Mr. BARTH. This is very difficult to estimate, but I can tell you of my own experience during the past 2 months, that I have lost two clients to European banks because of the impending legislation.

Senator TALMADGE. In your case you could simply let that customer transfer his deposits in New York to the Paris bank, without losing his deposit?

Mr. BARTH. No. Unfortunately this went to a bank, a commercial bank, in another country.

Senator TALMADGE. But it could have been withdrawn from your bank and deposited in your branch bank in Paris, could it not?

Mr. BARTH. It could have, yes.

Senator TALMADGE. However, banks without branch banks such as yours would not have that advantage.

Mr. BARTH. That is right, sir.

Senator TALMADGE. Are bank deposits highly mobile in their nature; do they seek the highest return at the immediate moment?

Mr. BARTH. They are very mobile because they seek higher return and they change, particularly in the external dollar market they change, for a fraction of a percentage point.

Senator TALMADGE. Let us take a mythical account now. Assume some foreigner has $1 million on deposit in your principal bank in New York, and at present you pay him 5½ percent.

Mr. BARTH. That is the maximum extent allowed.

Senator TALMADGE. That would give him an income of $55,000 annually on his $1 million deposit, would it not?

Mr. BARTH. Yes, sir.

Senator TALMADGE. Under the terms of this act as passed by the House, if it is adopted, he would pay in 1972, $16,500 in withholding taxes on that $55,000, would he not?

Mr. BARTH. That is right.

Senator TALMADGE. Assume that he decides to avoid that tax. Could he take that $1 million and transfer it to a bank in Paris?

Mr. BARTH. Senator, are you speaking about an American ctitzen or——

Senator TALMADGE. A foreign citizen, because this is not applicable to Americans, since it only applies to foreigners.

Mr. BARTH. A foreign citizen will most likely move the money out of here.

Senator TALMADGE. Then he could take his $1 million out of your bank in New York and put it in a Paris bank, could he not?

Mr. BARTH. A foreign citizen could; yes.

Senator TALMADGE. What would he get on his certificate of deposit in the foreign bank?

Mr. BARTH. We do not issue certificates of deposit in Paris.

Senator TALMADGE. But do other banks do so?

Mr. BARTH. Not in Paris. Certificates of deposit so far have only been issued in London.

Senator TALMADGE. Well, what could he do, assuming he wants the highest return he could get, to avoid the tax, assuming he was financially wise?

Mr. BARTH. Are we again talking about $1 million for 1 year?

Senator TALMADGE. Using the $1 million as a practical example because you can easily figure the interest on it, and what it amounts to.