. Such preference is intended. The government, by existing law, prefers and secures some creditors of national banks to the exclusion of others. The person who holds national bank notes does not hold money, but promises to pay money, signed in the language of the national banking act, "in such manner as to make them obligatory promissory notes, payable on demand," at the bank issuing them. These notes may be protested for non-payment as notes issued by individuals and indorsed may be. A holder of these notes is a secured and preferred creditor of the bank issuing them. Primarily the security is government bonds deposited with the treasurer of the United States. If the bank fails to pay its notes the bonds may be sold and the proceeds applied in paying them; but if upon a sale the bonds do not bring enough to pay the notes then the government pays them and has a paramount lien upon all the assets of the bank and the deficiency must be made good to the government out of the assets of the insolvent bank in preference to the claim of any depositor any claim whatever except costs and expenses. Aside from depositors and note-holders the most numerous creditors of a national bank are those who purchase its commercial paper. These creditors ordinarily may look to the bank which indorses the paper and also the maker of it for payment. With the depositor the case is different. He can look only to the bank; if it fails to pay he must suffer loss. It is to prevent this loss and to increase not only deposits, but confidence in banks that the proposed legislation is urged.

CHAS. O. WHEDON.

The Bill.

A bill for an act to amend sections 5214, 5235 and 5236 of the revised statutes of 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:

Section 1. That section 5214 of the revised statutes of the United States be and the same is hereby amended so as to read as follows:

Sec. 5214. In lieu of all existing taxes, every association shall pay to the treasurer of the United States in the months of January and July, a duty of one-half of one per cent each half year upon the average amount of its notes in circulation. Provided, that after the first day of January, 1911, every association shall pay to the treasurer of the United States in the months of January and July, a duty of one-fourth of one per cent each half year upon the average amount of its notes in circulation. Pro-

vided, further, that nothing in this act contained shall exempt any bank or banker from the payment of the special tax mentioned in an act entitled "An act to provide ways and means to meet war expenditures, and for other purposes." Approved June 13, 1898. One-half the amount so received by said treasurer shall be by him kept as a trust fund for the payment of depositors of insolvent national banking associations. Whenever in the opinion of said treasurer the amount of such trust fund in his hands is more than sufficient to meet the demands liable to be made thereon in payment of the claims of depositors of such insolvent associations, he shall invest the surplus in United States bonds and the interest accruing on such bonds shall be added to such trust fund and become a part thereof. Said treasurer may, whenever in his judgment it is necessary to increase the amount of cash in said fund for the purpose of paying such depositors, sell at not less than par and not less than the market value thereof, any of the bonds in which said trust fund has been invested.

Sec. 2. That section 5235 of the revised statutes of the United States be and the same is hereby amended so as to read as follows:

Sec. 5235. The comptroller shall, upon appointing a receiver, cause notice to be given, by advertising in such newspapers as he may direct, for three consecutive months, calling on all persons who have claims against such associations to present the same and make legal proof thereof. As fast as the claims of the depositors in such associations are established by legal proof to the satisfaction of the comptroller, he shall issue his warrant in favor of each depositor or his legal representative upon the treasurer of the United States for the amount which shall be due such depositor as established by such proof and shall transmit such warrants as fast as they are issued to the treasurer who shall forthwith pay to each depositor or his legal representative out of the trust fund mentioned in section 5214 the amount so found to be due and mentioned in said warrant. Any dividend which, but for the passage of this act, would have been payable to a depositor of such association, shall be by the comptroller of the currency paid to the treasurer of the United States, and shall be by him paid into and applied in reimbursing said fund for the amount paid therefrom to the depositors of such associations.

Sec. 3. That section 5236 of the revised statutes of the United States be and the same is hereby amended so as to read as follows:

Sec. 5236. From time to time after full provision has been made for refunding to the United States any deficiency in redeeming the notes of such association, the comptroller shall make a ratable dividend of the money so paid over to him by such receiver on