# Branch, Chain, and Group Banking

# HEARINGS

BEFORE THE

## COMMITTEE ON BANKING AND CURRENCY
## HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

SECOND SESSION

UNDER

## H. Res. 141

AUTHORIZING THE BANKING AND CURRENCY COMMITTEE
TO STUDY AND INVESTIGATE GROUP, CHAIN
AND BRANCH BANKING

MARCH 4, 5, AND 6 1930

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# BRANCH, CHAIN, AND GROUP BANKING

House of Representatives,
Committee on Banking and Currency,
*Tuesday, March 4, 1930.*

The committee met in the committee room, Capitol Building, at 10.30 o'clock a. m., Hon. Louis T. McFadden (chairman) presiding.

The Chairman. The committee will come to order.

Mr. Strong moved that, until further change, the hearings on House Resolution 141, beginning March 11, 1930, be held on Tuesdays, Wednesdays, and Fridays instead of on Tuesdays, Wednesdays, and Thursdays as previously provided for, and the motion was agreed to.

Mr. Goodwin. I make the motion that hearings on H. R. 7752 commence next Monday, when the proponents of the bill may be heard, and that the hearing be continued on the following Monday, when the opponents of the bill may be heard.

The Chairman. This is a bill proposing to amend section 5219 of the Revised Statutes, which is the statute that permits the taxation of national banks by States.

(The motion was agreed to.)

The Chairman. We will now resume the hearings on the matter of branch, chain, and group banking. Mr. Pole is here before us this morning.

Mr. Steagall. Mr. Pole, I want to ask one or two questions just to complete some things I had in mind and to finish some figures I had asked you to give. I took so much time the other day that I do not intend to prolong the discussion this morning.

The Chairman. All right.

## STATEMENT OF HON. JOHN W. POLE, COMPTROLLER OF THE CURRENCY—Resumed

Mr. Steagall. You gave the percentages in connection with the liquidation of banks where liquidation had been completed, giving the amounts realized by creditors, in our discussion at the last session. I want to ask you to give the total amount, in figures, covering the losses sustained by depositors in banks as to which liquidations had been completed. Will you let that appear with your other figures?

Mr. Pole. I have already included that in the record.

Mr. Steagall. Very well; I did not know you had.

Then I want to ask you, if you have it convenient, for the same figures with reference to State banks that are members of the Federal reserve system and that have been liquidated.

Mr. Pole. It might be difficult to obtain those figures. I will do the best I can.

Mr. STEAGALL. I do not want to put any undue burden on you, but I imagine the Federal reserve banks could have that easily accessible.

Mr. POLE. But such information with reference to the State nonmember banks are not collected by the Federal reserve.

Mr. STEAGALL. I did not make myself understood.

Mr. POLE. That information would have to be obtained from the State superintendents.

Mr. STEAGALL. I see that I did not make myself understood. The State banks I referred to are those which are members of the Federal reserve system and which have been liquidated.

Mr. POLE. Including national banks?

Mr. STEAGALL. Of course, you have the national banks, but you know that there are many liquidations of State banks that are members of the Federal reserve system. Those liquidations are not handled by your department, but by the State machinery, and it occurred to me that if you do not have it the Federal reserve banks would have the figures showing what had occurred in connection with the discharge of the liabilities, or the amounts realized, in these banks that are members of the Federal reserve system.

Mr. POLE. I will endeavor to obtain that.

Mr. STEAGALL. If it is convenient. I think it would fit very well into the information we now have. The truth is that the figures that we have would not be complete without this information. To illustrate, I imagine that the collections in insolvent State banks are about on a level with those realized in national banks, but I do not know.

(The figures referred to are not available.)

Mr. STEAGALL. I wanted to ask you one other question in connection with our little banks, which of course I am peculiarly interested in.

A question they often raise is in connection with their remittances to the Federal reserve banks and the manner in which remittances are placed to their credit at the Federal reserve banks. What I refer to is this: In my district, for instance, a farming district, where there is an accentuated demand for loans and where the banks are always loaning to the limit as a rule when crop-moving time comes, they find it difficult to keep sufficient balances to meet the demands and they are forever complaining, many of them, that the Federal reserve banks do not give them immediate credit for remittances as was the custom on the part of correspondent banks prior to the inauguration of the Federal reserve system. As I said, they complain a great deal about that. It has been discussed here, but I am wondering if you have any suggestion that you could make about that that would be helpful in that situation.

Mr. POLE. I think the plan that has been worked out by the Federal reserve bank is in crediting to the reserve account of a member bank only collected funds is sound. Formerly banks were usually given credit for checks and drafts immediately upon receipt.

Mr. STEAGALL. That is right.

Mr. POLE. Those drafts, however, were frequently drawn on other cities, and very likely were collected through a circuitous method, and it was very likely days before the funds were actually placed to the credit of the Federal reserve bank there, and therefore I can not help but feel that the present system of giving credit only as funds are collected is a sound one.

Mr. STEAGALL. Do the Federal reserve banks apply that same rule when the operation is reversed? Is not that out of harmony with their rule requiring member banks to remit without charge and thereby of course giving immediate credit to them?

Mr. POLE. Their reserve account is not charged with those items until the bank has had time to remit for them, so that it is properly balanced in that respect. There is no advantage taken by the Federal reserve bank.

Mr. STEAGALL. It is a technical matter, and I do not attempt to say that I should sit in judgment, but I have always sympathized with these little banks in that connection.

The CHAIRMAN. Will you yield to me?

Mr. STEAGALL. Yes.

The CHAIRMAN. Apropos of this question, my attention was called the other day to a practice in the third Federal reserve district, which seems rather arbitrary in this respect, where I understand that the Federal reserve bank is insisting that all member banks shall give them an order which permits them to charge against their account any items at any time that they see fit so to charge.

Mr. STEAGALL. I am coming to that very situation.

The CHAIRMAN. I was wondering if you were going to cover it, and that is the reason I raised that question.

Mr. STEAGALL. Of course, as I look at the matter, it seems to me that it creates a situation more or less confused. Take a small-town bank that sends a check to the Federal reserve bank. They have got to keep books of some kind, but I do not see how they can keep their books straight with the Federal reserve bank if the payment of those checks is to be deferred indefinitely.

Mr. POLE. They are not deferred indefinitely. They are deferred in accordance with a schedule which is laid down by the Federal reserve banks, and when checks are sent to the Federal reserve bank from a member bank, the account of the Federal reserve bank is charged in a deferred account. When the date arrived for the transfer from the deferred account to the reserve account, such entry is made and the account closed. It is not complicated.

Mr. STEAGALL. Maybe that is a technical matter that is plain to the people who understand the technicalities of banking, but I had thought it was more or less confusing for a bank to have a check placed in its Federal reserve bank and not get credit for it then. I have understood that the Federal reserve bank fixes an arbitrary—and by arbitrary I do not mean that is is unfair; I am not passing on that—standard of dates for different distances as to which these checks are deferred.

Mr. POLE. That is correct. Their plan is to ascertain the exact time which it takes to reach any particular point and the remittance returned to the bank. Pending that time, which is two days, three days or four days, as the case may be, that item is in "float," so that the Federal reserve bank does not take credit when it sends an item to a bank, nor does it give credit when it receives an item from a bank unless it is on the Federal reserve bank itself. In other words, what is known as the "float" is eliminated, and it is a system which is working all over the United States, and, as far as I know, there is no objection to it.

Mr. WINGO. No objection to it?

Mr. POLE. No serious objection to it.

Mr. WINGO. No objection to the member banks carrying the "float" instead of the Federal reserve banks?

Mr. STEAGALL. There is a great deal of objection.

Mr. WINGO. I have a whole file on it that I will send down to you.

Mr. POLE. The Federal reserve bank carries just as much "float" as the member banks do in the deferred account.

Mr. WINGO. That is one of the things they are objecting to, that it works altogether the other way, that the burden is on the small banks in the small towns. In the cities where the Federal reserve banks and their branches are located, they can step across the street and get immediate credit, and they can clear nearly every day on most of their items—not all, but most of them.

But take a member bank out in a small town. They are protesting all the time that they are discriminated against, for the reason that the percentage of reserve works out heavier on them than it does in a town like, say, Little Rock. Take the banks in my district; the reserve requirement there is heavier on them than it is in a city like Little Rock, because across the street from the bank in Little Rock is a Federal reserve branch bank.

Upon the proposition of carrying the "float," they claim that as a matter of fact the reciprocal burden is such that they carry the load, and I have two letters to-day in my mail on that.

Mr. POLE. I did not wish to be understood as saying that there was no objection to it on the part of the banks. I meant that there is no objection to it as being a scientific method of collection of checks, that the "float" should not be counted as reserve.

Mr. WINGO. Yes; measured by the standard in the Federal reserve system, and that is that the country banks render all the free service to the Federal reserve banks and to manufacturers and wholesalers in the large cities, and they are not even given credit for postage in collecting drafts on bills of lading. Measured by that standard, of course it is scientific. I know a bank that pays one man $1,200 and he does not do a thing on earth except just run around and perform this free service, and Brother Strong's constituents are kicking because we do not make them preferred creditors. They want to be made preferred creditors if the bank fails.

That is one thing that is putting the country banks out of business, the free service that they have to render to the city banks and to the wholesalers and manufacturers getting the benefit of that, whereas they used to pay for it.

Mr. STEAGALL. It virtually took away what might be termed a vested right when they proceeded to require the small banks to remit their checks and incur the expense of making those remittances and making no charge for it. I never could see that it was fair or morally justified. I have introduced bills here requiring the Federal reserve banks to give immediate credit and permitting them to charge a current rate to cover the time between the receipt of checks and their final payment, which would still relieve the burden on little banks in the matter of balances in times of crop marketing, and so forth.

What would you think of that? There could not be any injustice, in that, could there?

Mr. Pole. I would have to think that over.

Mr. Steagall. Mr. Pole, I had my attention called several times lately to this kind of a stiuation, and this follows what Mr. McFadden suggested just now. There was a little bank in my district that was closed. There has been a great deal said about the merits of that situation, but I have no personal knowledge of it and no desire to attempt to inject an opinion into that matter. It was a State bank that was a member of the Federal reserve system. I have been informed, on what seems to be reliable authority that that bank, with $50,000 capital and $30,000 surplus, owed only $38,000 to the Federal reserve bank. The bank is situated in a community that suffered very severely last year through floods, which were absolutely unprecedented in that county and in that section of the country. This bank had, of course, in the main, farm paper. It owed the Federal reserve bank maturities due some time around December 1. Some weeks prior to the maturity of the paper, the bank was closed.

A customer of that bank would give a check, or give checks, which would be cashed by the payee through another bank in this county. The bank that cashed the check would send it to its correspondent, and the correspondent send it to the Federal reserve bank, and the Federal reserve bank would send it directly to the bank upon which it was drawn. This bank would charge the checks to the accounts of their customers, and surrender the checks to the customers, and remit by cashier's check to the Federal reserve bank. In the meantime the bank upon which the checks were drawn was closed. The Federal reserve bank took the balances maintained by this little bank and applied them to their notes, which it is claimed were not due. The Federal reserve bank then charged the checks back to the next bank, and that bank to the original bank that paid them, and that bank charged them back to the payees. The payees have surrendered their checks; they have been marked paid; they are in the hands of the makers and those checks are charged to them in their accounts at the bank that failed. So the payee of the check has not got any check, nor any credit from the bank; he is left in mid-air.

There are several cases exactly like that. I have an editorial from a paper published in that county, and, by the way, the editor of that paper is an unusual man in point of ability, and a very conservative man. I think he could write editorials creditable to any paper in the country. I have not that editorial with me; it is in my office, but with the permission of the committee, I will insert it in these hearings in connection with what I am saying right now.

(The editorial referred to is as follows:)

[From the Samson Ledger]

HEADS I WIN, TAILS YOU LOSE

(Whatever you may think of the following thoughts, do not attribute them to a sore editorial toe. We have not been tramped upon beyond having some money tied up in the banks under liquidation.—Editor.)

Some things have been brought home to us with much severity as a sequence of the recent closing of the two old Samson banks. One of them is the apparent fact that the laws or regulations governing banks treat the individual depositor as having no rights whatever, while banks, especially the Federal reserve system, are given every consideration. In fact, consideration of certain incidents would in our judgment lead to a conclusion that all laws had broken down and it was a case of might making right.

Each bank affiliated with the Federal reserve system is compelled to keep on deposit with that institution 7 per cent of its demand deposits and 3 per cent of its time deposits. This is entirely separate and apart from collateral for any loans the member banks may obtain from the reserve system. Of course, it is understood that any loans granted a member bank must be secured by approximately 200 per cent face value of security.

The purpose of this reserve is supposed by laymen to be to take care of the balances against the member bank which arise through the collection of checks on it. Heavy interest penalties are imposed upon any bank failing to keep its reserve up to the mark.

One would naturally conclude that when a member bank is compelled to close its doors, that items passing through the Federal reserve bank and which have been charged by the failing bank to its depositors' accounts would be paid by the Federal reserve bank from the member bank's reserve so far as the latter would permit.

However, it doesn't work that way. If there is the slightest reason to believe that a member bank is shaky, it is alleged that the Federal reserve bank at once begins charging back checks on that shaky bank to the banks depositing them for collection. It does not use the shaky bank's reserve fund, but seizes this fund as additional protection for the loans it has made the shaky bank.

It is alleged that this has been done in the case of at least one bank for more than a week before the tottering institution actually had to shut up. This course meant that checks which had been drawn by Mr. A and sent to other places might have come back, been charged to his account and a warrant drawn on the bank's reserve fund, eight days before the bank closed up and yet the money would not be transmitted to Mr. A's creditor.

It is well settled law, it is alleged, that in a case like this the creditor has a legal claim against the closed bank and that he has no claim against Mr. A. But here comes in another quirk. Mr. A wanted to transfer some funds from a bank in one city to a bank in another city. He drew a check on a bank we will call X and deposited it with bank Y. Y sent it through the Federal reserve system for collection. Bank X received the check charged it to A's account and sent a remittance order. Due to the belief that bank X was shaky, the Federal reserve charged the check back to bank Y. Bank Y charged Mr. A's account with it with the amount of the check.

Now you see A's predicament. He can't file a claim against bank X, because X has deducted the check from his account. He can't file a claim against bank Y, because that institution simply says it has not received the money. The way A looks at it (and this is an actual case), he has simply been held up and robbed of that much money with absolutely no redress from anyone.

(Next week we will take up another phase of "Heads I win, tails you lose," provided we are not in jail for this one.)

Mr. Steagall. Now, Mr. Pole, how does that come about? I am reasonably sure that I have painted this picture correctly, and you can understand how that sort of thing will beget irritation, resentment, and an unhealthy state of mind toward the Federal reserve banks and toward the whole banking world, and I do not think it ought to happen. I think something ought to be done about it.

Mr. Pole. On this state of facts, it would seem that it might be a little unfair to the customer. At the same time, I think those settlements are usually made in accordance with court decisions.

Mr. Steagall. Let me ask you this: Would the courts uphold the right of the Federal reserve bank to send these checks directly to this bank that had failed for collection and, when the banks have balances there to take care of the checks, to take those balances and apply them to the payment of paper not due, and then charge those checks back finally to the payee and make him lose that money? I do not think the courts would uphold that. They may have some kind of a contract covering such cases. Is it not regarded as negligence on the part of the Federal Reserve bank to send checks directly back to the bank on which they are drawn?

Mr. POLE. You are asking legal questions based upon certain sets of fact, which I am not prepared to answer.

Mr. STEAGALL. Maybe I should not have asked you that.

Mr. WINGO. May I interrupt there? There has been a group of complaints based upon the illustration that the gentleman from Alabama (Mr. Steagall) has used. I think it would be helpful to the committee if the comptroller would have his counsel insert in the record at this point any court decision that holds that after the drawer of a check has received it back and it has been cancelled, that then the Federal reserve bank can go back on the indorsers and make them liable. Of course, you can not make the drawer liable. I would like to find some decision of some court that will hold that what the Federal reserve bank has done in at least one instance was legal. Of course, it was not tested in court, because the bank was afraid to. You take the average country bank; it has no more idea of bucking the Federal reserve bank—why, some of them are even afraid to talk. They will talk to you confidentially, but they are "buffaloed"; they are scared to death, most of them, and when one case was brought to my attention I asked them, "Why do you not sue?" The attorney said to me, "I suggested that to the board of directors and they abhorred the very idea of getting into litigation with the Federal reserve bank." They are in a precarious condition now and they are afraid to protest.

