

These figures indicate that the proportion of demand to total deposits was not as closely associated with liquidity for the group of banks under consideration as was the proportion of large to total deposits.

Similar percentages were also computed for the proportion of total deposits in the form (1) of individual large deposits specially reported in the Board's survey, (2) of

bankers' deposits, and (3) of Government deposits. There was little relationship between the proportion of individual large deposits and liquidity, and practically none between the other two proportions and liquidity of these banks. It was also found that there was little relationship between liquidity and size of the banks as measured by total deposits.

## FRENCH, SWISS, AND ITALIAN MONETARY LEGISLATION

In the FEDERAL RESERVE BULLETIN for October 1936, pp. 759-761, the suspension of the gold standard in the last week of September by France, Netherlands, and Switzerland was noted and brief reference was made to the provisions of accompanying legislative enactments. There are now published below in translation the French Monetary Law of October 1, 1936, the Convention between the Minister of Finance and the Bank of France approved by this law, a law authorizing the Minister of Finance to enter into a convention with the Crédit Foncier providing for an advance of 3,000,000,000 francs out of the resources of the French Treasury, and the Swiss Federal Order of September 27, 1936, enacting monetary measures.

There is also published a translation of the Italian decree-law of October 5, 1936, reducing the gold content of the lira by about 41 percent and granting authority for a further reduction of 10 percent, providing for revaluation of the gold and foreign exchange holdings of the Bank of Italy, and allotting to the State the increment resulting from revaluation.

### French Legislation

#### MONETARY LAW

The Senate and the Chamber of Deputies have adopted,

The President of the Republic promulgates the following law:

#### TITLE I. MONETARY PROVISIONS

ARTICLE 1. Application of the provisions embodied in articles 2 and 3 of the Monetary Law of June 25, 1928,<sup>1</sup> is suspended.

ART. 2. The new gold content of the franc, the French monetary unit, shall be fixed later by a decree issued by the Council of Ministers; the weight of the franc may neither be less than 43 milligrams nor more than 49 milligrams of gold 0.900 fine.

<sup>1</sup> See BULLETIN for August 1928, p. 570.

The conditions of convertibility into gold of notes of the Bank of France shall also be fixed by a decree issued by the Council of Ministers.

ART. 3. Until the issue of the first decree contemplated in the preceding article an exchange stabilization fund shall have the function of regulating the relationship between the franc and foreign currencies, the parity of the franc in terms of gold to be maintained within the limits fixed by the same article.

The exchange stabilization fund shall be administered by the Bank of France for account and under supervision of the public Treasury. The conditions of its operation shall be determined by the Governor of the Bank of France within the framework of general instructions furnished by the Minister of Finance.

The Bank of France shall have authority to sell gold and foreign currencies to and to buy them from the exchange stabilization fund.

ART. 4. The convention concluded on September 25, 1936, between the Minister of Finance and the Governor of the Bank of France is approved.

The said convention is exempt from stamp and registration fees.

ART. 5. Gold and foreign exchange at present held by the banks of issue of Algeria, the colonies, and protectorates shall be revalued under conditions similar to those laid down in the convention referred to in the preceding article.

The Minister of Finance is authorized to conclude, with the banks of issue concerned, conventions fixing the conditions under which the State shall receive the increments resulting from this revaluation.

ART. 6. The new definition of the franc is not applicable to international payments which, prior to promulgation of the present law, were to be made in francs. With respect to these international payments the French monetary unit shall be defined in accordance with the monetary law in force in France at the time of contraction of the obligation which gave rise to the payment.

An international payment is one effected in execution of a contract involving double transfer of funds from one country to another.

International securities issued before promulgation of the present law, which have been the object of an exchange or a transaction between debtors and creditors, cannot be considered as having lost their character of international obligations.

ART. 7. Notwithstanding all contrary provisions of law, statute, or convention, the banks of issue of Algeria and the colonies may include French francs in their reserves.

ART. 8. Transactions in gold bullion, bars, and coin are subject to authorization by the Bank of France.

Any violation of this provision will be subject to a fine equal to the value of the gold negotiated.

The importation and exportation of gold bars, bullion, and coin are prohibited except by authorization of the Bank of France. Violations of this prohibition will be subject to the penalties set forth in the customs code.

The authorization mentioned in the first paragraph of the present article must be granted in the case of gold transactions arising from industrial or commercial requirements.

Upon issuance of the decree envisaged in the first paragraph of article 2 above, the provisions of the present article may be suspended by decree.

