

RELIEF OF DEPOSITORS IN CLOSED BANKS

APRIL 23, 1934.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. BROWN of Michigan, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 7998]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 7908) to promote resumption of industrial activity, increase employment, and restore confidence by fulfillment of the implied guaranty by the United States Government of deposit safety in national banks, having considered the same, report favorably thereon with an amendment and recommend that the bill do pass, as amended. Said amendment is as follows:

Strike out all after the enacting clause of said bill (H.R. 7908) and insert in lieu thereof the following:

That the Reconstruction Finance Corporation (hereinafter called the "Corporation") is hereby authorized and directed to purchase, on application of any depositor (his heirs, successors or assigns) in any closed bank, his claim arising out of the deposit liability of such bank to him, up to but not exceeding an amount of such liability, which, added to any sum or sums paid the depositor on account of such liability, shall not exceed \$2,500, exclusive of any interest paid on account of such liability. The Corporation shall take therefor an assignment of the depositor's account in an amount equal to the amount paid for the claim, and upon such assignment the Corporation shall be subrogated to all rights of the depositor against such bank arising out of such assigned account and shall be entitled to receive the dividends otherwise payable to the depositor from liquidation of the assets of such bank, in a total amount not exceeding the amount paid by the Corporation for the claim. The term "bank", when used in this Act, shall include national bank, national banking association, State bank, banking association, trust company, mutual savings bank, any banking institution organized under the laws of any State or located in the District of Columbia, and any private bank, and the term "closed bank" shall mean any bank so defined which closed on or after January 1, 1930, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up on the effective date of this Act, or which, if reopened or reorganized since such date, did not pay depositors in full with respect to deposit liability to such banks. The term "receiver" when used in this Act shall include a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator,

commission, person, or any agency charged by State law with the responsibility and the duty of winding up the affairs of any insolvent bank.

SEC. 2. The Corporation is hereby authorized and directed, on application of any bank or its receiver, which had on the date of closing of any other bank, money on deposit with such closed bank, to purchase from such depositor bank, or its receiver, the balance of its claim in full against the closed bank on account of such deposit, or, in case the depositor bank has reopened or reorganized, from the legal owner of such account. The Corporation shall take therefor an assignment of the account of the depositor bank and shall be subrogated to all its rights against the closed bank arising out of such deposit account and shall be entitled to receive the dividends otherwise payable to the depositor bank from the liquidation of the assets of the closed bank.

SEC. 3. The Corporation is hereby authorized and directed, on application of any receiver of any closed (or suspended) bank, to loan to such receiver, with interest at the rate of 3 per centum per annum, an amount equal to 85 per centum of the present value of all remaining assets in such closed bank, exclusive of such proportionate part of the assets as will be applied in the payment of dividends upon claims purchased by the Corporation under the provisions of section 1 of this Act.

SEC. 4. The receiver of such closed bank shall immediately disburse all funds received as the proceeds of a loan under section 3 of this Act to the depositors in the closed bank having claims on account of deposit liabilities other than those assigned under section 1 of this Act to the Corporation. Such payments shall be made to such depositors in proportion to their respective claims against the closed bank.

SEC. 5. If in the reorganization or reopening of any closed bank any depositor shall have taken preferred stock, capital notes, or other form of property for his deposit, or any part thereof, the Reconstruction Finance Corporation is hereby authorized and directed to purchase from such depositor, on application, such portion of said preferred stock, capital notes, or other property, as will enable said depositor to receive not in excess of \$2,500 in cash on his deposit after deducting whatever payment or credit said depositor received in cash or its equivalent on his deposit.

SEC. 6. The Corporation as the principal creditor of such closed banks is hereby authorized and directed to encourage a policy by which a period of six years from the effective date of this Act shall be allowed for the purpose of liquidating the assets of such banks: *Provided*, That if any statute of limitations or any similar law requires the institution of proceedings to prevent possible loss of any assets, this section shall not be construed to prevent or discourage the institution of such proceedings.