Your counsel is familiar with this type of cases, and I would like to have any court decision, either State or Federal, that has sustained the Federal reserve bank in a proposition of this kind.

Mr. AWALT. On the basis of the facts stated by Mr. Steagall?

Mr. WINGO. You know the case I am talking about, where a check was cleared through and subsequently the bank failed and the Federal reserve bank realized on the remittance. There has been at least one case that I know of where the Federal reserve bank went back on the indorsers of that check, and when the first indorser went back to the drawer, he said, "My money has been taken away from me," and, of course, you could not bring suit against him.

The CHAIRMAN. Have you further questions?

Mr. WINGO. And I would like to have the court decisions on that point.

Mr. POLO. I think I understand what you want.

Mr. STEAGALL. That is the case I have in mind, and there are numbers of those cases in this particular bank that I mentioned, which have been called to my attention.

The Federal reserve banks perform an enormous free service in the collection of checks and naturally do not assume any liability except for their own negligence and their guaranty of prior indorsements. Each year they collect nearly 900,000,000 checks amounting to approximately $300,000,000,000; and it would be an intolerable burden to require them to guarantee the collection of all these checks or to absorb any loss which might be incurred without any negligence on their part. They, therefore, act only as agents in the collection of such checks and expressly reserve the right to send them directly to the banks on which they are drawn and to receive remittance drafts in payment. They also reserve the right to charge back to the account of the sending bank the amount of any check for which payment in actually and finally collected funds is not received. Their right to do so has been upheld in the following cases:

Craven Chemical Co. *v.* Federal Reserve Bank of Richmond (C. C. A., 18 F. (2d) 711).

Fergus County *v.* Federal Reserve Bank of Minneapolis (244 Pacific, 833).

Chicago, Milwaukee & St. Paul Railway Co. *v.* Federal Reserve Bank of San Francisco (260 Pacific, 262).

Transcontinental Oil Co. *v.* Federal Reserve Bank of Minneapolis (214 N. W. 918).

The trouble with the present system is a fictitious ruling of law which is very well established but which results in injustice. I refer to the rule, when a check has been charged to the drawer's account, it is deemed to have been paid and the drawer is released, even though the bank on which it is drawn fails without actually paying anybody. This results in a loss to the innocent holder of the check and results in the drawer of the check having his deposit in the failed bank paid in full to the extent of such check, while other depositors have to share the loss ratably.

Where a bank fails without remitting for checks drawn upon it the situation necessarily results in a loss to some innocent party. In such a case the rule of equity should apply, that, where one of two innocent parties must suffer, the one who made the loss possible is the one to suffer. In a case such as this, the drawer of the check made the loss possible by selecting that particular bank to do business with; and he should suffer rather than the man who did not select that bank as his depository. Certainly, neither the Federal reserve bank nor any commercial bank through which the check was sent for collection should have to suffer the loss, unless the loss resulted from its negligence.

Under modern conditions, it is a physical impossibility for all out-of-town checks to be presented across the counter and collected in cash in accordance with the old common law rules, and the present method of sending checks through the mails to the banks on which they are drawn and accepting drafts on other banks in payment is the only way that I know of in which the great volume of checks now used in the United States can be collected.

For the further information of the committee, I desire to call your attention to the fact that the practice of the Federal reserve banks in giving member banks deferred credit for checks which can not be collected on the day they are received by the Federal reserve banks has been upheld by the courts in the case of Pascagoula National Bank *v.* Federal Reserve Bank of Atlanta, 3 Fed. (2d) 465, 269 U. S. 537, 11 Fed. (2d) 866, certiorari denied, 271 U. S. 685.

The CHAIRMAN. Mr. Seiberling.

Mr. WINGO. Before you commence, may I ask Mr. Pole one question, because I have a letter from a bank to-day that I want to answer?

What is your definition, or what would be your definition under your proposal of a trade area for a bank? I will tell you what I have in mind. In our country, Memphis, Kansas City, and St. Louis all contend that Oklahoma, Arkansas, and Texas are their trade area. Evidently you do not concur in that broad area?

Mr. POLE. No.

Mr. WINGO. What would be your definition of a trade area? In what trade area would Arkansas be included?

Mr. POLE. The trade areas in my report to Congress were left to the determination of Congress, as to what it considered to be the proper trade area, upon the basis of the natural flow of business to any metropolitan center.

Mr. WINGO. That would make Arkansas in the trade area of both St. Louis and Kansas City.

Mr. POLE. As to how far that should reach out is a question for consideration.

Mr. WINGO. Suppose it were left to you?

The CHAIRMAN. The thought occurs to me; might not Little Rock be considered the center of the trade area for Arkansas?

Mr. POLE. Little Rock would naturally be the center to which trade flowed. There would in each trade area be a point to which it would flow naturally, a metropolitan center.

Mr. WINGO. Do you know that from some points in my district you can go to Kansas City or St. Louis quicker than to Little Rock, and most of our wholesale trading and large banking is done with those two cities. Since we are putting in the highways, we have relieved that to a great extent, but until we developed our highway system, Kansas City and St. Louis were nearer to us than Little Rock for business purposes. Little Rock is growing rapidly as a trade area, but as a matter of fact it is not a metropolitan center. Take the wholesale trade; take the purchasers of shoes, hats, clothing, and the marketing of hogs and cattle and cotton and things like that—they do not go to Little Rock from my district.

Mr. POLE. Of course, Little Rock has a very definite trade area.

Mr. WINGO. Yes; Little Rock, a splendid city, has a very definite trade area, and so has De Queen, and each town has a definite trade area.

The CHAIRMAN. Mr. Pole, in view of the importance of this as an integral part of your recommendation, I believe the committee would appreciate it if you would briefly elucidate your thoughts as regards trade areas. If you will do that I will ask that it be put into the record at this point.

Mr. WINGO. The reason I asked you the question is that I have a letter from a banker who states: "I am interested in knowing what trade area my city would be put in. Would it be put in the Kansas City or St. Louis trade area, and would my bank be taken over by a bank in Kansas City or St. Louis?" He is figuring on the future. I have written him what I thought was going to happen to him.

Mr. POLE. That is a very complex question, but I will be glad to submit something to the committee on it.

(The memorandum on the subject submitted by the comptroller is as follows:)

FURTHER DISCUSSION OF THE TERM "TRADE AREA"

In the written statement which I read before the committee I devoted five paragraphs to the discussion of the question of the trade area to which I had previously referred in my annual report to Congress. Without repeating the previous discussion I may say that it covered the following points:

(1) The trade area of a given city is that geographical territory which embraces its flow of trade.

(2) Every city, no matter how small, has a trade area.

(3) A trade area sufficient to support a sound system of branch banking by a given bank must be of sufficient area or of sufficient economic development to permit of the acquisition of a diversified banking business.

(4) No legislative formula has been prepared which would in itself delimit all of such trade areas in the United States.

(5) A suggestion was made that Congress might find it advisable in determining the actual physical limits of the trade areas to follow a procedure similar to that laid down in the Federal reserve act for the delimitation of the Federal reserve districts.

I have therefore in my previous statement to the committee covered this subject so far as the general principles are concerned. It is recognized that their detailed application may present a multitude of practical questions many of which we can not now foresee; that is to say, questions of boundary limits and adjustments of the boundary lines between trade areas. The fundamental principle, however, seems to me to be absolutely sound that city banks of sufficient ability be permitted in a more convenient manner than is now possible to serve the people in the trade area tributary to the city in which the bank is situated. Mr. Wingo has raised the question of the overlapping of trade areas; that is to say, a small city may be situated within more than one trade area. It seems to me that this does not present a serious difficulty. It would simply mean that in such a city there might be branches of banks with head offices in different trade areas. This might prove to be an advantage to such a city through increased banking competition.

As to the size of the parent bank, under such a branch banking system as I have suggested, it seems advisable to consider the question of a minimum capitalization as a condition precedent to the establishment of branches in the rural districts in the trade area. In this respect discretion should be allowed the Comptroller of the Currency to require a capitalization higher than the minimum, as he now does with unit banks. Some trade areas are naturally more important and more highly developed financially than others. A bank of one million capitalization in some trade areas might be considered a large enough bank to support a branch system, whereas in other trade areas it might be small by comparison. To support a system of branches within a trade area the bank should be of undoubted strength and prestige in order to discharge the responsibilities which such an undertaking entails. This situation would be met if Congress required a minimum capitalization for a branch banking institution of $1,000,000. Such a provision would automatically determine, to some extent, the size of the trade area for branch banking purposes. They would have to be large enough, at least, to support a bank of that size.

In the exercise of his discretionary power to require a greater capital than the minimum, the situation presented to the comptroller would be relatively the same as it is now. Two hundred thousand dollars is the minimum capital for national banks in large cities, but the actual capital required in some important cities is in excess of that amount. Trade areas would vary in their financial importance in the same manner.

Mr. Wingo, in referring to the city of Little Rock in his State, has brought out two very important considerations bearing upon he question of the extent of trade areas. One was that by reason of the lack of arterial highways the metropolitan centers of Kansas City and St. Louis were more available to many portions of Arkansas than Little Rock, from the standpoint of the flow of trade, but that under a system of modern highways leading from Little Rock that city would become a metropolitan center. This is a clear illustration that what constitutes a given trade area is a question of fact and while it is simple enough to define the term "trade area" by statute, it is an entirely different thing to make a practical application of that definition. It took only a few words to define the principle upon which the Federal reserve districts were laid out, but it took many months of careful study and investigation by executive officials to lay out those districts.

The following is the language from the Federal reserve act:

"The districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed 12 in all. Such districts shall be known as Fedreal reserve districts and may be designated by number."

We may, for example, say that a trade area is that geographical area which embraces the natural flow of trade from an outlying geographical territory to and from a metropolitan center. The term "trade," it seems to me, as Mr. Wingo has already suggested, must embrace the wholesale as well as the retail purchase and distribution of goods and commodities. That is to say, the trade area must have a rather definite economic autonomy.

Having, however, arrived at this definition it seems to me that Congress could not go much further by way of legislative enactment lest too many conditions in the law create a system of trade areas which would lack flexibility. Some executive agency or some agency created by Congress should actually lay out the trade areas.

Again it seems to me that it would not be wise to attempt to use the population figures as a basis for determining the principle of the selection of the metropolitan centers of trade areas. The size of a city may be no indication of its relative economic importance to the surrounding community. Bridgeport, Conn., with a population of 160,000 could not be considered an independent metropolitan center but is tributary to New York City and is within the New York City trade area, whereas Shreveport, La., with a population of 81,300 might be found to be the center of a trade area of the scope above discussed.

In the discussion of the question of the term "trade area" I have several times used the expression that in my opinion the trade area should not be in any case greater or more extensive than the present Federal reserve districts. In saying this I was attempting to lay down a general rule, the Federal reserve districts being the largest possible regional economic areas which we have established by law. I have no doubt it is a fact that there are many trade areas of less extent than the Federal reserve districts. That is to say, metropolitan centers with a definite area of wholesale and retail trade in the surrounding country but within a Federal reserve district. I realize, however, that there are metropolitan centers situated so near Federal reserve district lines that the surrounding trade area embraces territory in more than one Federal reserve district. In such a case the trade area rather than the Federal reserve district lines should govern. Kansas City is such an example.

Again it seems to me it must be recognized that trade areas and the development of metropolitan centers within them have come about without reference to State lines. Very often the shape of a State may be a great influence in this connection. For example, the State of Tennessee is long and narrow and its three principal cities, namely, Memphis, Nashville, and Chattanooga, all have trade areas extending into other States. The trade area of Spokane, Wash., extends into Idaho and Montana; of Omaha, Nebr., into Iowa and Missouri; of Cincinnati, Ohio, into Kentucky; of Los Angeles into Arizona and Nevada; of Pittsburgh into Ohio and West Virginia.

I wish again to emphasize the consideration that in mentioning the term "trade area" I am not presenting a new idea, but am suggesting that Congress avail itself of an existing condition. The trade areas are already here. They have grown up through years of development but are being more clearly defined under modern conditions of communication and transportation. Metropolitan banking as it exists to-day reckons with the trade area. Rural banks in a trade area are correspondents of the large city banks in the metropolitan center of that area. Residents in the outlying rural communities, both business men and farmers, transact business with such metropolitan banks. Many such inhabitants in the outlying sections of the trade area carry their large deposit accounts with the metropolitan bank and maintain only small balances with the small local bank. The prosperous farmer or country merchant or manufacturer, even under present conditions, deals directly with a metropolitan bank in his trade area with respect to his most important financial transactions. In many cases the loaning limit of the local bank is too small to meet his requirements, and recourse must be had to the stronger city banks. This is particularly true as to corporations dealing in farm commodities, lumber, mining, and the like.

Again, when an individual or a corporation in the rural districts wishes to purchase securities for investment recourse is had to the securities department of the large city bank rather than to the local bank. Also, if he wishes to establish a trust fund of any kind or to leave his estate in trust for his heirs he goes to the trust department of the metropolitan bank of the trade area and appoints that bank as his trustee or executor rather than the small local bank in his particular community. These two great fields of banking, namely, investment securities and fiduciary business, are under our present banking conditions carried on almost exclusively by the large banks in the metropolitan centers, in which respect they serve the entire trade area. The local country bank is not in a position to offer to its community adequate facilities as to these two types of business. Similar examples might be mentioned as to other departments of large city banks which also serve the entire trade area, such as the foreign department dealing in foreign exchange and information about foreign business. It is apparent, therefore, that the existing banking conditions in trade areas, even where no branch banking and no group banking is in operation, are causing the cream of the banking business to go from all points in the trade area to the central metropolitan banks, leaving the small local bank with the smaller, less profitable, and more restricted type of business. The small bank is not acquiring a sound diversification of business even in its own small trade area. Here, in my opinion, is the real cause for the failure of small banks in the rural communities, and every other local, immediate, proximate cause which may be assigned for a given failure must be simply regarded as a secondary cause.

It seems quite clear, therefore, that there is no hostility among the people in the rural communities toward the large city banks in the metropolitan centers of their respective trade areas. On the contrary, the average citizen seems, regardless of the question of the maintenance of a local independent bank, to prefer to do his most responsible banking business with a distant bank of the metropolitan type rather than with the more conveniently situated local community bank. If all of this banking business which now goes from the outlying districts of the trade area to the metropolitan centers could be forced back into the local independent country banks the country banker might look to the future with complacency. But that is an economic impossibility. It is the local community itself which is expressing a preference for the type of banking which the large city bank can give.

Under the branch banking plan which I have suggested the same metropolitan banks would take their services to these communities through a system of branches and would afford to the entire community adequate banking facilities. In other words the big loans as well as the small loans and the big deposits as well as the little deposits would be made directly in the local rural community. Such a community would also have immediate access to the securities department of the large bank and to its trust and foreign departments in all of their ramifications.

I have therefore attempted to lay before your committee a suggestion which would fit into the present economic trend and which would at the same time preserve the outlying communities in the trade areas from the calamitous effect of local bank failures.

The question has been asked by several members of this committee as to what recommendations for legislation I would make with respect to restrictions upon the consolidation of branch banking systems in order to avoid the danger of monopolistic control of banking within a trade area. In answer to this question I wish to call attention to the statement I made to the committee that the natural economic development would ordinarily continue to create a competitive banking situation within a given trade area. A banking institution must have the support of local public opinion in order to succeed and it would seem natural that under our system of issuing bank charters there would always spring up within a trade area new banking institutions if there be enough business to support more than one bank, such as certainly would be the case in any trade area large enough to give a diversity of business sufficient to support the type of branch banking I have suggested.

We are of course considering a possible future condition and the discussion of the question of undue concentration of banking resources in a given trade area under the plan of branch banking which I have suggested is necessarily academic. However, the theoretical possibility of undue concentration must be admitted. In the event of such branch banking legislation, how far Congress should go or could go in attempting to guard against the possibility of a monopolistic control of banking resources within the trade area I am not prepared definitely to recommend. I shall however, attempt to discuss several aspects of this situation.