ART. 9. The provisions embodied in the decree of September 25, 1936, concerning the postponement of payment of certain commercial bills and other commercial obligations are ratified.<sup>2</sup>

## TITLE II. DECLARATION OF GOLD AND MEASURES AGAINST SPECULATION

ART. 10. All physical or moral persons domiciled in France, who, on September 26, 1936, are owners of gold bullion, bars, or coin may, up to November 1, 1936, surrender them to the Bank of France for account of the stabilization fund at the price of 1 franc for 65.5 milligrams of gold 0.900 fine.<sup>3</sup>

Those who do not exercise this option must, between November 1 and November 15, 1936, declare the quantities of fine metal contained in such bullion, bars, or coin to the collector of direct taxes of their domicile, whether such bullion, bars, or coin be held in France or abroad, whether they be already in their possession or deliverable in the future, whether they be freely available or pledged as security for advances.

Concerns whose head office is situated abroad but the majority of whose capital is of French nationality or origin, are subject—except by special decision of the Minister of Finance—to the same requirements and must file their declaration with the main office of direct taxes of the Seine.

However, persons possessing a quantity of less than 200 grams of fine gold in bullion, bars, or coin are exempt from declaration.

ART. 11. The physical and moral persons referred to in paragraphs 2 and 3 of the preceding article shall pay to the Treasury, as an exceptional levy, a sum equal to the increase in value of the quantities of fine gold made subject to declaration by article 10, arising from application of the monetary provisions embodied in the present law.

This levy will be assessed and collected in the same manner as direct taxes.

An order of the Minister of Finance shall fix the exact amount of this increase in value as well as the date on which payments to the Treasury must be made.

The levy provided for in the first paragraph of the present article shall not apply to gold held by physical or moral persons for the duly demonstrated requirements of their trade or manufacture. The conditions of application of this provision shall be fixed by a decree countersigned by the Minister of Finance and by the Minister of Commerce.

ART. 12. Failure to declare or incomplete declaration shall be punishable by a fine, not including decimes, equal to the value of the quantity of gold not declared. The amount of the fine shall be determined by the director of direct taxes and collected in the same manner as the levy provided for in article 11.

The declarations of companies shall be made over the signatures and on the joint responsibility of the presidents, directors, and managing directors, who will be held personally liable for the fines incurred by the said companies. In case of insolvency of the responsible persons the companies will be liable for the uncollected balance of the fines.

The rolls relative to the levy as well as the fine shall remain open through December 31, 1939.

All establishments and all persons by whose intermediary transactions in gold bullion, bars, or coin have been effected, are required to make available all books and all documents without exception, as well as all information of use to agents of investigation designated for this purpose by the Minister of Finance. Refusal to produce the records shall be punished by fines and penalties provided for by article 226 of the Registration Code.

ART. 13. All spot and forward operations relating to the purchase of foreign exchange, entered into between September 1 and 26, 1936, by the physical and moral persons referred to in article 10 must be declared to the Ministry of Finance within 15 days from promulgation of the present law.

Failure to declare will be punished by a fine of up to three times the amount of the sums not declared.

ART. 14. A special tax of 50 percent is established on net profits arising from liquidation of forward operations entered into between September 21 and September 26 on French security markets, with the exception of operations in French Government securities. Transactions arising out of duly demonstrated commercial requirements shall be exempt from this tax.

This tax must be retained by stock exchange agencies out of the settlements made by them with those giving the orders. It shall be collected in the same manner as the tax on stock exchange transactions.

## TITLE III. SPECIAL PROVISION

ART. 15. The provisions of the law of August 19, 1936,<sup>4</sup> for the restraint of unjustified price increases shall apply to all increases which, on the pretext of devaluation, may be made in said prices, unless it is established beyond doubt before the committees created by the above law that the increases result from the rise in value of imported goods.

In the event that before December 31, 1936, there should occur an appreciable increase in cost of living as compared with the indices for October 1, 1936, the Government may, after consultation with the National Economic Council, and by decree of the Council of State, set up procedures of compulsory conciliation and arbitration, effective during a period of six months, with a view to settlement of differences arising from such increase and dealing with the drafting, execution, and revision of the wage clauses in collective contracts. The Government, after consultation with the bodies competent for this purpose under the law, may also bring about revision of the prices of agricultural products which are subject to regulation.

<sup>2</sup> The provisions of this decree ceased to be effective beginning October 3, 1936, by decree of October 2, 1936.

<sup>3</sup> This was the former gold content of the franc, established by the law of June 25, 1928.

<sup>4</sup> See BULLETIN for October 1936, p. 787.

The present law, deliberated and adopted by the Senate and by the Chamber of Deputies, shall be executed as law of the State.

Done at Paris, October 1, 1936.

