

APPENDIX No. 3

In order to appreciate more fully how large and reassuring are the proportions suggested, I may be permitted to draw attention to the fact that the law of the state of Maine relating to savings banks, banks that have not a dollar of subscribed capital to protect the savings therein deposited by the public, states in section 106:

'The reserve fund shall be kept constantly on hand, to secure against losses and contingencies, until it amounts to 5 per cent of the deposits.'

Later on, the percentage was increased to 10 per cent. The amount held in 1906 as deposits by the Maine savings banks, 51 in all, was \$82,677,981.25, and the reserve fund for the same year was only \$4,695,873.74, or a little over five and a half per cent of the total deposits. In Massachusetts 'the laws,' said the Chairman of the Board of Commissioners of Savings Banks at the Convention of Supervisors of State Banks in 1905, 'requires that at the time of making each semi-annual dividend not less than one-eighth of one per cent, not more than one-fourth of one per cent shall be set aside from the net profits which have accumulated during the six months last preceding as a guaranty fund, and that fund cannot be used for any purpose until it reaches five per cent of the deposits.'

In 1904 this guaranty fund was equal to 4.54 per cent of the amount of the deposits, which aggregated to \$674,000,000. The law of the state of New York do not requires the trustees of the savings banks to accumulate a reserve fund. They may do so or not; it is entirely left to their discretion. The law says—section 123—..... 'after deducting necessary expenses and reserving such amounts as the trustees may deem expedient as a surplus fund for the security of the depositors, which to the amount of 15 per cent of its deposits, the trustees of any such corporation may gradually accumulate and hold, to meet any contingency or loss on its business from the depreciation of its securities or otherwise.'

And these savings banks with no guaranty fund required by law, and like those of Maine with no capital, were in 1904 holding about twelve hundred million of dollars of deposits. These banks are commonly called in the United States uncapitalized savings banks, because there are a few others who have a capital for the protection of the depositors. The amount held by these uncapitalized savings banks aggregate now at least three thousand millions of dollars of deposits, with the only security of the five, ten or fifteen per cent, according to the law in the various states, of the average deposits as a reserve fund. Still the confidence of the public is made very apparent by this vast amount of deposits entrusted to these institutions, administered by self-chosen gentlemen acting as philanthropists, and not directly answerable to, nor selected in any way by the depositors themselves who provide those funds.

The above reference to the United States savings banks, considered as very safe, if one can judge by their success, shows that the suggestion I have the honour to offer is very liberal indeed and *evinces a desire* to create a reliable basis of operations for the future co-operative credit associations to be organized under the Bill.

On this point, Mr. Peters states that the German law provides as follows:—

'In the form of constitution framed as a model for credit unions registered under the new law, it is provided that until this fund amounts to 15 per cent of the total paid-in capital of the society it shall be reinforced each year by adding to it 15 per cent of the net profits; and if, through the use of a part of it to cover losses it is reduced below the standard just indicated, it must be brought back to that level by the same yearly addition from the profits as before. This fund remains the property of the society until its dissolution, and no member retiring before that time can claim any share of it as a part of the amount due him; but all members benefit by it so long as they remain in the society since the income it earns is one of the sources of the profits which form the dividends.' (Page 28.)

These quotations show that the quantum suggested is comparatively very high and affords ample guarantee.