The authority which Congress has already exercised over the consolidation of a national bank with another national bank or a national bank with a State bank under national charter would cover only one phase of the question. If the Comptroller of the Currency denied the application of such banks to consolidate under national charter upon the grounds of public policy they could forthwith consolidate or merge under State charter and Congress would thereby be deprived of all supervision and control over the institution so far as the office of the Comptroller of the Currency is concerned. If the State law gave to State banks branch banking privileges in the trade area equivalent to those granted by Congress to the national banks the concentration of banking resources to an undue extent, if such a thing did take place, could be had under the State law if the State as a matter of policy permitted it. If the State bank were a member of the Federal reserve system and if it be true that Congress has the power to impose on State member banks of the Federal reserve system the same restrictions as to consolidations or mergers which may be imposed upon national banks—and I am not prepared to offer an opinion on this legal question but leave that to the Federal reserve authorities—there would still remain the possibility of the consolidation of branch systems outside of the Federal reserve system. In other words, would not such legislation have a tendency to drive the branch banking institutions outside of the Federal reserve system where Congress would have no control over them?

This brings up another important question and that is the desirability of establishing a system of branch banks which would operate solely under the national bank law and which could not escape Federal jurisdiction and the effect of a Federal policy by switching over to State charters. What I have in mind is that if the trade areas were based solely upon economic considerations—such as was done in laying out the Federal reserve districts—and State lines disregarded, would not that be one way of holding branch banking institutions under Federal authority and subject to Federal control. They would remain National banks in order to gain the benefits of operating across State lines. There may, however, be other means of meeting this situation which do not occur to me.

Under any reasonable system, however, it may be found that there will be trade areas entirely within the boundaries of a single State and it is not clear to me how Congress could control consolidations in those areas where the State law had given equal or greater branch banking powers to the State banks. In other words, how could Congress prevent a nonmember State branch banking institution from consolidating with another nonmember State branch banking institution under the authority of the State law?

There have already been mentioned at these hearings three other means by which it might be possible for banking institutions to amalgamate their interests or otherwise attempt to eliminate competition within a trade area.

(1) The purchase of assets and the assumption of liabilities by one bank of another;

(2) The purchase of the control through acquisition of stock by a holding corporation; and

(3) An agreement between banks not to compete within the trade area.

I shall take these up in order. In the matter of the purchase of the assets of a national bank or a State bank by another national bank or the purchase of the assets of a national bank by a State bank the Comptroller of the Currency has nothing to say. It is a matter of contract between the institutions over which no power of control has been conferred upon the comptroller. Under the present state of the law the comptroller would have no way of preventing one branch banking institution from purchasing the assets and assuming the liabilities of another such institution within the same trade area. That control could be given by Congress and that is a matter to which I invite your consideration.

In the matter of the acquisition of control by holding companies a much more difficult situation is presented. It is obvious that in the absence of restrictions to the contrary it might be within the realm of possibility for a holding company to acquire stock control over more than one branch banking system within the same trade area. From a practical standpoint there would, of course, be many factors to be considered, such as whether it would be good business for the holding company to attempt such control; whether the local branch system would be willing to enter into such an arrangement and other such questions, growing out of the local situation. In other words, the local conditions may not favor such a purchase by an outside holding company. Nevertheless, the possibility of such control must be admitted.

This is one of the questions before this committee. It is not a situation created by any position I have taken. It is not a future condition contingent upon the possible enactment of branch banking legislation. It is a present condition and is involved in the present group banking movement. Your committee will no doubt have before it spokesmen from the leading group bank holding companies and will obtain from them first-hand information and views which naturally I am not in a position to give. I am not now prepared to make recommendations to Congress with respect to the ownership of national-bank stock or State member bank stock by holding companies. When the committee has gotten along further in these hearings and there has been developed more complete information with respect to group banking I shall be glad to offer my further services to the committee.

As to the third question, that of a gentlemen's agreement to eliminate competition within the trade area, such as has been mentioned by the gentleman from South Carolina (Mr. Stevenson), I should not anticipate a general resort to any such plan. The natural desire to build up a banking business within the trade area would have the strongest tendency to lead all of the branch banking institutions to compete for business all over the trade area. It must also be borne in mind that under any such national banking plan of branches within a trade area the Comptroler of the Currency would have the discretionary power to permit the establishment of a branch, and I can not think that he would cooperate with any bank in eliminating competition. But assuming the possibility of such a scheme, it might be advisable to consider the application of the antitrust laws in the premises. On this point, however, I am not prepared to make recommendations. The subject is new and largely hypothetical in its application to the plan I have suggested. It might be time enough to deal with such a situation after it may have arisen in any one particular trade area. It would always be within the power of Congress to deal with that situation.

The CHAIRMAN. Now, Mr. Seiberling.

Mr. SEIBERLING. Mr. Pole, in view of the fact that section 8 of the Constitution of the United States provides that the Congress shall have power—

To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures:
To provide for the punishment of counterfeiting the securities and current coin of the United States.

And further, in section 10, that—

No State shall * * * coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts.

In view of this, do you think it was intended by the founders of our Government that the National Government should have an absolute monopoly in so far as providing a free circulating medium of the money system of the country is concerned?

Mr. POLE. I understand the courts have so held.

Mr. SEIBERLING. Now, the importance of banking and its relation to the happiness and contentment of the people in general is of greater importance, is it not, than that of any other business of the country?

Mr. POLE. It is extremely important.

Mr. SEIBERLING. As a matter of fact, you can not buy milk for your babies unless you have money or credit, can you?

Mr. POLE. Obviously.

Mr. SEIBERLING. Can you give me the total deposits in the banks of the country at the present time?

Mr. POLE. May I set that out in the record?

Mr. SEIBERLING. Yes.

Mr. POLE. It is about $58,000,000,000. I will correct that for the record.

Mr. SEIBERLING. Can you tell me what part of these deposits are savings deposits and what part postal savings deposits and what part commercial deposits?

Mr. POLE. May I insert those in the record also?

Mr. SEIBERLING. Yes.

(The information referred to is incorporated below:)

| | | |
|---|---|---|
| Due to banks (demand balances) | | $3, 629, 197 |
| Certified and cashiers' checks (including dividend checks), and cash letters of credit and travelers' checks outstanding | | 837, 430 |
| Demand deposits (other than bank and United States): | | |
| Individual deposits subject to check | $21, 427, 747 | |
| State, county, and municipal deposits | 1, 960, 543 | |
| Certificates of deposit (other than for money borrowed) | 412, 593 | |
| Other demand deposits | 549, 281 | |
| Total | | 24, 350, 164 |
| Time deposits (including postal savings): | | |
| State, county, and municipal deposits | 418, 383 | |
| Deposits of other banks | 133, 085 | |
| Other time deposits— | | |
| Deposits evidenced by savings pass books | 24, 029, 247 | |
| Certificates of deposit (other than for money borrowed) | 3, 169, 073 | |
| Time deposits, open accounts; Christmas savings accounts, etc | 919, 877 | |
| Postal savings deposits | 117, 952 | |
| Total | | 28, 787, 617 |

| | |
|---|---|
| United States deposits (exclusive of postal savings) | 286, 112 |
| Deposits not classified | 20, 121 |
| Total deposits | 57, 910, 641 |

Mr. SEIBERLING. Now, in a general way, to what class of people do these savings deposits in the banks belong?

Mr. POLE. Usually to the less affluent members of society.

Mr. SEIBERLING. They are the clerks, the workingmen, and the farmers who have put their money in the banks, saved it for a future emergency if it should arise?

Mr. POLE. That is right.

Mr. SEIBERLING. Now, the banking system in reality provides a great reservoir in which those who have surplus funds deposit them for a rate of interest which the bank is willing to pay, which gives the bank an opportunity to lend these funds to those who have insufficient funds for a rate of interest which the bank is willing to take, is not that right?

Mr. POLE. Yes; subject to the limit of State law.

Mr. SEIBERLING. The banking system, therefore, in a general way fixes the rate of interest to be paid on deposits and also, subject to the usury laws of the various States, fixes the rate which the borrower has to pay?

Mr. POLE. That is true, except that the interest which may be paid on time deposits is frequently fixed by statute.

Mr. SEIBERLING. In some States.

Mr. POLE. Yes.

Mr. SEIBERLING. There are States where the banks pay no interest on deposits at all?

Mr. POLE. I know of none.

Mr. SEIBERLING. I think there are still such banks as that.

Mr. POLE. There may be banks, but they are not all the banks of a State.

Mr. SEIBERLING. I know, but some banks.

Mr. POLE. Possibly some banks which do not take savings.

Mr. SEIBERLING. That depends on competition, does it not, in their localities?

Mr. POLE. Yes, there might be some few banks.

Mr. SEIBERLING. If there is only one bank in a locality, it can decline to pay any interest to the depositors, can it not?

Mr. POLE. They would have the right to do so.

Mr. SEIBERLING. Do you look upon deposits as the raw material of the banking system?

Mr. POLE. Yes, to an extent, if you put it that way; but the deposits are not the property of the bank.

Mr. SEIBERLING. Is there any other business that you know of where the managers of the business subject to local competition pay the prices they wish to pay for the raw material, and sell the use of it at the price they wish to charge to the one that wants it?

Mr. POLE. Banks receive deposits and loan them under highly competitive conditions.

Mr. SEIBERLING. I want to go into the functions which the Government performs in connection with national banks. Will you tell me some of those functions?

I have some of them here, if you want me to assist you?

Mr. POLE. Yes, thank you.

Mr. SEIBERLING. Well, the granting of charters is one, is it not?

Mr. POLE. Yes.

Mr. SEIBERLING. And the coining and printing of money is another?

Mr. POLE. Yes.

Mr. SEIBERLING. And that is done without charge, I understand.

Mr. POLE. Yes.

Mr. SEIBERLING. Who pays for the examination of banks?

Mr. POLE. The banks themselves.

Mr. SEIBERLING. Now, as to the passing of necessary laws for the protection of the banking system, that, of course, is a matter that the Government has to do. The Government has also provided a Federal reserve system for the general benefit of all member banks, whether national or State, has it not?

Mr. POLE. Yes.

Mr. SEIBERLING. And it has to maintain the gold standard so as to secure the stability of money for the benefit of the banks, does it not?

Mr. POLE. That is a governmental function.

Mr. SEIBERLING. In view of all these facts, will you say that banks can properly be classified as quasi-public corporations?

Mr. POLE. I would.

Mr. SEIBERLING. Are they not more so than any other quasi-public corporations that you know anything about?

Mr. POLE. In my opinion; yes.

Mr. SEIBERLING. Then proper facilities for banking are of more importance to the people as a whole than transportation of persons and freight or the proper means of communication—for instance, railroads, express companies, and telegraph and telephone companies?

Mr. POLE. Banks are a most important factor in our economic life.

Mr. SEIBERLING. And, while banks are privately owned the same as other public utilities, is not the nature of their business and the relationship of their business to the Government such that they owe a greater duty to the people at large in the matter of service than any class of corporations which have been mentioned, and is not this especially true since the people themselves, by their deposits, to a large extent furnish the money which is reloaned by the banks to borrowers?

Mr. POLE. That is correct.

Mr. SEIBERLING. Now, the proper and regular supply of money at reasonable rates is necessary to keep industry going and labor employed, and to purchase the products of the farm?

Mr. POLE. Yes.

Mr. SEIBERLING. I want to ask you a question which is somewhat academic, but I am interested in knowing what your judgment is about it, and that is, what percentage of the bank's objective, in your judgment, should be service to the public and what percentage should be profit to stockholders?

Mr. POLE. That is academic, indeed.

Mr. SEIBERLING. Should it all be for the stockholders?

Mr. POLE. No, I think that the one is necessary to the other, that the bank which gives no service probably makes very little profit for the stockholders, because its business is built up on service in large part. The profit to stockholders is so important that if the return were diminished to any very extraordinary extent, the chances are that the bank stocks would not sell, people would not invest money in bank stocks. In order to build a bank up to a point where it becomes profitable and is able to make a return on its shares it is necessary that that bank extend its facilities and offer every banking service to the public.

Mr. SEIBERLING. I want to make it perfectly plain that I am a director in the largest bank in my city, and have been for many years, and that I am interested in the proper return for capital.

Mr. POLE. Naturally.

Mr. SEIBERLING. And I am here at all times to protect that, but I would like to get your judgment as to what percentage the objective of a banker should be with respect to service to his community, and what the percentage should be with respect to profit gained for stockholders.

Mr. POLE. Each is equally important.

Mr. SEIBERLING. Now, as to the attitude of banks and bankers toward a community, they can either develop a community or can greatly restrict it by their policy, can they not?

Mr. POLE. It is to their interest to develop the community.

Mr. SEIBERLING. Do you think it is possible for this committee or Congress to legislate properly upon the banking system unless it has the whole picture?

Mr. POLE. I think that it is very necessary.

Mr. SEIBERLING. You have painted a very disastrous picture as to the small banks in the South, Southwest, and Northwest, but you omitted to paint the rosy picture in connection with the banking business in the metropolitan centers, especially in the East, and in order that we may have the entire picture, I desire to insert in the record portions of a statement which I have here, but it will be in the form of testimony.

Do you know who Ralph B. Leonard & Co. are, of New York?

Mr. POLE. I understand they are dealers in bank stocks.

Mr. FENN. May I ask what that paper is that Mr. Seiberling has?

Mr. SEIBERLING. I am going to state what it is.

Ralph R. Leonard & Co. are very responsible brokers, are they not, in bank stocks?

Mr. POLE. I do not know as to their standing in New York.

Mr. SEIBERLING. You have heard of them, have you?

Mr. POLE. Yes.

Mr. SEIBERLING. They have a good reputation?

Mr. POLE. As far as I know.

Mr. SEIBERLING. I want to put into your hands here a statement put out by Ralph R. Leonard & Co. dated in January, 1930, called, "A 5-year analysis of New York City bank stocks."

Is it not a fact that this statement shows that the 25 national banks in New York City, in the last five years prior to December 31, 1929, paid dividends to stocksholder at an average rate for all banks of 70 per cent for the period upon their stock?

Mr. GOLDSBOROUGH. On the par value?

Mr. SEIBERLING. Yes.

Mr. POLE. I am not informed.

Mr. SEIBERLING. I will show it to you right here. This is the average for all of the 25 national banks.

Mr. Goodwin. For a 5-year period?

Mr. Seiberling. Yes.

Mr. Pole. According to this statement, those figures seem to be correct.

Mr. Steagall. May I interrupt?

Mr. Seiberling. No; I do not want an interruption, because I have listened patiently to everybody.

Mr. Steagall. I just wanted to ask what date that was.

Mr. Seiberling. I gave the date; January, 1930.

Mr. Steagall. That covers last year?

Mr. Seiberling. Yes.

Mr. Steagall. That is what I wanted to get. They are very interesting figures, and I wanted to get them in my mind.

Mr. Pole. The percentage paid in dividends——

Mr. Seiberling. The statement gives you the average, at the bottom of it.

Mr. Pole. Average, 70 per cent.

Mr. Seiberling. That is for the 5-year period. If you want to get the average paid per year, you divide that average by five.

Mr. Pole. Where does it say it is for the 5-year period?

Mr. Seiberling. On the front.

Mr. Pole. I see. Of course, I am not familiar with this.

Mr. Seiberling. You have your detailed earnings there for five years.

Mr. Pole. Yes.

Mr. Seiberling. But before that you have the average dividend for the period.

Mr. Pole. I see.

Mr. Seiberling. Now during the year 1929—and I am speaking now of just the year 1929—these 25 national banks increased their surplus and undivided profits account to the extent of $139,005,500, in addition to an average dividend of $16 per share on the capital stock. That is in the column marked "Average."

Mr. Pole. Yes, the average current rate of dividend was $16.

Mr. Seiberling. That does not take into account any stock dividends declared during the entire period of five years and charged against surplus acconut. There were some, but I can not pick out the banks now. That does not take that into account.

Mr. Pole. In a good many instances.

Mr. Sieberling. Now, during the same five years ended December 31, 1929, the 34 trust companies paid an average dividend for the period of 61 per cent of the par value of their capital stock, did they not?

Mr. Pole. According to this statement; yes.

Mr. Seiberling. During the year 1929—and I am speaking now only of the year 1929—the same trust companies increased their surplus and undivided profit account to the extent of $587,966,300, did they not?

Mr. Pole. I do not know exactly where you get that, but I assume that is correct.

Mr. Seiberling. You have in the one column the surplus and undivided profits of the banks for December 31, 1928, and also in the other column for December 31, 1929, and I have had these figures added up on the adding machine.

Mr. POLE. How much did you say?

Mr. SEIBERLING. They have increased their surplus and undivided profit account to the extent of $587,966,300.

Mr. POLE. I do not know that I understand this statement.

Mr. SEIBERLING. It would take you too long to add those columns.

Mr. POLE. Well, I was going by the averages, that the difference between the surplus and undivided profits on December 31, 1928, and those for 1929 was about $10,000,000, and that, multiplied by 34——

Mr. SIEBERLING. Would be $340,000,000.