ALBERT LEBRUN

By the President of the Republic:

The President of the Council,  
LÉON BLUM

The Minister of Finance,  
VINCENT AURIOL

#### ANNEX

#### CONVENTION

#### BETWEEN THE MINISTER OF FINANCE AND THE GOVERNOR OF THE BANK OF FRANCE

Between the undersigned, M. Vincent Auriol, Minister of Finance, acting in behalf of the State,

On the one part;

And M. E. Laberie, Governor of the Bank of France, duly authorized by resolution of the General Council of the Bank of France under date of September 25, 1936,

On the other part,

It has been agreed as follows:

ARTICLE 1. Following promulgation of the law approving the present convention, the Bank of France shall proceed to the revaluation of:

1. Its gold reserves (coin and bullion);
2. Foreign exchange shown in the weekly balance sheet under the headings:
  - Funds available on demand abroad;
  - (Disponibilités à vue à l'étranger;)
  - Commercial bills discounted on foreign countries;
  - (Effets de commerce escomptés sur l'étranger;)
  - Negotiable bills and other short-term foreign assets.
  - (Effets négociables et autres emplois à court terme à l'étranger.)

This revaluation shall be carried out:

1. For gold, according to the actual weight of coin and bullion, on the basis of a weight of 49 milligrams gold 0.900 fine per franc;
2. For foreign currencies convertible into gold at their new intrinsic parities, on the basis of the same weight in gold;
3. For foreign currencies not linked to gold, on the basis of the average quotation for these currencies on the Paris market on the first day of trading following promulgation of the law approving the present convention.

Foreign exchange representing future claims in foreign currencies shall be revalued, at the time of effective settlement of the said claims, either at their new intrinsic parities on the basis of the weight of gold indicated above, in the case of currencies convertible into gold, or according to the average quotation on the Paris market on the day of settlement, in the case of currencies not convertible into gold.

ART. 2. The increment resulting from the revaluation proposed in the above article shall be allocated in the following order:

1. An amount of 10,000,000,000 francs shall be allocated to the exchange stabilization fund

created by article 3 of the law approving the present convention;

2. The remainder shall be credited to account of the temporary advances granted to the public Treasury by the Bank of France under the convention of June 18, 1936.<sup>5</sup>

ART. 3. The proceeds of the supplementary revaluation which shall eventually be carried out as a result of fixing the new gold content of the franc shall be allotted to the State under conditions to be set forth in a future convention.

These proceeds, as well as the proceeds of the liquidation of the exchange stabilization fund, may be utilized only for amortization of the public debt.

Done in duplicate, at Paris, September 25, 1936.

Read and approved:

VINCENT AURIOL

Read and approved:

E. LABEYRIE

#### LAW

AUTHORIZING THE MINISTER OF FINANCE TO ENTER INTO A CONVENTION WITH THE CRÉDIT FONCIER DE FRANCE PROVIDING FOR AN ADVANCE OF 3,000,000,000 FRANCS OUT OF THE RESOURCES OF THE TREASURY

The Senate and the Chamber of Deputies have adopted,

The President of the Republic promulgates the following law:

Sole article. The Minister of Finance is authorized to enter into a convention with the Crédit Foncier de France providing for an advance of 3,000,000,000 francs out of the resources of the Treasury.

This advance is designed to permit the Crédit Foncier de France to lower the rate on its loans, especially outstanding loans granted from the proceeds of borrowings at high rates.

The conditions of application of the present article shall be established by the above-mentioned convention. This convention shall be exempt from stamp and registration fees.

The present law, deliberated and adopted by the Senate and the Chamber of Deputies, shall be executed as law of the State.

Done at Paris, October 1, 1936.

ALBERT LEBRUN

By the President of the Republic:

The President of the Council,  
LÉON BLUM

The Minister of Finance,  
VINCENT AURIOL

#### Swiss Legislation

#### ORDER OF THE FEDERAL COUNCIL ENACTING MONETARY MEASURES

(Of September 27, 1936.)

The Swiss Federal Council, by virtue of article 53, paragraph 1, of the Federal order of January 31, 1936,<sup>6</sup> concerning new extraordinary measures to re-

<sup>5</sup> See BULLETIN for July 1936, p. 536.

<sup>6</sup> Article 53 of the Federal order of January 31, 1936, reads:

"1. The Federal Council is authorized to take any measures which it considers necessary for the maintenance of the national credit and which, in its opinion, cannot be postponed.

"2. These measures shall be made the subject of a report which must be presented to the next session of the Federal Assembly."

establish financial equilibrium in the Federal accounts for 1936 and 1937, orders:

ARTICLE 1. The notes of the Swiss National Bank are legal tender. Therefore, all payments effected by means of these notes are effected in legal tender throughout the country.

