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SENATE

{ REPORT
No. 234

EXTENDING THE PROVISIONS OF THE NATIONAL BANK ACT TO THE VIRGIN ISLANDS

MARCH 3, 1926.—Ordered to be printed

Mr. McLEAN, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 2769]

The Committee on Banking and Currency, to which was referred Senate bill 2769, to extend the provisions of the national bank act to the Virgin Islands of the United States, considered the same and reports favorably thereon that the bill do pass with the following amendments:

Add to the title of the bill the words, "and for other purposes."

On line 3, page 2, between the numerals "19" and the word "of" insert "and 20."

On line 6, page 2, after the word "Indies" strike out the colon and add the words "nor to its notes."

At the end of section 1 add the following proviso:

Provided further, That no rights of the National Bank of the Danish West Indies guaranteed by the treaty with Denmark, signed August 4, 1916, shall be in anywise impaired.

At the end of the bill add a new section as follows:

SEC. 2. Jurisdiction is hereby conferred on the District Court of the United States for Porto Rico of all cases, civil and criminal, arising in the Virgin Islands of the United States under the national bank act, as amended, and all other acts of Congress relating to national banks, to the same extent as jurisdiction of matters arising under said laws is conferred upon district courts of the United States. The Circuit Court of Appeals for the First Circuit shall have appellate jurisdiction of cases arising in the Virgin Islands of the United States under this act and "the national bank act," as amended, and all other acts of Congress relating to national banks prosecuted in the District Court of the United States for Porto Rico, in conformity with the provisions of section 128 of the Judicial Code relating to the review of cases tried by the United States District Court for Porto Rico, as amended.

EXPLANATIONS AND REASONS URGED IN SUPPORT OF THE BILL

This bill passed the Senate in the Sixty-eighth Congress and it has been approved by the Department of Justice, the Comptroller of the Currency, the Secretary of the Treasury, and the governor of the Virgin Islands.

There is only one bank in the Virgin Islands that does a general banking business. This bank is owned by four Danish banks and was organized under the concession granted by the minister of finances of the Government of Denmark June 20, 1904, and under this concession this bank was granted the exclusive rights to issue bank notes, exchangeable with gold, for a period of 30 years. It is the purpose of this bill to enable the owners and directors of this bank to reorganize it as a national bank or convey it to others who will reorganize it and maintain it as a national bank.

Section 5146, referred to in line 3 of the bill, is the section which requires that directors shall be citizens of the United States.

Sections 19 and 20 of the act of February 8, 1875 (18 Stat. L. 31), impose a tax of 10 per cent upon notes issued by other than national banks.

Section 5243 of the Revised Statutes referred to in line 6, prohibits the use of the word "national" by other than national banks.

The proviso permitting branches is necessary in view of the fact that probably another bank organized under this act would find it necessary to buy out the existing Danish bank which has two branches. Moreover, it is very unlikely that the island of St. Croix would have any bank at all if a bank in St. Thomas did not maintain a branch there.

The right to act as broker or agent for insurance companies and other banks would be enjoyed by any bank located in Frederiksted or Christiansted, but forbidden to a bank located in St. Thomas under the provisions of the act of September 7, 1916. It is thought possible that the Farm Loan Bank of Baltimore now operating in Porto Rico would desire to extend its activities to the Virgin Islands and use the local bank as its agent which would be impossible without the proviso contained in the pending bill. This proviso does not by itself, however, extend the activities of the farm loan bank.

Since there are several provisions of the national banking act which contemplate action by a Federal district court, and since there is no Federal district court now having jurisdiction over the Virgin Islands, a provision is added, extending the jurisdiction of the Federal district court in Porto Rico to the Virgin Islands, to cover cases arising under the national banking act.

The following is the report of the Secretary of the Treasury setting out in detail the conditions which call for the enactment of the proposed legislation which was first communicated to the Secretary of the Navy and by him forwarded to the Committee on Banking and Currency:

I have the honor to inclose herewith a draft of a proposed bill to extend the national bank act to the Virgin Islands of the United States which, as you know, were purchased from Denmark pursuant to the convention between the United States and Denmark, signed August 4, 1916.