Mr. POLE. $340,000,000.

Mr. SEIBERLING. That is the computation I made in the beginning, but after adding them up on the adding machine, my secretary tells me that the amount arrived at is the amount I reached.

Mr. POLE. That should be more nearly correct, of course.

Mr. SEIBERLING. This increase in surplus and undivided profits was in addition to the average dividends for the year 1929 of $13.40 per share on the par value of the trust company stock, and this does not include or take into account any stock dividends during the period charged against the surplus account, does it?

Mr. POLE. I accept your statement as to that.

Mr. SEIBERLING. Now, taking that statement, can you give me the capital stock of the National City Bank of New York City, and the par value of its shares?

Mr. POLE. $110,000,000 capital; $20 par.

Mr. SEIBERLING. You divide $110,000,000 capital by $20 par, and you get 5,500,000 shares, do you not?

Mr. POLE. Yes.

Mr. SEIBERLING. Can you tell me what the highest price was that that stock sold for on the stock exchange during the peak of prices?

Mr. POLE. My recollection is something over $500.

Mr. SEIBERLING. It was $575 a share, was it not?

Mr. POLE. Yes.

Mr. SEIBERLING. Now, if you multiply the number of shares by $575, you get a selling price of that stock—aggregate selling price—of $3,162,500,000.

Mr. POLE. Yes.

Mr. SEIBERLING. Now, let us take the statement of the National City Bank of 1929. Take its capital stock of $110,000,000 and surplus of $129,650,200 and add to that the deposits, $1,649,544,300. You get an aggregate total of capital, surplus, and undivided profits and all deposits of $1,889,194,500, so that it appears that, while you were enforcing the double liability against stockholders in many banks of other sections of the country, the capital stock of this large metropolitan bank was selling at an aggregate price equal to almost twice the aggregate amount of its capital, surplus, and deposits. That is correct, is it not?

Mr. POLE. Correct.

Mr. SEIBERLING. For the moment the country forgot the deposits were liabilities of the bank instead of assets, apparently?

Mr. POLE. I did not get that.

Mr. SEIBERLING. For the moment the country must have forgotten that the deposits of banks were liabilities instead of assets?

Mr. POLE. I think that is the case.

Mr. FORT. I wonder if Mr. Seiberling will permit just one statement in the record at this point?

Mr. SEIBERLING. Yes.

Mr. FORT. I think he wants properly to convey the picture. In the market price of the National City Bank stock is included in the market value placed on the National City Bank's companies?

Mr. SEIBERLING. I am going to get to that. These earnings are also——

Mr. FORT. The earnings of the two——

Mr. SEIBERLING. I will get to that a little later. I desire to take up now the individual cases of only three banks—the Chase National Bank, the City National Bank, and the Guaranty Trust Co.

The Chase National Bank has a capital stock, at par, of $20, I believe.

Mr. POLE. According to this statement; yes.

Mr. SEIBERLING. And it had a capital stock on December 31, 1928, of $60,000,000; on December 31, 1929, of $105,000,000——

Mr. POLE. According to this statement.

Mr. SEIBERLING. And it had a surplus and undivided profits as of December 31, 1928, of $77,498,400, and, on December 31, 1929, of $136,364,100.

Mr. POLE. That is in accordance with the statement.

Mr. SEIBERLING. I guess there are 77 cents to be added on there.

Mr. POLE. Yes.

Mr. SEIBERLING. Now, the deposits of the Chase National Bank as of December 31, 1928, were $1,126,781,600, and the deposits as of December 31, 1929, were $1,248,219,400.

They paid, during that year, 1929, $4 dividends. I say the dividend rate is fixed at $4. They are paid in quarterly periods, and I assume that is $4 a year.

Mr. POLE. Yes, sir.

Mr. SEIBERLING. You will note that the deposits of the bank increased only about $126,000,000 and the earnings of the bank, according to the surplus and undivided profits, increased in the neighborhood of $60,000,000. Now, how do you account for such earnings as that, when the increase in deposits was so small?

Mr. POLE. I would not attempt to account for it, Mr. Seiberling.

Mr. WINGO. Possibly through consolidations, Mr. Seiberling.

Mr. SEIBERLING. This statement figures the average on——

Mr. FORT. And the call money.

Mr. SEIBERLING. I will get to the call money pretty soon. This is figured on the average for the banks, whether consolidated or not.

Mr. WINGO. I think a consolidation might account for that change.

Mr. SEIBERLING. Some bank had to make the money, you know. They consolidated their deposits as well as their earnings. Now, you speak of the National City Bank. The capital stock is $20, par?

Mr. POLE. Yes, sir.

Mr. SEIBERLING. Their capital stock as of December 31, 1928 was $90,000,000 and $110,000,000 December 31, 1929. The surplus and undivided profits as of December 31, 1928, were $76,992,900, and on December 31, 1929, were $129,650,200. Its deposits, December 31, 1928, were $1,349,024,400 and on December 31, 1929,

$1,649,554,300. They also paid $4, a share on their 5,500,000 shares of capital stock, which means a dividend of $22,000,000.

They increased their deposits $300,000,000, but increased their surplus and undivided profits—29 plus 24,000,000 would be—$53,000,000 for the year You can not account for their earnings by the small increase of deposits, can you?

Mr. POLE I would not attempt to do that except to say that in both of the instances which you mentioned, are included the earnings of their affiliated corporations.

Mr. SEIBERLING What is that?

Mr POLE Included in those earnings are the earnings of the affiliated corporations

Mr SEIBERLING Yes

Mr POLE And, of course, we have no means of knowing what they are They are certainly very material

Mr SEIBERLING Well, now, we take the Guaranty Trust, that has a par value of its stock of $100

Mr POLE Yes, according to this statement

Mr SEIBERLING And they had a capital of $40,000,000 at the end of 1928 and $90,000,000 at the end of 1929. Their surplus and undivided profits, at the end of 1928, were $63,307,000. At the end of 1929 they were $202,636,000

Their deposits at the end of 1928 were $842,358,200 at the end of 1929 were $1,309,289,600 They increased their deposits very much more than the other banks did proportionately, but their increase in surplus and undivided profits was approximately $140,000,000 for the year. Is not that correct?

Mr POLE That seems to be correct

Mr SEIBERLING What would you say as to whether or not the earnings of the banks in other Federal reserve centers of the country were comparable with the earnings shown by the New York banks?

Mr POLE Included in the earnings of the Guaranty Trust Co are also the earnings, I believe, of the Guaranty Co

Mr. SEIBERLING This securities company?

Mr POLE Yes

Mr SEIBERLING What do you think of the wisdom of having large banking corporations owning securities companies where a great deal of their attention is given to speculation in stocks where they have a great interest in shoving stocks up on the market instead of attending to legitimate banking business?

Mr POLE I think it would be desirable that some supervision over the securities companies should be had in order that we might ascertain the nature of their business by reason of the fact they are so closely allied with the banks

Mr SEIBERLING I want to go to the subject of call money rates. I would like to ask you, if you know, who fixes the call money rate, and how it is determined from day to day?

Mr POLE. I have very little information on that, Mr. Seiberling. I would not attempt to answer that question

Mr. SEIBERLING Do you know that in past panics, the call money rate has gone as high as 1 per cent a day?

Mr POLE I recall that it has gone to some fabulous figure

Mr SEIBERLING And in another panic, it went to as high as 150 per cent?

Mr. POLE. Yes.

Mr. SEIBERLING. You do not know who fixes the call money rate?

Mr. POLE. Specifically I would say I do not.

Mr. SEIBERLING. I am very sorry because I wanted to find out. Do you know, as a matter of fact, that New York does not have any usury laws in connection with the call money rate?

Mr. POLE. I do.

Mr. SEIBERLING. The call money rate can go just as high as anybody who has the fixing of it wants to put it?

Mr. POLE. On loans of $5,000 or over.

Mr. SEIBERLING. New York does not have any usury laws in connection with loans to corporations either, does it?

Mr. POLE. I am not familiar with the usury laws of New York, Congressman.

Mr. SEIBERLING. I think their usury law in connection with corporations is the same as the law in Ohio, and that was put through for the purpose of negotiating some loans out there and that is if the directors authorize the loan, the corporation can not, thereafter, set up, as a defense, usury for the benefit of the stockholders. I think that is the New York law. Now, as to whether they have no usury laws in connection with collateral loans as Mr. Fort suggests, I do not know.

Mr. FORT. I know that the lowest rate on even time loans is frequently 9, 10, and 11 per cent—not frequently, but occasionally.

Mr. SEIBERLING. Do you know of many other States that do not have usury laws that cover all kinds of loans?

Mr. POLE. I think recent laws have been passed in Pennsylvania and possibly in Illinois with respect to call rates.

Mr. SEIBERLING. Taking off the usury from call rates?

Mr. POLE. I am under that impression.

Mr. SEIBERLING. Repealing the law so that there is no usury law on call money?

Mr. POLE. There has been some change in the law in that respect.

Mr. SEIBERLING. Now, how high did the call money rate go in New York during the recent stock escapade?

Mr. POLE. I think about 12 per cent, as far as my recollection goes.

Mrs. PRATT. I think it went as high as 15.

Mr. FORT. It was higher before the panic. It was about 15 or 16.

Mr. SEIBERLING. It did not reach its high point until after the stocks commenced to decline, did it?

Mrs. PRATT. I think it was in August or September it was as high as that.

Mr. SEIBERLING. If you know, I should like to have it in the record.

Mrs. PRATT. I will have to check that up.

Mr. SEIBERLING. I thought the call money went to as high as 20 per cent.

Mr. POLE. I do not recall.

The CHAIRMAN. It did go to 22 per cent last spring.

Mr. SEIBERLING. Don't you know, Mr. Pole, that this call money rate affected every man, woman, and child in the United States that had stocks on margin with the brokers, and that there were thousands and hundreds of thousands of them?

Mr. POLE. I would say so.

Mr. SEIBERLING. This call money rate was charged back on these marginal accounts irrespective of the usury laws of the various States?

Mr. POLE. I am not informed as to that, Mr. Seiberling.

Mr. SEIBERLING. As a matter of fact, I will state that they were charged back on the marginal accounts and if you did not like to pay the rate of interest, you could let them sell your stock, but if you wanted to carry it with the broker, you had to pay substantially the call money rate, which varied from day to day—pay the call money rate of New York.

That is, Mr. Pole, they charged you for the month for the average of the call-money rate, whatever it might average. Do you know, from your personal knowledge, whether that is true?

Mr. POLE. I have no knowledge of that.

Mr. SEIBERLING. There are probably others around here who could tell us. That was my experience. How about you, Mr. Fort?

Mr. FORT. I did not have any accounts at the time, but I understand the practice in most legitimate brokers' offices is that they charged the cost of the money to them, plus the commission. That does not necessarily mean the call rate. They took their time money and call money and merged it and fixed the rates that way. Most brokers did that.

Mr. SEIBERLING. The effect of the high call-money rate in New York was to draw immense sums of money out of all banks of the country and transfer them to New York, such withdrawals being made by people who had large sums of money on deposit and corporations with large sums on deposit with banks paying only 2 or 3 per cent on daily balances—they took their money out and withdrew it and sent it to New York to get the call-money rate.

Mr. POLE. I think large amounts were invested that way.

Mr. SEIBERLING. Do you think, out of a city like Cleveland, as much as $100,000,000 would be withdrawn and sent to New York?

Mr. POLE. I have no idea.

Mr. SEIBERLING. The effect of the withdrawal of money from the local banks and sending it to New York to get the high call money rate was to compel all the local banks to go to the Federal reserve to get money, was it not?

Mr. POLE It had that effect

Mr. SEIBERLING. And that is what they did to an enormous extent, did they not?

Mr. POLE. To some extent.

Mr. SEIBERLING. Well, then, we have this situation, that the call-money rate caused an influx of tremendous amounts of money into New York to be invested in the New York Stock Exchange at high rates and withdrew it from local banks and the local banks had to go to the Federal reserve to borrow money. What rate did they pay?

Mr. POLE. Money was ranging over last year from 4 to 6 per cent.

Mr. SEIBERLING. But a great part of the time was below 6 per cent?

Mr. POLE. A considerable part of the time.

Mr. SEIBERLING. Is it also true that some banks borrowed money from the Federal reserve, at the low rate of interest and sent it to New York to be used at the call-money rate?

Mr. POLE. I thought that was your question

Mr. SEIBERLING. No; I was not talking about banks but individuals and corporations.

Mr. POLE. They do not go to the Federal reserve banks.

Mr. SEIBERLING. Not the individuals, but the point I make is this: When the individuals withdrew their money and sent it to New York, then the bank had to go to the Federal reserve in order to get money to run its business?

Mr. POLE. I think that is true in many cases.

Mr. SEIBERLING. Is it not also true that the banks themselves borrowed at the low rate from the Federal reserve and sent to New York and got the high call money rate?

Mr. POLE. I think that also might have been true.

Mr. SEIBERLING. The effect of all that was to take this money out of the legitimate channels of business and many people who needed money for their business needs were refused this money by the banks; because they could not, in good morals and under the usury laws of the States, charge them more than a limited amount when they could take the money and send to New York and get more?

Mr. POLE. There were undoubtedly illustrations of that kind.

Mr. SEIBERLING. You say that even though your the Comptroller of the Currency of the United States, you do not know who fixes the call money rate?

Mr. POLE. I do not know the technical operation of the fixing of the call rate.

Mr. SEIBERLING. Do you know how we could find out who fixes it?

Mr. POLE. Yes.

Mr. SEIBERLING. Where?

Mr. POLE. From any banks that make loans on call in New York.

Mr. SEIBERLING. After it is fixed from day to day that the call money rate was so much, and so forth, who fixes it?

Mr. POLE. I think that is said to be fixed under supply and demand by a committee of the stock exchange.

Mr. SEIBERLING. With the Federal reserve system, there is not any question about the supply of money in this country any more, is there?

Mr. POLE. There is, for speculative purposes.

Mr. SEIBERLING. Well, but you can not safeguard that where individuals and corporations and banks withdraw their money from banks and send it to New York and the banks themselves borrow from the Federal reserve—you can not question a bank when they come to the Federal reserve as to whether they want this for speculative purposes?

Mr. POLE. You can not question the individuals.

Mr. SEIBERLING. Or the banks either?

Mr. POLE. Yes.

Mr. SEIBERLING. If they come to you and give you the proper kind of paper——

Mr. POLE. It is not incumbent upon the Federal reserve bank to make loans if the bank is, at the same time, sending money on call to New York. The Federal reserve bank would inquire into it.

Mr. SEIBERLING. If the bank went to the Federal reserve with good rediscountable paper, they have the right to inquire why they wanted the money?

Mr Pole. Yes.

Mr Seiberling. You do not think they did inquire?

Mr Pole I think they did inquire

Mr Seiberling Then you have agreed with me that the banking business is much more of a quasi-public nature than the business of other quasi-public corporations, whose rates are fixed by the public service commissions—whose rates to the public are fixed by the public utility commissions and the Interstate Commerce Commission, then why should not Congress, by the enactment of a Federal usury law, fix the limit which could be charged for the use of money?

Mr. Pole Congress could do that probably and in respect to national banks certainly.

Mr Seiberling Can not they also, in respect to member banks, if they want to be members of the Federal Reserve system?

Mr. Pole. Probably that is correct.

Mr. Seiberling. And States that do not have such laws could be controlled by the Federal usury laws?

Mr. Pole. I presume so.

Mr. Wingo. You gentlemen are both lawyers, I assume?

Mr. Seiberling. Somebody said I was a lawyer once, but I do not know whether I am or not.

Mr. Fort. Mr. Chairman, may I ask a question? Mr. Seiberling says he has no objection.

The Chairman. Yes

Mr Fort. Mr. Pole, is it not a fact that a large part of the funds in the call loan market, which along in October exceeded the total loans of all banks for their own account, was money of so-called outsiders; that is, of corporations and foreign lenders and others, rather than the money of the banks themselves?

Mr. Pole. I think that is correct.

Mr Fort. And a large part—the very large part of the money—that went at the high rates of interest was not banking money?

Mr Pole. I think the statements usually show that loans for others exceeded the loans of which you speak.

Mr. Seiberling. And the result of the high rate is that the depositor who has a large balance, instead of letting the bank lend it and getting the profit, draws out that balance and becomes, himself, a lender of money?

Mr. Pole. That is correct.