ART. 2. By way of exception to articles 20 and 20<sup>bis</sup> of the Federal law on the Swiss National Bank of April 7, 1921, and December 20, 1929, the Swiss National Bank is released from the obligation to redeem its notes in gold or gold exchange. It remains, however, bound to maintain the legal cover.

ART. 3. The Swiss National Bank is instructed to maintain the gold parity of the franc at a value ranging between 190 and 215 milligrams of fine gold, which corresponds to a mean devaluation of the franc of 30 per cent.

ART. 4. The present order becomes effective September 28, 1936.

Berne, September 27, 1936.

IN THE NAME OF THE SWISS FEDERAL COUNCIL  
The President of the Confederation: MEYER  
The Chancellor of the Confederation: G. BOVET

### Italian Legislation

ROYAL DECREE-LAW OCTOBER 5, 1936—XIV, No. 1745

AMENDMENTS TO ROYAL DECREE-LAW DECEMBER 21, 1927—VI, NO. 2325<sup>7</sup>

*We, Victor Emanuel III, by the grace of God and by the will of the Nation King of Italy, Emperor of Ethiopia*

By virtue of the Royal decree-law December 21, 1927—VI, No. 2325, modified by the Royal decree-law July 20, 1935—XIII, No. 1293;<sup>8</sup>

By virtue of ART. 3, No. 2, of the law of January 31, 1926—IV, No. 100;

In consideration of the urgent necessity of regulating the intrinsic value of the Italian currency by adjusting it more closely to economic relationships and to the value of the most important and widely used currencies in circulation on the principal world markets;

Having heard the Council of Ministers;

On the proposal of the Head of the Government, Prime Minister Secretary of State, and of the Minister of Finance, together with the Minister of Pardons and Justice;

Have decreed and do decree:

ARTICLE 1. The intrinsic value of the Italian lira is made equal to 4.677 grams of fine gold for every hundred lire nominal value.

<sup>7</sup> See BULLETIN for September 1928, p. 642.

<sup>8</sup> The decree-law of July 20, 1935, suspended the first paragraph of article 4 of the decree-law of December 21, 1927, establishing reserve requirements for the Bank of Italy.

ART. 2. By Royal decree, on proposal of the Head of the Government, Prime Minister Secretary of State, and of the Minister of Finance, after the Council of Ministers has been heard, the value of the Italian lira, mentioned in article 1, can be reduced by a further amount of 10 percent.

ART. 3. The notes of the Bank of Italy, as well as the State notes and metallic currency, shall continue to have full legal value in the Kingdom, the Colonies and Possessions.

No change is made in regard to the legal tender status of such notes or in regard to the obligation of public offices and of all private citizens to accept them as legal currency in the Kingdom, in the Colonies, and in the Possessions, any agreement to the contrary notwithstanding.

ART. 4. Among its assets in Italian lire, the Bank of Italy is authorized to compute its total reserves in gold and in exchange existing at the date September 30, 1936—XIV, on the gold basis fixed in article 1 of the present decree.

The increment arising from the revaluation of the reserves of the Bank shall be credited to the State.

ART. 5. By Royal decrees, on the proposal of the Head of the Government, Prime Minister Secretary of State, and of the Minister of Finance, the measures in regard to movements of capital and foreign exchange issued by authority of the Royal decree-law of September 29, 1931—IX, No. 1207,<sup>9</sup> including those embodied in later legislative enactments, may be suspended in whole or in part.

ART. 6. By Royal decrees, on the proposal of the Head of the Government, Prime Minister Secretary of State, and of the Minister of Finance, after the Governor of the Bank of Italy has been heard, the complementary and administrative regulations of the present Royal decree-law shall be published.

ART. 7. The present decree shall become effective from the date of its publication in the Official Gazette<sup>10</sup> of the Kingdom, and shall be submitted to Parliament for enactment into law.

The Minister of Finance is authorized to introduce the necessary project of law.

We order that the present decree, sealed with the State seal, shall be entered in the official register of the laws and decrees of the Kingdom of Italy, and we require all concerned to observe it and to cause its observance.

Given at San Rossore, October 5, 1936—Year XIV.

VICTOR EMANUEL

MUSSOLINI—DI REVEL—SOLMI

<sup>9</sup> The principal provision of the Royal decree-law of September 29, 1931—IX, No. 1207, is as follows:

"ARTICLE 1. The Minister of Finance is authorized to issue, through his own decrees, measures to control operations in exchange."

<sup>10</sup> Published in the *Gazzetta Ufficiale* of October 5, 1936.