

75TH CONGRESS }
1st Session }

SENATE

{ REPORT
{ No. 531

DEPOSIT OF INDIAN FUNDS

MAY 10, 1937.—Ordered to be printed

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs,
submitted the following

REPORT

[To accompany S. 2163]

The Committee on Indian Affairs, to whom was referred the bill (S. 2163) to authorize the deposit and investment of Indian funds, having considered the same, report thereon with a recommendation that it do pass without amendment

This proposed legislation was suggested by the Secretary of the Interior in a communication addressed to the President of the Senate under date of April 7, 1937, who referred the same to your committee for consideration; thereafter your committee authorized the introduction of a bill (S. 2163) for the purpose of carrying out the wishes of the Secretary of the Interior, and thereupon said bill (S. 2163) was referred to your committee for further consideration.

The communication of the Secretary of the Interior, above referred to, is attached hereto and made a part of this report, as follows:

THE SECRETARY OF THE INTERIOR,
Washington, April 7, 1937.

THE PRESIDENT OF THE SENATE.

MY DEAR MR. PRESIDENT. There is submitted herewith draft of a bill which would authorize the deposit of Indian funds in banks and the investment of such funds in United States bonds and any other bonds which the United States guarantees as to principal and interest.

This bill, if enacted, would supersede section 28 of the act of May 25, 1918 (40 Stat 591), which is now relied upon as authority for the deposit and investment of Indian money. The repeal of this section is desired for the following reasons:

1. The provision authorizing the segregation of the common or community trust funds of any Indian tribe is not only obsolete but is inconsistent with the present policy of the Department, which is to conserve tribal assets.

2. Interest is required to be procured on all bank deposits whereas section 11B of the Banking Act of 1933, as amended by the Banking Act of 1935, prohibits the payment of interest on demand deposits by member banks of the Federal Reserve System. In view of these contrary provisions, it has been necessary to discontinue practically all Indian money checking accounts which has resulted in inconvenience and expense to the Indians as well as to disbursing agents of

the Indian Service. The proposed legislation would continue the present requirement with respect to the payment of interest on tribal funds but would permit the establishment in proper cases of individual Indian money active checking accounts without interest.

3. Investments of Indian funds and collateral security for bank deposits are limited to United States Government bonds. The proposed bill would make eligible as investments and collateral security any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States in addition to direct obligations of the Government. This would permit the purchase as investments and acceptance as collateral of bonds issued by the Home Owners' Loan Corporation and the Federal Farm Mortgage Corporation, which should tend to aid the market for these bonds to some extent with no sacrifice of safety for the Indian money invested in such securities or secured thereby.

4. Security is required to be procured for all deposits which precludes relying upon the protection afforded by the membership of a bank with the Federal Deposit Insurance Corporation. The new legislation would make it necessary for depositaries to furnish security only for the uninsured portions of deposits

5. The last proviso of the section in question, requiring that the funds of the Five Civilized Tribes and the Osage Indians be deposited either in the banks of Oklahoma or in the United States Treasury, has operated to deprive these Indians of considerable income. It has frequently been impossible in the past to obtain adequate banking facilities within that State for available funds and as a result large sums of individual Indian money have had to be carried in the Treasury without interest. While the proposed bill would remove this restriction and permit the deposit of these funds in any qualified bank, it would be the policy of this Department, as it has been in the case of other funds not subject to the restriction, to give preference to the banks located within the State of Oklahoma in the selection of depositaries for the money.

It is believed that the proposed legislation would supply the deficiencies of the present law and result in benefit to the Indians affected thereby. I therefore recommend its enactment.

For convenience, there is enclosed a copy of a comparative print showing the legislation now operative with language to be omitted enclosed with brackets and the new language underscored.

During the last session of Congress similar legislation (H. R. 8588) was under consideration. In reporting on the measure the Committee on Indian Affairs of the Senate called attention to certain amendments suggested by a representative of the Federal Reserve System (see S Rept. 1630, 74th Cong.). Those amendments have been incorporated in the draft herewith

This proposed legislation, in the form submitted, also has the approval of the Federal Deposit Insurance Corporation, such approval being expressed in a letter to the Bureau of the Budget on February 24, 1937.

The Acting Director of the Budget advises that this proposed legislation would not be in conflict with the program of the President.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior

A BILL To authorize the deposit and investment of Indian funds

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior be, and he is hereby, authorized in his discretion, and under such rules and regulations as he may prescribe, to withdraw from the United States Treasury and to deposit in banks to be selected by him the common or community funds of any Indian tribe which are, or may hereafter be, held in trust by the United States, and on which the United States is not obligated by law to pay interest at higher rates than can be procured from the banks. The said Secretary is also authorized, under such rules and regulations as he may prescribe, to deposit in banks to be selected by him the funds held in trust by the United States for the benefit of individual Indians *Provided*, That no individual Indian money shall be deposited in any bank until the bank shall have agreed to pay interest thereon at a reasonable rate, subject, however, to the regulations of the Board of Governors of the Federal Reserve System in the case of member banks, and of the Board of Directors of the Federal Deposit Insurance Corporation in the case of insured nonmember banks, except that the payment of interest may be waived in the discretion of the Secretary of the Interior on any deposit which is payable on demand. *Provided further*,