Mr. Seiberling. I think this should be made plain, that when the private party or the corporation that lends through private bankers in New York, they have to withdraw that money from some bank in order to send it to a private bank.

Mr. Pole. I think the custom is for the New York banker to place the money for its customer, charging a small commission.

Mr. Seiberling. But they have to furnish the money to do that. They have to furnish the money from some place.

Mr. Pole. The customer does.

Mr. Seiberling. And he has to take it from the local bank. He does not carry thousands of dollars around in his stocking.

Mr. Pole. He has to take it from wherever it is deposited. The local bank might be in New York.

Mr. Seiberling. We know, as a matter of fact, that hundreds of millions of dollars were sent from other parts of the country to New York for the high-money rate.

Mr. POLE. I am sure of that.

Mr. SEIBERLING. What effect, do you think, that had on the legitimate business of the country which is in the shape it is in?

Mr. POLE. I think the effect was bad.

Mr. SEIBERLING. Don't you think it would greatly stimulate business if borrowers could know what the limited interest they would have to pay under any circumstances would be?

Mr. POLE. I think that might be desirable.

Mr. SEIBERLING. Of course the interest rate would always have to be as high as the interest rate of the Bank of England, for instance; in other words, you could not let the foreign banks put the rates so high as to draw money from this country. There is an element there that would have to be protected, is there not?

Mr. POLE. Well, I suppose there naturally would have to be some adjustment between the foreign banks—the central-bank rates and our own Federal reserve rates.

Mr. SEIBERLING. Now, in speaking of the branches—of extending branch banking—there is not any objection to-day to the consolidation of vast public utilities because the rates which they can charge the public are fixed by commissions, are they not?

Mr. POLE. Yes, sir; I understand the rates are so fixed.

Mr. SEIBERLING. And it would not make so very much difference in reference to the form of the bank if we had a limit on what they could charge for the use of the money?

Mr. POLE. I think not.

Mr. SEIBERLING. That is, after all, the protection to the people, and it is vital that those who are entitled to it, either on account of their moral responsibility or financial responsibility, should have money as the necessities demand?

Mr. POLE. Are you referring to the usury laws of the States which fix the maximum amount that it is permissible to charge?

Mr. SEIBERLING. It is very vital, is it not, that those who are entitled to money should have the right and opportunity of getting it at a reasonable rate of interest?

Mr. POLE. Yes, sir.

Mr. SEIBERLING. In reference to this question of extension of branch banking, your proposal would have a tendency, unless there was some regulation as to what banks could do, to greatly increase their domination and control, would it not?

Mr. POLE. There would, in my opinion, always be ample banking competition which would regulate that.

Mr. SEIBERLING. Well, now, the law preventing interlocking directors does not protect the situation at all?

Mr. POLE. I would say not.

Mr. SEIBERLING. It is a question of who the stockholders are, is it not?

Mr. POLE. I do not quite understand the question.

Mr. SEIBERLING. Is it not a fact after all a question of who the stockholders are?

Mr. POLE. I still do not understand the question. In respect to what?

Mr. SEIBERLING. In respect to the control of the stock?

Mr. POLE. As far as monopolies are concerned?

Mr. SEIBERLING. Control clear down the line. The stockholder can put in a dummy director and tell him what to do. The stockholders control the banks?

Mr. POLE. They could in any individual bank; yes.

Mr. SEIBERLING. Assuming that we adopted your suggestion, there would be nothing to prevent a Cleveland bank—and I am taking a Cleveland bank because you were an examiner out there—there would be nothing to prevent a Cleveland bank from making a branch of the Akron bank?

Mr. POLE. That would depend upon what Congress fixed as the Cleveland area.

Mr. SEIBERLING. That is in the Federal reserve district. We are all in that district.

Mr. POLE. I know, but I have not made any suggestion that the whole district should be included. I stated that in no event should it go beyond the district lines.

Mr. SEIBERLING. Here is a city within 35 miles of Cleveland. It would certainly be within the trade area.

Mr. POLE. Yes, sir

Mr. SEIBERLING. Canton and Massillon would be within the trade area of Akron?

Mr. POLE. It might be said that they would be.

Mr. SEIBERLING. And the Akron bank could make branches of the Canton and Massillon banks?

Mr. POLE. Yes.

Mr. SEIBERLING. If New York banks owned all the stock of the Cleveland bank, they would have branches, then, in Cleveland, Canton, Akron, Massillon, and possibly Warren?

Mr. POLE. If the New York banks could keep on reaching and acquiring the stock, they might obtain control.

Mr. SEIBERLING. And you can not prevent that?

Mr. POLE. I think that Congress might adopt some legislation which would prevent it.

Mr. SEIBERLING. There is another thing: You know the banks and the trust companies have trust departments and vast amounts of stock are willed to them in trust and put in living trusts which the banks vote and control? That is correct, is it not?

Mr. POLE. I think that is correct.

Mr. SEIBERLING. So that, in the course of time, these banks that belong to the parent bank and its branches, might even control large industries in their sections, might they not?

Mr. POLE. They might.

Mr. SEIBERLING. They might say to an industry that was about to start, "If you locate up here in my city"—I am talking about the head bank—"if you locate up in my city, we will lend you the money to start with, but if you do not do that, we do not have enough confidence in your business. We want to have it here to oversee you." They could do that, could they not?

Mr. POLE. Under some circumstances, I imagine that might be possible.

Mr. SEIBERLING. They could also have great political control, could they not?

Mr. POLE. If there were a system of banking through stock ownership, such as you suggest, I think it could have this influence.

Mr. SEIBERLING Do you know of any more potent influence than a banker has when he says to his borrower that he would like to have some one elected to office?

Mr. POLE. I would call that a rather potent influence.

Mr. SEIBERLING. Do you know that there is great danger of banks and trust companies having so much of their own stock deposited with them by wills and living trusts, that the trust department would finally control and own the bank?

Mr. POLE. I could not conceive of a condition of that kind—not to the point where they would actually control it.

Mr. SEIBERLING. They could easily have a majority of the stock, could they not?

Mr. POLE. It would be possible

Mr. SEIBERLING. How many shares of stock does a director have to have?

Mr POLE. In a national bank he has to have $1,000 worth at par value

Mr. SEIBERLING. A thousand dollars' worth?

Mr. POLE. Yes.

Mr. SEIBERLING. Well, it would be very easy to have 10 or 15 men own sufficient stock to qualify them as directors and have the rest of the stock in the trust department of the bank?

Mr. POLE. Of course it would be much easier in a small bank than in a larger bank.

Mr. SEIBERLING. I am talking about the course of time. It seems to me that you have to look a long ways ahead and we are not only protecting the interests of the people now, but we are protecting them for years to come. Is not that correct?

Mr. POLE. Yes.

Mr. AWALT. Speaking of voting trusts?

Mr. SEIBERLING. I am speaking of stock actually trusteed in the banks under trusts and living wills and banks transferring that stock to them and they vote it. Is not that right?

Mr. POLE. I should think that would be looking some way ahead.

Mr. SEIBERLING. It is the natural thing for a director or a stockholder of a bank to make his own bank his trustee under his will, is it not?

Mr. POLE. Yes.

Mr. SEIBERLING. Do you think it would be wise to permit an extension of the branch privileges to banks unless some restrictions can be formulated, which will obviate these difficulties?

Mr. POLE. I think that question might well be given consideration.

Mr. SEIBERLING. Well, now, I have just one more line that I want to ask you about and this is maybe a rather foolish suggestion, and I want to say it is not original with me, because I read a book on banking that gave the cue.

You are very much interested, I take it, in getting banking facilities to the outlying districts at points where—which would permit the establishment of an individual or unit bank and where there is not sufficient business and yet where the people should have some banking facilities?

Mr. POLE. That is among my suggestions.

Mr. SEIBERLING. You are greatly interested in that?

Mr. POLE. Yes.

Mr. SEIBERLING. There seems to be a great deal of interest around here in reference to guaranteeing deposits also, which I understand you are against?

Mr. POLE. Yes.

Mr. SEIBERLING. And on which point I agree with you absolutely. Now, since we have the Joint Stock Land Bank and the Federal Farm Board to loan money on farms, on real estate, and since we have the Federal Farm Board to which we have appropriated $500,000,000 to lend on grain and intermediate credit banks, and since just the other day we appropriated another $7,000,000 for the Secretary of Agriculture to loan to farmers—a bill that provides specially for loans to buy fertilizers, and for which he will take a lien on the crops—since we have all those instrumentalities, these rural districts would not need a bank for borrowing purposes to any great extent, would they?

Mr. POLE. Oh, I should say so. Customers of banks do not go directly to these corporations that you speak of. They have to form associations, which associations in turn borrow from these corporations except in the case of the Fedral land bank.

Mr. SEIBERLING. The farmer gets the money?

Mr. POLE. Yes; eventually. There are numerous small merchants and small operators that necessarily have to transact banking business outside of type of business which might to go these corporations. I would say that the banking facilities in a small community could not be eliminated without very great inconvenience to that community.

Mr. SEIBERLING. A small community with two or three hundred people who had opportunities to borrow, as I have said, from these various sources, really needs a place to deposit their money and a place to check out more than anything else?

Mr. POLE. That is very important. They have also to borrow and to make such loans as would not be eligible with these other corporations you speak of, for current business.

Mr. SEIBERLING. What plan have you to work that out?

Mr. POLE. I think it might be easily possible that a bank having branches might go into such community and perhaps operate two days or three days a week in order that the community might have banking facilities.

Mr. SEIBERLING. You do not think that——

Mr. POLE. And there is nothing new in that idea.

Mr. SEIBERLING. You do not think that the Postal Savings could be expanded so as to take care of communities of that kind, where the Comptroller of the Currency would designate that it was impossible to establish a unit bank and where there were no banking facilities, because I am just as much opposed to the Government going into business as you are.

Mr. POLE. I think, as a savings bank, the Postal Savings might be of assistance, but I do not think it would take the place of a local commercial bank.

Mr. SEIBERLING. They draw money orders now, do they not; they do a great many things of that kind?

Mr. POLE. They deposit money and draw funds, but I think nothing else.

Mr. SEIBERLING. They have to keep books, of course?

Mr. POLE. Yes.

Mr. SEIBERLING. And you do not think it would be possible to enlarge that so that not only money could be deposited, but also withdrawn by check?

Mr. POLE. No; I do not think the post office could ever take the place of the country bank.

Mr. SEIBERLING. I am talking about sections where it is absolutely impossible to have a bank on account of the business being so small?

Mr. POLE. Of course a community being that small, it might not be necessary to establish a bank there. It is not my idea that branches should be established in every small hamlet in the country.

Mr. WINGO. Might I suggest that in my country there is a possibility of those villages losing even their post offices?

Mr. SEIBERLING. It is very desirable to arrange facilities where money in these rural districts, now in the stockings and other places, might be placed in circulation.

Mr. POLE. Yes, sir.

Mr. SEIBERLING. I think that is all.

Mr. STEAGALL. Just one suggestion there with reference to one statement the gentlemen made—and evidently made under misapprehension: He said that we had appropriated $7,000,000 for the purpose of lending to farmers to purchase seeds and fertilizers. I do not think that act can be properly categorized along with the other loaning facilities, such as Federal land banks, the Farm Board, and intermediate credit banks. This $7,000,000 fund is purely a temporary and an emergency matter to take care of unprecedented conditions created by a flood, something that probably will not happen again, and I do not think anybody had in mind to make that a permanent system.

Mr. SEIBERLING. It included Ohio, and we did not have any flood there that I know anything about.

Mr. STEAGALL. It was done probably as a matter of strategy to get the matter through the other House. I do not advocate that as a permanent policy. It was purely an emergency measure.

Mr. WINGO. In connection with one question that Mr. Seiberling asked Mr. Pole, concerning limited credit under the Federal reserve system, there seems to be a mistaken idea in the country that the Federal reserve system carries unlimited credit.

Is not this true? The first is that you have to have eligible paper before you can get credit. Another is the eligibility and acceptability of the paper itself—that is, the acceptability. First we have eligibility and second, acceptability and, in the circumstances in which it is offered, whether the bank will take the eligible paper and grant credit.

Then after you have gotten by those limitations and handicaps, the question of available gold for the required reserve comes in. So, it is a mistaken idea to think of the Federal reserve as a source of unlimited credit.

Mr. POLE. Absolutely.

Mr. WINGO. There is another question in that connection that I want to ask in reference to branches to take care of small communities. I believe you said the other day, in response to a suggestion, that if you had a small town, say, one of these towns under 10,000, that if you undertook to take care of it by branch banks, they might undertake to take care of it by one branch and there would be a monopoly and there might be two trade areas that would overlap; for instance, Dallas, Tex., is close to the south end of my district. That is in the trade area of Dallas as well as that of Little Rock. It is about as near to Dallas as to Little Rock. In one of those towns there might be a branch of a bank in Little Rock and also one branch of a bank in Dallas, and you suggested that would give the necessary competition of service there and insure good service. Is that your idea, that you would not be limited to the number of branches except as you are now limited in the discretion of the charter granting authorities which, in the case of the States, is the State commission, and, in the case of the national banks, the Comptroller of the Currency?

Mr. POLE. Yes. I spoke of these small communities being perhaps in a position to monopolize the banking business provided the banks were forced to a higher capital structure. In order to earn a fair return on such capital, it would be necessary that the banks should have a large enough area to attract sufficient business to do that.

Now, that was in connection with the suggestion which had been made that banks should have a minimum capital of $100,000. I feel that in a town like Dallas or a town like Little Rock the chances are that there would be several important banks which would reach out for business from every quarter.

Mr. WINGO. I see your idea. In addition to having two cities that might each one of the have more than one bank—in other words, in addition to having a bank in Dallas and a bank in Little Rock, which might, each one, have a branch in this small city, a town under 10,000, why there might be also two banks in Little Rock and in Dallas and the question of allowing them to have branches would still be one, under your theory, for the supervisory authority to control, as in the issuing of a charter to a national bank?

Mr. POLE. Yes, sir.

Mr. WINGO. In other words, if the banking facilities of that city would be sufficient to meet the public needs——

Mr. POLE. That is my idea, as far as possible, to endeavor to give every community of any size adequate competitive banking service.

Mr. WINGO. As a rule now—you spoke awhile ago of the potent influence of the banker on the borrower—it is my experience that a banker has considerable influence with the borrower.

Mr. POLE. Yes.

Mr. STEAGALL. Somewhere in Proverbs it is stated that the borrower is the slave of the lender.

Mr. WINGO. But, Mr. Pole, how can you answer this question: Mr. Goldsborough touched upon this question and Mr. Seiberling also did. I think we can reasonably assume that even if you did have branches, say, in a town that we will call A, one for each of the two central banks that may be in Little Rock, when you came down to the issues involved in a political campaign, those two banks would have a community of interest. The probabilities are that they would be supporting the same issues or the same candidates.

Now, then, would not this be what could naturally be expected, knowing human nature both by observation as well as experience, that the merchants and other people in that town where these two branches are, would find a very subtle political pressure put on them to support the candidate or the issue that these central banks wished to have supported? Is not that reasonably to be expected?

Mr. POLE. They might naturally—that is individuals connected with such a bank—take an interest in a political issue. Whether they would exert improper political pressure is another matter.

Mr. WINGO. Now, if the logic of your scheme is sound, the benefits of that character along financial lines, having a tendency to grow—in other words, the institutions having a tendency to grow—would not their influence correspondingly grow?

Mr. POLE. As they grow larger, I would say that their influence would be greater, but it would not necessarily be directed to political channels or be detrimental to the public welfare if so directed.

Mr. WINGO. Is not this the probable outcome to your plan, that at first you would have—as a matter of fact, is it not the virtue of your plan from your standpoint—that probably you would have a bank with $100,000 capital with one or two branches, and have a great many of them scattered around the country, but, ultimately, these banks in turn would be taken over and become nothing but branches of a large bank? You will start out and maybe, we will say, there will be 25, 30, or 35 banks over a State, each one having branches out in the smaller towns in their particular trade areas, but as time goes on there will be a natural tendency—and the arguments in favor of it would be the same as the arguments you make to-day—"Here, we can work out economies, greater security for the depositors and greater benefit and greater service if, instead of having 25 or 30, we have only 4 or 5," and where we have a bank to-day of $100,000 capital, with three or four branches, that bank becomes a branch of a bank, say, located at Little Rock. It not that a natural evolution of your scheme if your theory is correct?

