Senator WILLIAMS. Is that a reciprocal arrangement?

Secretary FOWLER. Yes, sir.

Senator WILLIAMS The same rate applies both ways?

Secretary FOWLER. Yes, sir; 10 percent with Japan; 15 percent with Belgium, France, and Canada; 30 percent with—well, 30 percent would apply to the Latin American countries, Argentina, Mexico, and Venezuela.

Senator WILLIAMS. Is it not true that——

Secretary FOWLER. May I make one comment on the United Kingdom. I am told, and I will have to defer to Mr. Surrey for this, that the United Kingdom apparently exempts interest on bank deposits in practice although in theory under the law it appears to be taxable at a 41¼-percent rate.

Senator WILLIAMS. Is it not true that if, for example, the Latin American investments should be deposited in Switzerland rather than here, the interest rates that they would receive would be relatively low, maybe 1 or 2 percent. In some cases don't they actually pay for the privilege of depositing their money over there? Secrecy is the point, not the interest rates.

Secretary FOWLER. That is my general understanding, Senator Williams.

Senator ANDERSON (presiding). Proceed, Mr. Secretary.

Senator CURTIS. May I ask one more question.

How long has the exemption existed?

Secretary FOWLER. I believe it was in the Revenue Act of 1921. According to the legislative history we have on it, it seemed to reflect concern for the competitive aspects—whether the banks here would be placed at a competitive disadvantage if it were not exempt.

Senator CARLSON. Mr. Secretary——

Senator ANDERSON. May I ask one question. Did that have anything to do with the financial condition in which this country found itself in 1921, with banks closing all over the country?

Secretary FOWLER. I cannot really give you a good answer to that Senator; I do not know. The only thing we have found is a reflection of a concern for the competitive situation of the American banks.

Senator ANDERSON. I know of one community which had six banks, and five of them closed. We kept the other one open by brute strength. Could that have had any effect, could that have played any part in this decision?

Secretary FOWLER. It might well have.

Senator ANDERSON. Senator Carlson.

Senator CARLSON. Mr. Secretary, on this income we have from deposits in banks, deposits from foreign countries, assuming we pass H.R. 13103, what would be the proposed rate?

Secretary FOWLER. In the nontreaty countries it would be 30 percent. I have indicated the rates for the treaty countries. Five percent in the case of Switzerland, 10 percent in the case of Japanese depositors, 15 percent for Belgium, France, and Canada, United Kingdom, and certain other European countries would be exempt, and in Latin American countries the full 30-percent rate would apply.

Senator CARLSON. The reason I bring that up, we, of course, have negotiated many treaties, but there are pending presently treaties before the Senate Foreign Relations Committee, and not only that, but