It is my understanding that the only bank in the Virgin Islands that does a general banking business there is the National Bank of the Danish West Indies. This bank, which, as I understand it, is owned by four Danish banks, was organized, as you are aware, under a concession granted by the minister of finances of the Government of Denmark under date of June 20, 1904, pursuant to the authority vested in him by Danish law No. 50 of March 29, 1904, the concession providing among other things that the bank should have exclusive right in the Virgin Islands for a period of 30 years to issue bank notes, exchangeable with gold, on demand of the holder, subject to the right of termination, on certain conditions set forth in the law and in the concession. The United States, as you know, is

under an obligation to maintain this concession in accordance with the terms upon which it was given.

For your convenient reference, I am inclosing herewith a copy of a report made by the special commissioners of the Treasury Department appointed by the Secretary of the Treasury in 1920 to investigate currency and banking conditions in the Virgin Islands. Copy of the law and concession above mentioned, as well as a copy of the convention of August 4, 1916, will be found in Appendix 2 of the report.

While American currency is in use in the Virgin Islands, it is my understanding that it forms only about one-fifth of the total currency there, the Danish West Indian gold franc being still the legal standard of value in the islands. It is believed that it would be to the advantage of business in the islands, especially since by far the greater part of their trade is with this country, if Congress should make the United States dollar the legal standard of value there. It does not, however, seem to me advisable to request Congress to take such action while the Danish West Indian National Bank, under its present control, has the right to issue bank notes in the currency of the islands as from time to time established.

It seems possible that at some future date the National Bank of the Danish West Indies will desire to reorganize as a national bank under the national bank act of the United States. It is my belief that such a reorganization would be of advantage from the standpoint of this Government, particularly as it would remove the objection that now exists to the introduction of the United States dollar as the legal standard of value in the islands. Under the laws now in force, however, a reorganization of this kind would not seem possible, since Congress has not as yet extended the laws of the United States generally, nor the national bank act in particular, to the Virgin Islands. The purpose of the proposed bill is to extend the latter act to the islands so that in case at a future date the bank should desire to reorganize as a national bank under our laws the requisite power to do so will not be lacking.

Section 5146 of the Revised Statutes requires every director of a national bank during his whole term of service to be a citizen of the United States, and further provides that at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election, and must be residents therein during their continuance in office. In this connection attention is invited to article 6 of the convention above named. This article defined the status of Danish citizens residing in the islands and provided for a procedure by which those remaining in the islands after the cession might preserve their citizenship in Denmark. Article 6 further provides that the civil rights and the political status of the inhabitants of the islands shall be determined by the Congress, subject to the stipulations contained in the convention. On this subject I beg to quote from a letter, dated March 9, 1920, written by the State Department to Senator William S. Kenyon, chairman of the joint commission to visit the Virgin Islands:

"As Congress has not yet passed an act determining the civil rights and political status of the inhabitants of the islands, the department in issuing passports to inhabitants of the Virgin Islands who, under the provision of the treaty, appear to be entitled to the protection of this Government, merely describes them as 'inhabitants of the Virgin Islands entitled to the protection of the United States.' The status of such persons is considered analogous to that of those inhabitants of the Philippine Islands who, under the provisions of the treaty with Spain of December 10, 1898, and the act of Congress of July 1, 1902, are held to be 'citizens of the Philippine Islands, owing allegiance to the United States,' and are granted passports as such; that is, they have American nationality and are entitled to the protection of this Government, but have not the civil and political status of citizens of the United States."

The letter referred to is printed on pages 31-32 of the report of said joint commission, dated January, 1920 (H. Doc. No. 734, 66th Cong., 2d sess.).

In view of the fact that those inhabitants of the Virgin Islands who have not retained their Danish citizenship do not appear to enjoy the status of citizens of the United States, it has seemed to me advisable to provide in the proposed bill that such inhabitants shall be regarded as citizens of the United States within the meaning of section 5146 of the Revised Statutes, so that they may be eligible for membership on the board of directors of such national bank as may be established in the Virgin Islands.

Editor, The Journal of the American Medical Association:
Dear Sir:

I have just received your issue of May 8, 1932, and am glad to see that the editorial board has accepted the suggestion of the American Medical Association to publish the results of the survey of the medical profession in the United States. This is a very important and timely subject, and the results of the survey will be of great value to the medical profession and to the public.

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