Mr. POLE. I think the size of a branch that would be permitted to operate or, rather, the size of a bank that would be permitted to operate a branch, should be regulated, and not permit branches for the small banks, and my idea is, further, that the banks in the important cities would develop branches around them. They would be gradually reaching out and, in the course of time, probably even those parent banks in such cities might themselves under certain conditions be consolidated and become branches, but I can not conceive of any idea where there would be any banking monopoly there.

I am inclined to think that there should be consideration given, as I have said, to legislation regulating perhaps the consolidation of banks after they get a certain number of branches or reach a certain size.

The CHAIRMAN. Might I suggest here that we proceed in order? Inasmuch as the comptroller is going to file a brief, he will cover that in his brief, so that we can proceed with Mrs. Pratt as the next interrogator.

Mr. WINGO. I beg your pardon. I did not know I was interrupting.

Mr. POLE. That is, my brief in connection with trade areas?

The CHAIRMAN. Yes.

Mr. WINGO. The chairman was not following me very closely. I was going to another phase of the question. However, I will develop that some other time. I beg your pardon, Mrs. Pratt.

Mrs. PRATT. Mr. Chairman, most of the questions that have arisen in my mind have been covered by previous discussions, but there is just one point I should like to have made clear.

The purpose of your proposed legislation, Mr. Pole, as I understand it, is to provide adequate and more substantially reliable banking facilities for the smaller communities?

Mr. POLE. That is one of the outstanding phases of my recommendation.

Mrs. PRATT. Broadly speaking, that is the outstanding phase?

Mr. POLE. Well, yes.

Mrs. PRATT. New York is the greatest money market of the world, is it not?

Mr. POLE. Yes.

Mrs. PRATT. There has been a great deal said here, in the course of the discussion, about the centralization of credit which exists and is probably increasing in New York?

Mr. POLE. Yes.

Mrs. PRATT. I do not know whether you view that with apprehension.

Mr POLE. No; I do not

Mrs. PRATT. And what I wished to know is if there might not be two results, with only one purpose, from this proposed legislation; namely, as you establish these branch banks throughout the country, having, as I understand it, parent banks

Mr. POLE. Yes.

Mrs. PRATT. Eventually these different parent banks, which would be established, I think your purpose is, in trade areas somewhat along the lines of the Federal reserve areas, but not coterminus——

Mr. POLE. Yes.

Mrs. PRATT. Would become more important and greater banking centers.

Mr. POLE. I think so.

Mrs. PRATT. That would lead, would it not, possibly to drawing credit away from New York?

Mr. POLE. That is my thought.

Mrs. PRATT. And you will have, as a result of this legislation, more competitive credit centers throughout the country?

Mr. POLE. More competitive credit and decentralization.

Mrs PRATT. I assume, because of its size and location, New York will always be, probably, the greatest center of credit, although it might not necessarily be so?

Mr. POLE In all probability, as far as we would be willing to look ahead.

Mrs. PRATT. Yes. You feel, do you not, that as the result of this legislation there would be a decentralization of credit, and that would be a valuable result?

Mr. POLE. I do indeed.

Mrs. PRATT. To have more decentralization of credit throughout the country?

Mr. POLE. Yes.

Mrs. PRATT. I did not know whether that was partly the purpose of the legislation or whether, as has been brought out in the discussions, that would be a direct result.

Mr. POLE. It might be said to be the indirect result should branch banking limited to trade areas be adopted.

Mrs. PRATT. Just one more question, Mr. Pole. It is true wherever there is a great center for any commodity—calling money a commodity—individuals, and, as has been brought out here, even banks, go to the great center if they have something to purchase or to sell?

Mr. POLE. Quite often that is the case.

Mrs. PRATT. It is nearly always the case, is it not?

Mr. POLE. Yes.

Mrs. PRATT. Unless these centers that would be created by this proposed legislation do develop into large credit centers, you would still have the same conditions as exist to-day, because the large investor would still rather go to New York, would he not?

Mr. POLE. I foresee that if any branch banking might be extended in accordance with my suggestions, there would be no doubt, in my mind, that large banks would grow up all over this country, by reason of the fact they would embrace the capital and resources of probably hundreds of smaller banks which would be in their trade areas.

Mrs. PRATT. And you would have essentially a great many money markets of very large proportions?

Mr. POLE. I should say that that would be the result.

Mrs. PRATT. I think that is all.

Mr. STEAGALL. I want to ask Mr. Pole about one matter developed by Mr. Seiberling in his interesting discussion, and that is in reference to legislation to fix interest rates of national banks and banks of the Federal reserve system. I do not know how Congress can, in any way, regulate or determine interest rates to be charged by any banks outside of the national banking system, except, of course, we could pass legislation, controlling the Federal Reserve Board in the matter of admitting State banks into the Federal reserve system by requiring them to observe certain conditions.

Mr. POLE. I think the conditions of membership are within the discretion of the Federal Reserve Board.

Mr. STEAGALL. I doubt that, in my own mind, except in dealing with the acceptability of the securities of a bank, and the question whether or not it is financially sound—to say that the Federal Reserve Board should arbitrarily deny membership to a State bank that is in condition to come into the system, I should question. Certainly Congress can not pass laws to determine the interest rates charged in the various States?

Mr. POLE. No.

Mr. STEAGALL. If we attempt to fix uniform rates for national banks, and indirectly we could find a way, through State banks becoming members of the Federal reserve system, to fix arbitrary rates throughout the country, of course no national bank, in any circumstances, could charge in excess of that——

Mr. POLE. No.

Mr. STEAGALL. In the present situation, the law simply requires a national bank to observe the law of the State in which it operates as regards the matter of interest rates to be charged?

Mr. POLE. Yes.

Mr. STEAGALL. If we attempted to fix a uniform interest rate throughout the country for national banks, how would it operate as between national banks and State banks? For instance, in the city of New York, if we fixed a uniform rate for national banks, what would be its effect upon the national banks in the city of New York, in attempting to compete with State banks unbridled in fixing interest rates?

Mr. POLE. Do you contemplate fixing the interest rates to be charged by national banks below the State banks?

Mr. STEAGALL. Yes.

Mr. POLE. That would have the effect of driving the national banks into the State systems.

Mr. SEIBERLING. I am not advocating the fixing of uniform interest rates. I am advocating fixing a maximum rate. If you undertake to fix a uniform rate, that would control the rate. I want a maximum fixed beyond which no one can charge.

Mr. STEAGALL. I am in thorough accord with that, if I understand the gentleman. I am only thinking of the difficulties encountered in attempting to do that. It does not make any difference if you make it uniform or we say a national bank nowhere in this country shall charge to exceed 10 per cent per annum, we will be confronted with the situation in New York—and it does not matter what would be the justification for it or lack of justification, these conditions will come about again as they have in the past where this accentuated demand for loans will exist, of course, unless the State of New York steps in and regulates the interest rates—the interest rates will turn toward the skies again, and if the national banks are not permitted to charge those rates, they can not compete in that field with the other banks, and we will be confronted with the proposition that the national banks will leave the national system and go to the State systems. That is the difficulty.

Mr. POLE. That will be the result.

Mr. STEAGALL. I wish we could find a remedy, but I am pointing out the difficulties.

Mr. STRONG. Could we not pass a usury law and bar from the mails and from interstate commerce, any banks that violate that law?

Mr. FORT. We would not have to go that far.

Mr. STEAGALL. There is no difficulty about fixing the rates, but the difficulty is the situation we would place our national banks in in States where there were high rates permitted.

Mr. STRONG. That would put a limitation on them.

Mr. STEAGALL Congress can not touch the operations of a State bank.

Mr. STRONG. We could bar them from the United States mails.

Mr. FORT. I doubt that, in view of the decision of the Supreme Court in the Insurance Companies' case, where it was held that that was not interstate commerce.

Mr. GOLDSBOROUGH. Mr. Chairman——

The CHAIRMAN. I think in the interest of order that we had better proceed according to our plan.

Mr. GOLDSBOROUGH. Mr. Chairman, I thought we had finished with the questioning by the members.

Mr. FORT. The chairman has not asked any questions yet.

The CHAIRMAN. When all members have asked questions, the purpose was to go around again in a general symposium.

Mr. GOLDSBOROUGH. Mr. Chairman, I move we proceed in order as we have not been doing all morning.

The CHAIRMAN. Have you finished, Mr. Strong?

Mr. STRONG. No; but I will yield to you.

The CHAIRMAN. The chairman is the next on the list. I desired to ask my questions last.

Mr. STEAGALL. I think the chairman should have all the time he needs in his discussion with Mr. Pole, and I suggest to the chairman that it is now close to 1 o'clock and I think he had best begin his discussion when he has plenty of time.

The CHAIRMAN. Under those circumstances, then, suppose we adjourn until to-morrow morning at 10.30 o'clock.

(Whereupon, at 12.50 o'clock, p. m., an adjournment was taken until Wednesday, March 5, 1930, at 10.30 o'clock a. m.)

# BRANCH, CHAIN, AND GROUP BANKING

House of Representatives,
Committee on Banking and Currency,
*Wednesday, March 5, 1930.*

The committee met in the committee room, Capitol Building, at 10.30 o'clock, a. m., Hon. Louis T. McFadden (chairman), presiding.

The Chairman. The committee will come to order.

I desire to call the attention of the committee to a letter from Gov. R. A. Young, of the Federal Reserve Board, in reply to an invitation by the chairman of the committee, for the appearance of the Federal Reserve Board or their designates before this committee.

The letter reads as follows:

Your letter of February 21, inclosing House Resolution 141, with regard to the study of group, chain, and branch banking which your committee is to undertake, and stating that your committee will be pleased to hear from me or whomever the board may designate to speak for the board, upon the subject, has been brought to the attention of the board by me.

In reply I am writing to say that while the board has in the past accumulated information on the subject of group, chain, and branch banking, nevertheless, the rapid strides made by group banking during the past two years particularly has made it extremely difficult for the board to secure information promptly enough to enable it to keep pace with recent developments and the present status of this whole matter. With this in mind, it recently, at the suggestion of the Federal Advisory Council and also of the governors of the Federal reserve banks and the Federal reserve agents, enlarged the membership of its committee prosecuting these investigations, by including representatives of the Federal reserve banks.

The board feels that group, chain, and branch banking presents one of the most important and most difficult problems of our changing banking structure before the country at the present time. It believes that more complete information regarding the forces which have impelled this new development will be necessary before conclusions of value can be arrived at regarding its effects—financial, economic, and social. The board has not yet reached such conclusions and is not, therefore, in a position to designate a representative to appear before your committee and to speak for the board at this time.

I will, of course, be very glad to appear before your body, furnish all the information we have at the present time, and answer any inquiries that I can, as will also any of my colleagues.

In the course of your hearings questioes may arise whereby our research and statistical division may be of service to you and to your committee. I hope you will feel free to command us at any time. I can assure you in advance of our complete cooperation.

## STATEMENT OF JOHN W. POLE (resumed)

The Chairman. Mr. Pole, in answer to a question of Mr. Strong, you said you examined the Bank of Italy with 40 men. This is a plan you worked out to meet the situation which has developed in connection with the examination of these large groups of banks. Is that strictly in accordance with the law? The law, as I understand it, provides that the Comptroller of the Currency, through examiners, shall examine each bank at least two times a year?

Mr. POLE. Yes, sir. I think there would be no question about that.

The CHAIRMAN. You do not think it is necessary to amend the law to cover such situations?

Mr. POLE. I think not. The method of examination is discretionary with the comptroller.

The CHAIRMAN. The law is quite specific, however, in that respect. It says there shall be at least two examinations each year.

Mr. POLE. It is specific as to the number of examinations, but not as to the method.

Mr. FENN. You can make more examinations than that if you care to? It does not restrict you to two examinations? It compels you to make two, but does not restrict you from making any more?

Mr. POLE. No, sir. Our experience with regard to the examination of the very large branch banking systems does not cover a long period of years and we are gradually becoming more and more familiar with it, and I think we shall be even better able to cope with such examinations as time goes on. It is quite likely we will have to materially increase our forces as the banks grow.

The CHAIRMAN. There has been much discussion in regard to the methods of examining these large branch groups?

Mr. POLE. I am preparing, at your suggestion, a brief in that connection and am going to lay down, for the committee, the details of our method of examining the branch bank systems.

The CHAIRMAN. In the past, in regard to these large groups, a serious question was raised as to whether or not there should not be a simultaneous examination of the parent bank with the branches. Of course, under this method that you have worked out, you do not have a man in each one of the branches at the same time the main offices are examined, do you?

Mr. POLE. We do not.

## METHODS EMPLOYED IN THE EXAMINATION OF THE LARGE BRANCH BANKING SYSTEMS IN THE TWELFTH FEDERAL RESERVE DISTRICT

Until 1927 there was only one national bank in the twelfth Federal reserve district maintaining branches and that bank and its three branches were examined simultaneously. When a State bank was converted into a national bank with 287 branches the Comptroller of the Currency was confronted with a new and somewhat perplexing problem. If the bank and its branches were to be examined simultaneously, a force of more than 400 men would be required. The State department had found it necessary in making a simultaneous entry to employ temporarily a number of certified public accountants and others for this purpose but this practice was unsatisfactory on account of their lack of knowledge of the State banking laws and the rulings of the banking department; also for the further reason that improper comments were sometimes made of the bank's affairs by their temporary employees.

After careful consideration, and consultations by the chief examiner of the twelfth district with his associates, it was concluded that the best results would be accomplished by considering each branch as a semiindependent unit, for the reason that it would be a practical impossibility to assemble a force of 400 men who had the necessary detailed training and experience to make a simultaneous entry into each of the branches and to submit reports that could be merged into one complete and intelligible consolidated report.

The larger branch-banking systems do not make up a consolidated balance sheet daily, though daily reports are required from the branches so that a balance sheet for the entire system can be made for any given date. Daily computations are made of items necessary to determine required reserves. When an examination of one of these systems is begun the examiners must close the books as of that date and obtain a balance sheet for the entire system, regardless of the method of examination used. Since branch banking is comparatively new to the chief examiner and his staff in the twelfth district, the method of examination of the larger branch-banking systems has heretofore been varied from time to time. While the method now being employed will be described it is necessary to refer to our experience with at least one other method used.

In one of the earlier examinations of the large branch-banking systems forms were prepared (specimens herewith) to be executed by branch managers, giving a complete inventory of assets of each branch, as of date named, in sufficient detail that a consolidated report could be made therefrom excepting, of course (the most important part of any examination) the valuation of assets and their classification as "Slow," "Doubtful," or "Loss." In this particular examination simultaneous entry was made into the head office and five of the larger branches so that the examiners actually covered and verified approximately 60 per cent of the bank's total assets. As fast as the examiner in charge could release his men from the larger branches they were sent to the remaining branches with a copy of the previous report of examination of the daily statement of the branch as of date of current examination and of the branch manager's own inventory of the assets of his branch as of that date. The examiner was under instructions to examine the branch as of the date he reached it, but to make a sufficient check of the manager's inventory to satisfy himself of its accuracy. Inaccuracies discovered were trivial and largely attributable to carelessness or failure to correctly interpret instructions from the chief examiner It would be possible to make an audit of the accounts by this method, but this course would be impracticable on account of the time and expense involved. Therefore, the examiners contented themselves with "spot checkings"; that is, tracing out to their final conclusion the larger items involved.

The method above referred to has developed the fact that the same borrower is found in only one branch except in rare instances when a border customer borrows from a second branch without the branch manager's knowledge This is usually discovered at the head office which arranges for such borrowings to be concentrated at one branch.

Relative to the exchange of loans or other assets between branches it may be said that this is positively prohibited without the consent of the head office. To illustrate, a large branch banking system purchased a bank in a town, which it merged with its existing branch there. The assets purchased included some $300,000 of loans on real estate located in a section much nearer the other branches of the bank and by direction of the head office these loans were sent to other branches where they would receive the closer personal attention from the local manager. Another point of interest here is that branches do not carry accounts with each other. No. 20 will send checks upon No 40 direct to it, but a copy of the letter of transmittal goes direct to the head office where all interbranch accounting is done. If No. 40 protests important items, of course No. 20 is notified by wire, but that has no effect on the accounting. In theory (of course, not in practice) the branches can be examined from the head office files and records, including all loans for more than $1,000.