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That no tribal or individual Indian money shall be deposited in any bank until the bank shall have furnished an acceptable bond or pledged collateral security therefor in the form of any public-debt obligations of the United States and any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States, except that no such bond or collateral shall be required to be furnished by any such bank which is entitled to the benefits of section 12B of the Federal Reserve Act, with respect to any deposits of such tribal or individual funds to the extent that such deposits are insured under such section: *Provided, however,* That nothing contained in this Act, or in section 12B of the Federal Reserve Act, shall operate to deprive any Indian having unrestricted funds on deposit in any such bank of the full protection afforded by section 12B of said Federal Reserve Act, irrespective of any interest such Indian may have in any restricted Indian funds on deposit in the same bank to the credit of a disbursing agent of the United States. For the purposes of said Acts, said unrestricted funds shall constitute a separate and distinct basis for an insurance claim. *Provided further,* That the Secretary of the Interior, if he deems it advisable and for the best interest of the Indians, may invest the trust funds of any tribe or individual Indian in any public-debt obligations of the United States and in any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States. *And provided further,* That the foregoing shall apply to the funds of the Osage Tribe of Indians, and the individual members thereof, only with respect to the deposit of such funds in banks.

SEC. 2 Section 28 of the Act of May 25, 1918, entitled "An Act making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for fulfilling treaty stipulations with various Indian tribes, and for other purposes, for the fiscal year ending June thirtieth, nineteen hundred and nineteen", and all other Acts or parts of Acts inconsistent herewith are hereby repealed.

SEC. 3. Nothing contained in this Act shall be construed as affecting the provisions of the Federal Reserve Act or regulations issued thereunder relating to the payment of interest on deposits.

A BILL To authorize the deposit and investment of Indian funds

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior be, and he is hereby, authorized *in his discretion and* under such rules and regulations as he may prescribe, to withdraw from the United States Treasury and [segregate the common, or community funds of any Indian Tribe which are, or may hereafter be, held in trust by the United States, and which are susceptible of segregation, so as to credit an equal share to each and every recognized member of the tribe except those whose pro rata shares have already been withdrawn under existing law, and] to deposit [the funds so segregated] in banks to be selected by him, *the common, or community funds of any Indian tribe which are, or may hereafter be, held in trust by the United States and on which the United States is not obligated by law to pay interest at higher rates than can be procured from the banks* [in the State or States in which the tribe is located, subject to withdrawal for payment to the individual owners or expenditure for their benefit under the regulations governing the use of other individual Indian moneys]. The said Secretary is also authorized, under such rules and regulations as he may prescribe, *to deposit in banks to be selected by him the funds held in trust by the United States for the benefit of individual Indians:* [withdraw from the Treasury and deposit in banks in the State or States in which the tribe is located to the credit of the respective tribes, such common, or community, trust funds as are not susceptible of segregation as aforesaid, and on which the United States is not obligated by law to pay interest at higher rates than can be procured from the banks.] *Provided, That no [tribal or] individual Indian money shall be deposited in any bank until the bank shall have agreed to pay interest thereon at a reasonable rate, subject, however, to the regulations of the Board of Governors of the Federal Reserve System in the case of member banks, and of the Board of Directors of the Federal Deposit Insurance Corporation in the case of insured nonmember banks, except that the payment of interest may be waived in the discretion of the Secretary of the Interior on any deposit which is payable on demand. Provided further, That no tribal or individual Indian money shall be deposited in any bank until the bank [and] shall have furnished an acceptable bond or pledged collateral security therefor [and United States bonds] in the form of any public debt obligations of the United States and any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States [may be furnished as collateral security for either tribal or individual funds so*

deposited, in lieu of surety bonds,] except that no such bond or collateral shall be required to be furnished by any such bank which is entitled to the benefits of section 12B of the Federal Reserve Act with respect to any deposits of such tribal or individual funds to the extent that such deposits are insured under such section. Provided, however, That nothing contained in this act, or in section 12B of the Federal Reserve Act, shall operate to deprive any Indian having unrestricted funds on deposit in any such bank of the full protection afforded by section 12B of said Federal Reserve Act, irrespective of any interest such Indian may have in any restricted Indian funds on deposit in the same bank to the credit of a disbursing agent of the United States. For the purposes of said acts, said unrestricted funds shall constitute a separate and distinct basis for an insurance claim: And provided further, That the Secretary of the Interior, if he deems it advisable and for the best interest of the Indians, may invest the trust funds of any tribe or individual Indian in [United States Government bonds] any public debt obligations of the United States and in any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States: [And provided further, That any part of tribal funds required for support of schools or pay of tribal officers shall be excepted from segregation or deposit as herein authorized and the same shall be expended for the purposes aforesaid: Provided, however, That the funds of any tribe shall not be segregated until the final rolls of said tribe are complete.] And provided further, That the foregoing shall [not] apply to the funds of [the Five Civilized Tribes, or] the Osage Tribe of Indians, and the individual members thereof, [in the State of Oklahoma, but the funds of such tribes and individual members thereof shall be deposited in the banks of Oklahoma or in the United States Treasury and may be secured by the deposit of United States bonds] only with respect to the deposit of such funds in banks.

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