An examination of a large branch bank system was begun on December 31, the date on which it was known the bank would obtain from its branches a daily statement and compile a balance sheet for the entire system. The head office only was examined on that date, including, of course, the administration department. The consolidated balance sheet contained assets of the head office verified by the examiners, as well as the assets reported by the branches. Examiners who were later sent to examine the branches were requested to carefully consider important changes between the daily statement of December 31 and the date of their entry into the particular branch, and to follow to a final conclusion any item bearing evidence of suspicion or irregularity. This would seem to be as far as the examiner can go with the individual branch If irregularity exists it is usually the result of collusion between employees of two or more branches and this, of course, is possible between men in two or more unit banks. The inventory method enables the examiners to audit the period between date of inventory and date of examination of the branch and, therefore, provides protection against the exchange of assets between branches.

Branch bank systems carry their bond and securities investments, brokers' loans, commercial paper, and bankers' acceptances at the head office, so that in an examination the examiners have to consider only those securities which have already been placed under seal and such as may be in transit, the receipt of which they verify by an inspection of the securities upon arrival at the head office.

Interbranch accounts are carried through the head office entirely. For instance, branch No. 10 will send to No 30 its cash letters, copies of these letters and the replies thereto, whether return items or credits, are sent to the head office where all of the accounting is conducted. The method, of course, reduces the possibilities for any improper transfer of items or fictitious credits between branches.

As a matter of information it may be stated that the larger branch banking systems maintain thorough auditing departments, which report direct to the executive officers and through them to the executive committee and board of directors; they also maintain a comptroller's department and an examining department. The national bank examiners have found these departments usually to be the most efficient of any of the departments of the bank.

If we had the type of branch banking which has been suggested by me there should be developed a continuous contact between the examining force and the executive committee of a branch institution and its board of directors. There is no doubt that in such an institution the initiation of policies which control the management are of great importance and the Government should be in a position to gain immediate first-hand information in order that the public might be protected.

*To examiners and assistants*

In the present examination of the bank please observe carefully the following instructions, suggestions, and comments

Branch examinations will be conducted as if each branch were a unit bank. A consolidated balance sheet will be prepared as of the date on which the head office is examined, namely, December 31, 1929. No data will be required from examiners in branches for this balance sheet.

(1) Transcripts of accounts with head office will not be required.

(2) All assets (except accounts, including transit, with head office) should be verified, including cash count, listing of loans and discounts, items for collection sent elsewhere than head office, etc , tracers to be sent by examiners returnable to chief examiner. It will not be necessary to verify the liabilities.

(3) Give date of report on head office on page 1.

(4) Consolidated schedules (except bonds, etc.) will be compiled from your reports of branches. These reports will be compiled on Form 1424–E and references to schedules in these instructions refer to that form.

(5) Give all information in detail called for in Schedule 1, on page 2, and in addition show the following in each instance:

| | Secured | Unsecured |
|---|---|---|
| Total direct loans to directors, officers, and employees | $--------- | $---------- |
| Total direct loans to advisory board members | $---------- | $---------- |

(6) Give in detail all information called for in Schedule 2, page 2, and in addition show·

| | Secured | Unsecured |
|---|---|---|
| Total direct loans in which directors, officers, or employees are interested | $---------- | $---------- |
| Total direct loans in which members of advisory board are interested | $---------- | $---------- |

(7) In addition to information called for by Schedule 3, page 2, show par value of national bank stocks pledged as collateral to bank under examination and name or names in which stock is issued, that we may determine whether directors are disqualified.

(8) In schedule of "Overdue paper" please show totals of class A and class B as follows:

| | |
|---|---|
| A. Total bad debts as defined by sec. 5204, United States Revised Statutes (including real estate loans of $------) | $---------- |
| B. Other overdue paper (including real estate loans of $------) | $---------- |

(9) The schedule "slow and doubtful paper and losses on loans" should represent the examiner's opinion after full discussion with officers of the branch (and local directors, where necessary), and if there is a material difference of opinion, that fact should be discussed in detail in the confidential section of the report, and we should be supplied with full information on all important loss items that they may be intelligently discussed with officials at head office.

(10) The schedule of real estate loans requires unusually careful attention. Item 1 thereof (D. P. C.) refers only to those loans acquired since March 1, 1927, date of nationalization, and should include only those loans acquired in

settlement of debts previously contracted in good faith. Nonconforming loans held prior to date of nationalization, or March 1, 1927, or any renewals thereof should be included with other nonconforming loans, total to be shown under item 4, "Nonconforming loans held at date of conversion."

Nonconforming loans acquired since March 1, 1927, should be shown under item 3, as in violation of law.

Detailed schedules must be made of items 1 3, and 4, and in addition thereto please recapitulate schedule 4 under the following headings, showing totals. Value, $———; maturity, $———, unimproved, $———.

Totals only need to be shown for item 2.

In classifying nonconforming loans please make careful inquiry of branch managers relative to each and do not rely wholly upon appraisal certificates, for we have found that highly improved, income-producing agricultural land has been reported "Unimproved," the examiner following the synopsis of the aprasiers' report, so made because there is no residence on the property. Those classes nonconforming on account of value should also be carefully considered

(11) Item 2, page 7, should contain a complete schedule of overdrafts of six months duration, showing names, and dates of inception, and those considered uncollectible should be marked "Loss."

(12) Reference is made to page 6, "Other assets." Your report on suspense resources should show date of item, brief description and classification. Total to agree with line 9 of face of report. Please also prepare a separate schedule of suspense liabilities or other liabilities, showing dates, brief description and amounts.

Items carried under city cash collection account and documentary transit account should be carefully scrutinized and totals shown separately on page 1

All transit items are to be verified.

(13) Accounts maintained by other banks with the individual branches should be verified in the usual manner.

(14) Do not examine trust department. This will be done by an examiner especially designated for this purpose.

(15) Make up a schedule in confidential section showing loans secured by any of the following stocks:

Totals only need be shown, e g., "Loans on stock of affiliates, $10,000, 100 shares; $35,000, 200 shares."

(16) Omit items 4 and 5, page 7; items 10, 11, 14, and 15, page 8; schedule 1, page A (salaries) and item 5, page B.

(17) Pencil copies of reports of examination of branches in the southern division should be promptly forwarded to examiners for review with credit department, or that he may arrange for such conference in important cases, with the examiner who makes the examination. If for any good reason you desire to personally discuss criticisms with the credit department, please so advise when transmitting your report.

(18) In submitting your monthly budget report, please show expenses as a separate item. (This will be included in the chief examiner's office with subdistrict A).

Respectfully,

T E. Harris

San Francisco, Calif

*To the manager, Branch* ———.

Dear Sir: In order to facilitate an effective examination of the ——— ——— and its branches as of the close of business ——— you are requested to prepare in triplicate and forward to T. E. Harris, chief national bank examiner, the following schedules in duplicate retaining triplicate for your files It is important that this data be forwarded at the earliest possible moment and that totals of schedules agree with daily financial statements.

In order that there may be uniformity, all branch managers must use legal size paper in preparing schedules, and place the name of your branch on each sheet of the report. If you do not have a supply of legal paper, purchase a supply locally

*Schedule No 1*—Statement of assets and liabilities as of above date on the form used in submitting this information to the head office. This includes all departments.

*Schedule No 2.*—All loans to directors, officers and employees, including members of the board of directors of the head office, and advisory board of any branch, with detailed list of collateral or security thereto.

*Schedule No 3.*—Loans to corporations in which any director, officer, employee or advisory board member is interested, with detailed description of collateral or security thereto, together with name of party interested therein.

*Schedule No. 4.*—List of all overdrafts of directors, officers or employees showing date of inception. Also list of all other accounts showing overdrafts which are of more than six months' standing. (This schedule will not balance with D. F. S.).

*Schedule No 5.*—A detailed list of public funds on deposit, showing name, title and address of officer who controls the account, amount of deposit and rate of interest paid thereon (including deposits of all Government, State, county and municipal authorities.).

*Schedule No. 6.*—All individual deposits (not including public funds, savings deposits, or certificates of deposit) on which interest is paid, omitting names, but showing aggregate amount for each rate paid. (This schedule will not balance with any account on D. F. S.)

*Schedule No. 7.*—Schedule of all unsecured loans, showing name of borrower, amount of loan, and, if past due, date to which interest has been paid.

*Schedule No. 8.*—Schedule of all secured loans, showing name of borrower, amount of loan and, if past due, date to which interest has been paid and an itemized list of collateral or security thereto.

*Schedule No. 9.*—List in detail all "Suspense resources" showing collateral or security thereto.

*Schedule No. 10.*—Schedule of all loans secured by real estate mortgage or deed of trust giving details provided for in pro forma schedule attached. In column 8 of the schedule indicate whether secured by improved farm land (I. F.), improved city property (I. C.), or unimproved real estate (unimp.). If mortgage was taken to secure a debt previously contracted in good faith this fact should be indicated by "D. P. C.". Also indicate in column 8 on past due items whether interest is payable semiannually (S. A.), quarterly (Q.), or monthly (M.) and date to which interest has been paid. (Property is within legal boundary if located in Federal reserve district.)

*Schedule No. 11.*—Schedule all bonds, warrants, and other securities, showing par value, name, maturity, book value, and interest rate.

See specimen schedules attached for your guidance.

Yours very truly,

———— ————,
*Chief National Bank Examiner,*
*Federal Reserve District.*

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Branch managers should compile data asked for on legal size paper. The first page of each schedule must bear the columnar headings indicated below; and must bear the name of the branch.

*Schedule No. 1.*—This must be compiled on your regular form of report to head office (Forms GL, 1x, and GL, 2x):

*Schedule No. 2.*—Loans to directors, officers, employees, and advisory board members:

| Name | Amount | Collateral or security in detail |
|---|---|---|
| | | |

*Schedule No. 3.*—Loans to corporations in which directors, officers, employees, of advisory board members are interested:

| Name | Amount | Name of party interested | Collateral or security |
|---|---|---|---|
| | | | |

*Schedule No. 4.*—Overdrafts:

| Name | Amount | Date of inception | If a director, officer, or employee, so state |
|---|---|---|---|
| | | | |

*Schedule No. 5.*—Public funds on deposit:

| Name of official | Title | Address | Amount | Interest rate |
|---|---|---|---|---|
| | | | | |

*Schedule No. 6.*—Interest paid on individual deposits:
Two per cent on deposits aggregating, $———.
Two and five-tenths per cent on deposits aggregating, $———.
Three per cent on deposits aggregating, $———.
Three and five-tenths per cent on deposits aggregating, $———.
Four per cent on deposits aggregating, $———.
Over 4 per cent on deposits aggregating, $———.
Total, $———.

*Schedule No. 7.*—Unsecured loans. Indicate maturity and date to which interest has been paid only on those that have passed date of maturity, and on demand paper when more than six months' interest is accrued and unpaid. Also indicate on past-due notes whether interest is payable semiannually (S. A.), quarterly (Q.), or monthly (M.):

| Name of borrower | Amount | Maturity | Date to which interest is paid and how payable (S. A.) (Q.) (M.) |
|---|---|---|---|
| | | | |

*Schedule No. 8.*—Secured loans.

| Name of borrower | Amount | Maturity if past due | Date to which interest is paid (if past due) | Collateral or security |
|---|---|---|---|---|
| | | | | |

*Schedule No. 9.*—Suspense resources:

| Name of debtor | Date taken | Amount | Collateral or security |
|---|---|---|---|
| | | | |

*Schedule No. 10.*—List of real estate loans (special form inclosed):

*Schedule No. 11.*—Bonds, warrants, and other securities:

| Par value | Description | Maturity and interest rate | Book value |
| --- | --- | --- | --- |
| | | | |

*List of real estate loans (number of bank, ———)*

| 1<br>Name of borrower | 2<br>Amount of loan | 3<br>Prior lien | 4<br>Estimated value of property | 5<br>Date mortgage taken | 6<br>Maturity of mortgage | 7<br>State whether secured by improved farm or other property | 8<br>Is property located within legal boundary |
| --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | | | |
| Total | | | | | | | |

The CHAIRMAN. Now, referring to the affiliated companies, you have stated that you thought it proper that the comptroller be permitted to examine the affiliated companies—companies affiliated with national banks, and, I am supposing, State member banks of the Federal reserve system?

Mr. POLE. I had no reference to State members banks because we have no supervisory powers over them.

The CHAIRMAN. You are speaking particularly of the national banks?

Mr. POLE. Yes, sir.

The CHAIRMAN. In your examination of national banks, where there are affiliated companies, have you ever had any access to affiliated companies in your examination?

Mr. POLE. We have not, except occasionally banks will voluntarily permit or request us to inspect the assets of an affiliate. We have not legal authority to do so.

The CHAIRMAN. But you have, in certain instances, been permitted to examine the affiliated companies?

Mr. POLE. Yes, sir.

The CHAIRMAN. That is optional, however, with the banks?

Mr. POLE. Yes.

The CHAIRMAN. As to whether you do that or not?

Mr. POLE. Yes.

Mr. FENN. May I ask just one question?

The CHAIRMAN. Yes.

Mr. FENN. Were those inspections of the affiliated companies, so called, at the request of the banks or bank, or were they at your request that you should be allowed to examine them?

Mr. POLE. At our request or even at the request of the bank.

Mr. FENN. Sometimes the bank might think it would be to their benefit to have a certification from you?

Mr. POLE. They feel that way; a great many of them.

Mr. FENN. They think it a good idea to have you check up on them?

Mr. POLE. Yes, sir.

Mr. LETTS. Will you get a definition of the term "affiliated companies" into the record at this point, Mr. Chairman?

The CHAIRMAN. Yes; we will be glad, Mr. Pole, if you will give us the definition of an affiliated company?

Mr. POLE. The stock of an affiliated company is usually held in trust for the benefit of the shareholders of the national bank and is a State corporation with power to deal in stocks and bonds, make investments, and do such other things as are permitted under its State charter.

The CHAIRMAN. In addition to that, would that include the ownership of the State bank?

Mr. POLE. Among its investments might be found the stock of State banks.

The CHAIRMAN. In such a case as that, does your thought extend to the access, for examining purposes, of State banks, where control of such an institution is vested in an affiliated holding company?

Mr. POLE. My thought would hardly extend that far, Mr. Chairman. My particular reason for examination would be that the close affiliation of the stock of the affiliated company with that of the national bank may be such as to affect the national bank should the affiliated company become in anyway involved.

The CHAIRMAN. Where a securities company owns control of a State bank, whose solvency would affect the holding company and the holding company would affect the national bank, should you not have access to an examination of such a State bank?

Mr. POLE. I hardly think it would be necessary to carry it to the point of examining the State bank any more than it would be to examine any other institution whose stock might be carried as an asset of the corporation. It would be possible to determine the value of the assets of the securities company without that.

The CHAIRMAN. Referring to the stock ownership of affiliated companies, I understand some affiliated companies' entire stock is owned by the stockholders of a national bank and there are other companies where they are not the same stockholders, but the stock is scattered, and simply controlled either through control of the officers and management or control of the stock, and the minority control would be in the hands of the public. Is that a fact?

Mr. POLE As far as I know, I think there may be some such instances.

Mr. LETTS Do you mean that the stock of the affiliated company is held by the stockholders of the national bank as individuals or held in trust for all of the stockholders of the national bank?

The CHAIRMAN. It might be either way. I am seeking information here. I will be glad to have Mr Pole answer that

Mr. POLE In the case of national banks the stock is usually held in trust for the benefit of the shareholders of the national bank.

The CHAIRMAN It has happened, has it not, in the past where national banks have declared a dividend and organized an affiliated company from the dividend, that the entire capital has come as the result of the declaration of the dividend of the bank?

Mr. POLE. That is the case.

The CHAIRMAN. This is done with the approval of the comptroller always?

Mr. POLE. No; I would say not. The comptroller would not have to approve such a thing as that.

The CHAIRMAN. It could proceed without his approval?

Mr. POLE. If a bank declares a dividend, it is entirely a matter for the shareholder to decide what he does with that dividend, whether or not he invests in the stock of a securities company or something else.

The CHAIRMAN. We have these various methods of organization, and control of affiliated companies. The national bank law, as I understand it, forbids the purchase by the bank itself of the stock of the bank. That is correct, is it not?

Mr. POLE. Yes, sir.

The CHAIRMAN. A national bank is not permitted to deal in its own stock in any manner whatsoever?

Mr. POLE. A bank may acquire its own stock to secure a previous indebtedness.

The CHAIRMAN. It has come to my attention that some of these affiliated holding companies, where the entire capital stock is owned by the same stockholders as the national bank, have been buying national-bank stock—the stock of the affiliated national bank. Would you consider that to be legal under the national bank act?

Mr. FORT. Will you state that question over, please?

The CHAIRMAN. I was stating where the stock of a company affiliated with a national bank, is buying the national-bank stock, the purchase of which is forbidden under the law to the bank itself, but is purchased by the holding company——

Mr. FENN. The stock in the parent company?

The CHAIRMAN. In other words, that which is prohibited in the national bank law to a national bank, is being carried on by the purchase and sale by an affiliated company. Is that an evasion of the law, or of the intent of the law, or is it legal?

Mr. POLE. Where a State corporation is permitted to buy stock, I think it would be legal for it to purchase stock in a national bank with which it might be affiliated. As to whether or not I would deem that advisable if carried too far, is of course another question.

The CHAIRMAN. There was one particular case called to my attention—and I do not want to give any arbitrary figures, because I do not know whether they are exact figures—where one of the affiliated companies, the stock being owned entirely by the same interests as owned the national bank, purchased the controlling interest in the stock of the bank at a price of $350 to $400 a share. The fact that they were purchasing the stock ran the stock up to between $700 and $800 per chare—just the mere operation of the demand for the purchase of that stock.

Then I understand other circumstances arose, perhaps through the crash of last fall, where the stock depreciated in value again, and that the control of this national bank now rests entirely in the hands of the affiliated company whose stockholders are exactly the same.

Do you think such a condition as that should be permitted; or should it be denied?

Mr. Pole. I should think any manipulation of national banks would be objectionable.

The Chairman. Is not that a manipulation, to avoid the law?

Mr. Pole. Such a case as you speak of might be so termed.

The Chairman. It might be construed as a dummy company, might it not?

Mr. Pole. Yes; it might be so construed.

The Chairman. Now, in regard to the examination of national banks and trust departments, which are created by national banks, under section 11-K of the Federal reserve act, which I think the national banks are permitted to do—to have trust departments and carry on fiduciary relations—are your examiners equipped to handle that increasing amount of trust business?

Mr. Pole. We are preparing for a more comprehensive examination of the trust departments, Mr. Chairman. That is an extremely technical and difficult operation. We are training the men and are endeavoring to cope with that situation.

The Chairman. That is an increasing responsibility that comes through the growth of the trust business being conducted by the national banks?

Mr. Pole. Yes.

The Chairman. Now, as to the method of examinations: I understand that so far as the examination of State banks is concerned, that is done by the Federal reserve and your department has nothing to do with it?

Mr. Pole. Nothing whatever to do with State banks.

The Chairman. Do the Federal reserve people ever call upon you to examine a State bank?

Mr. Pole. No.

The Chairman. Now, as to the expense of these examinations. Before I take that up in detail, what arrangement have you with these big banks as to the payment for these continuous examinations? How is that worked out?

Mr. Pole. We assess the bank on the basis of its total resources

The Chairman. Well, is the cost of examination under a continuous plan, such as you are now pursuing, more costly to those banks than it would be by making individual examinations of the parent banks and the branches?

Mr. Pole. It is not more costly to the banks, because under the law a bank shall be assessed on its resources.

The Chairman. So, the same——

Mr. Pole. So, we do not assess each branch separately.

The Chairman. But the cost of that examination is levied just the same as it is on other banks?

Mr. Pole. Just the same.

The Chairman. Does that actually cover the cost of examination of these special groups?

Mr. Pole. Practically so. In the large banks, it about covers the cost. However, I have it in mind to recommend an amendment to the law which will permit an additional charge for each branch examined. But we have not done that yet.

The CHAIRMAN. Will you place in the record a statement showing just how you levy and collect the assessments for the examination of banks and show the cost over a period of the last five years—the annual cost. I would also like to have you put in a list of the names and addresses of your national bank examiners now in your service, including their assistants; the chief national bank examiners and their assistants, and the salaries paid?

Mr. STRONG. And the number?

The CHAIRMAN. Including the number. You can do that, Mr. Pole?

Mr. POLE. Oh yes, and we will be glad to.

At the completion of an examination the examiner prepares a bill to cover the cost of the examination. The bill is based upon a minimum charge of $50 on assests amounting to $25,000, the remaining assest are assessed 3 cents on each $1,000.

The following is a statement showing the annual cost of examination of all national banks for the past five years:

| | |
|---|---|
| 1925 | $2, 174, 428. 74 |
| 1926 | 2, 195, 709. 69 |
| 1927 | 2, 334, 705. 72 |
| 1928 | 2, 352, 069. 95 |
| 1929 | 2, 499, 657. 68 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*

DISTRICT NO. 1

| Name | Address | Salary |
|---|---|---|
| F D Williams, chief examiner | Federal Reserve Bank Building, Boston, Mass | $13, 000 |
| Thomas E Dooley, examiner | Hartford, Conn | 4, 500 |
| Otis, M Freeman, examiner | Providence, R I | 4, 500 |
| Aloysius W Green, examiner | Manchester, N H | 4, 200 |
| Michael J Hurley, examiner | Boston, Mass | 5, 100 |
| John Isaac, examiner | do | 3, 300 |
| W P McCall, examiner | Portland, Me | 3, 300 |
| Daniel F Murphy, examiner | Boston, Mass | 4, 500 |
| Edward F Parker, examiner | do | 7, 000 |
| Frank J Ryan, examiner | do | 5, 300 |
| George M Bernier, assistant | Hartford, Conn | 1, 900 |
| Clyde A Campbell, assistant | Portland, Me | 2, 060 |
| Francis Carolan, assistant | Boston, Mass | 2, 150 |
| Medville L Clark, assistant | do | 2, 000 |
| Henry V Cunningham, jr , assistant | do | 1, 500 |
| Ernest G Flint, assistant | do | 1, 920 |
| W C Fridstrom, assistant | do | 2, 300 |
| Gerald Griffin, assistant | do | 2, 440 |
| Russell A Hersee, assistant | do | 2, 100 |
| Julian R Hohenstein, assistant | do | 3, 000 |
| Griffith Wm Jones, assistant | Rutland, Vt | 2, 040 |
| Daniel P Miller, assistant | Boston, Mass | 1, 620 |
| Gordon I Miller, assistant | do | 1, 620 |
| Harold Wm Randall, assistant | Providence, R I | 1, 620 |
| George A Smart, assistant | Boston, Mass | 1, 740 |
| Howell B Voight, assistant | do | 2, 700 |
| Allan F Wright, assistant | Manchester, N H | 2, 160 |

DISTRICT NO. 2

| | | |
|---|---|---|
| Owen T Reeves, jr., chief examiner | 525 Federal Reserve Bank Building, New York City, N Y. | $20, 000 |
| Cecil Ashwood, examiner | Buffalo, N Y | 3, 900 |
| Otis W Beaton, examiner | New York, N Y | 4, 200 |
| Harold W Black, examiner | Buffalo, N Y | 6, 000 |
| Francis S Clarke, examiner | Kingston, N. Y | 3, 600 |
| Raymond G. Dann, examiner | Utica, N Y | 4, 000 |
| Carlos B Dawes, examiner | Albany, N. Y | 2, 700 |
| Andrew MacKenzie Douglas, examiner | New York, N Y | 3, 000 |
| C C Francis, examiner | do | 5, 500 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 2—Continued

| Name | Address | Salary |
|---|---|---|
| Paul L. Hotchkin, examiner | Watertown, N. Y | $4,200 |
| Peter J. Lorang, examiner | New York, N. Y | 7,000 |
| Albert P. Luscombe, examiner | do | 4,200 |
| A. B. McCans, examiner | do | 4,800 |
| Chas. J. Machleid, examiner | do | 4,000 |
| Robert Neill, examiner | do | 6,500 |
| Thos. J. O'Connor, examiner | Geneva, N. Y | 3,300 |
| Harold P. Robinson, examiner | New York, N. Y | 3,600 |
| J. Oscar Roots, examiner | do | 7,000 |
| Lewis A. Shea, examiner | do | 4,000 |
| William F. Sheehan, examiner | do | 7,000 |
| Raymond R. Shroyer, examiner | do | 3,500 |
| H. E. Stewart, examiner | do | 3,000 |
| Jesse M. Strong, examiner | Albany, N. Y | 5,000 |
| John L. Watts, examiner | New York, N. Y | 4,200 |
| Edward B. Wilson, examiner | Albany, N. Y | 6,000 |
| Harold C. Adams, assistant | New York, N. Y | 2,620 |
| Ferdinand A. Barg, assistant | do | 1,800 |
| John W. Beaton, assistant | do | 3,500 |
| David S. Birch, assistant | do | 1,500 |
| Edwin C. Boal, assistant | do | 2,000 |
| Melvin J. Boe, assistant | Albany, N. Y | 2,100 |
| Edward C. Boyce, assistant | New York, N. Y | 2,620 |
| John Charles Brogan, jr., assistant | do | 2,400 |
| Irvin N. Clary, assistant | do | 2,520 |
| Arthur H. Coe., assistant | do | 1,520 |
| William G. Coe, assistant | Albany, N. Y | 1,800 |
| Donald S. Day, assistant | Watertown, N. Y | 2,220 |
| Wyman C. Donaldson, assistant | New York, N. Y | 1,800 |
| Thorpe G. Drain, assistant | do | 2,000 |
| Cauldwell A. Dunham, assistant | do | 2,400 |
| Van Wert Ellis, assistant | do | 2,400 |
| Walter V. Ferris, assistant | do | 1,920 |
| Gilbert W. Gardner, assistant | do | 2,160 |
| Edmund J. Graves, assistant | do | 2,400 |
| Gordon R. Graves, assistant | do | 2,280 |
| Earmon Leon Hensley, assistant | do | 2,100 |
| Edw. N. Howland, assistant | do | 3,800 |
| John J. Irwin, assistant | do | 2,520 |
| Irwin L. Jennings, assistant | do | 2,000 |
| Lewellyn A. Jennings, assistant | Buffalo, N. Y | 1,620 |
| Walter Larsen, assistant | New York, N. Y | 2,400 |
| Felix J. McCarthy, assistant | do | 1,800 |
| Francis X. McKeone, assistant | do | 3,000 |
| Victor M. Meister, assistant | do | 2,400 |
| Harry Messer, assistant | do | 3,120 |
| G. S. Nichols, assistant | Buffalo, N. Y | 2,000 |
| George W. Nielsen, assistant | New York, N. Y | 2,100 |
| Knud Ott, assistant | do | 2,520 |
| Donald Patterson, assistant | do | 2,400 |
| Benjamin Peticolas, assistant | do | 1,920 |
| Herman L. Pritchard, assistant | do | 1,800 |
| Oliver B. Proctor, jr., assistant | do | 2,000 |
| Donald E. Pugh, assistant | Albany, N. Y | 1,620 |
| Harold A. Reitz, assistant | New York, N. Y | 3,000 |
| John R. Reynolds, assistant | do | 2,220 |
| Richard Sailer, assistant | do | 2,520 |
| Joseph A. Sales, assistant | do | 3,300 |
| Ernest John Scharpf, assistant | do | 2,100 |
| Arnold F. W. Schneider, assistant | Utica, N. Y | 2,680 |
| Harold Jesse Seeley, assistant | Buffalo, N. Y | 2,400 |
| Joseph James Silas, assistant | New York, N. Y | 2,700 |
| Kendrick J. Smith, assistant | Buffalo, N. Y | 1,600 |
| A. Kenneth Spaulding, assistant | Albany, N. Y | 2,200 |
| Francis R. Steyert, assistant | New York, N. Y | 3,000 |
| Charles F. Strenz, assistant | do | 2,640 |
| R. B. Stringfellow, assistant | do | 2,720 |
| Clarence A. Ulery, assistant | Kingston, N. Y | 2,040 |
| Gerald F. Varnum, assistant | New York, N. Y | 2,520 |
| Chester I. Wenman, assistant | do | 2,520 |
| Franklin Parker West, assistant | do | 1,620 |
| Adam Wetzel, assistant | do | 2,400 |
| Wm. F. Wilkinson, assistant | do | 2,240 |
| Herbert G. Wing, assistant | do | 1,920 |
| George W. Wood, assistant | do | 2,640 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 3

| Name | Address | Salary |
|---|---|---|
| Stephen L. Newnham, chief examiner | 1500 Walnut Street, Room 1503, Philadelphia, Pa. | $15,000 |
| Edward A. Allanson, examiner | Philadelphia, Pa | 6,000 |
| William B. Baker, examiner | do | 7,000 |
| Alfred Boysen, examiner | Wilkes-Barre, Pa | 4,200 |
| Henry B. Davenport, examiner | Lancaster, Pa | 6,200 |
| R. Gordon Finney, examiner | Philadelphia, Pa | 3,600 |
| Charles H. Hartman, examiner | do | 4,800 |
| John H. Ketner, examiner | Reading, Pa | 3,900 |
| Francis J. McGinnis, examiner | Philadelphia, Pa | 3,600 |
| George L. Medill, examiner | Altoona, Pa | 4,200 |
| Frank T. Ransom, examiner | Philadelphia, Pa | 5,800 |
| Joseph H. Siebert, examiner | Williamsport, Pa | 3,000 |
| George F. Smith, examiner | Harrisburg, Pa | 4,200 |
| Vernon G. Snyder, examiner | Sunbury, Pa | 4,800 |
| Lloyd W. Stover, examiner | Philadelphia, Pa | 3,600 |
| Marshall Abrahamson, assistant | do | 2,500 |
| Norman H. Anderson, assistant | Reading, Pa | 1,800 |
| Carl B. Baldt, assistant | Philadelphia, Pa | 1,800 |
| Norman G. Bloom, assistant | Altoona, Pa | 1,620 |
| John Calvin Brachbill, assistant | Philadelphia, Pa | 1,500 |
| Albert A. Burford, assistant | do | 1,740 |
| Roy F. Cowan, assistant | do | 2,040 |
| Howe MacLean Crawford, assistant | do | 2,040 |
| Ira L. Hall, assistant | Lancaster, Pa | 2,040 |
| Frank B. Hower, assistant | Reading, Pa | 1,620 |
| Samuel N. Jones, assistant | Philadelphia, Pa | 3,300 |
| J. Elmer Killmond, assistant | do | 3,000 |
| William A. Lank, assistant | do | 1,560 |
| J. Wesley Little, assistant | do | 1,500 |
| B. J. McGilvery, assistant | do | 2,160 |
| Joseph A. McLaughlin, assistant | do | 2,700 |
| Conrad Melas, assistant | do | 1,920 |
| Russell K. Metz, assistant | do | 1,860 |
| M. J. Muldowney, assistant | do | 1,800 |
| Edward J. O'Rourke, assistant | Sunbury, Pa | 1,500 |
| Troy Rhoads, assistant | Philadelphia, Pa | 1,740 |
| Raymond W. Scharfenberg, assistant | Williamsport, Pa | 1,800 |
| Dwight Andrews Segar, assistant | Harrisburg, Pa | 1,740 |
| Ray DuPont Smith, assistant | Philadelphia, Pa | 1,860 |
| Leon A. Stanger, assistant | do | 1,680 |
| Lenwood M. VanOrsdale, assistant | Wilkes-Barre, Pa | 2,040 |
| Richard F. Walsh, assistant | Philadelphia, Pa | 2,160 |

DISTRICT NO. 4

| | | |
|---|---|---|
| William Taylor, chief examiner | 715 Federal Reserve Bank Building, Cleveland, Ohio. | $10,000 |
| Jas. W. Austin, examiner | Cleveland, Ohio | 3,300 |
| Ben J. Blaakley, examiner | Wheeling, W. Va | 4,200 |
| Addison A. Clarke, examiner | Lima, Ohio | 4,200 |
| A. Burton Faris, examiner | Richmond, Ky | 4,200 |
| Ira J. Fulton, examiner | Cleveland, Ohio | 6,500 |
| George R. Gaskell, examiner | Mansfield, Ohio | 4,000 |
| Lester P. Hauschild, examiner | New Castle, Pa | 3,000 |
| Floyd P. Hunt, examiner | Cleveland, Ohio | 2,700 |
| Harry L. Lanum, examiner | Cincinnati, Ohio | 3,300 |
| Louis A. Norman, examiner | do | 3,600 |
| Richard Rossman, examiner | Pittsburgh, Pa | 3,500 |
| William J. Schechter, examiner | do | 7,000 |
| Michael H. Sims, examiner | do | 5,000 |
| George H. Smith, examiner | Greensburg, Pa | 5,100 |
| Loren Swenson, examiner | Painesville, Ohio | 4,500 |
| Frank G. Abbey, assistant | Mansfield, Ohio | 1,920 |
| Donald W. Allen, assistant | Pittsburgh, Pa | 1,560 |
| Joseph V. Denney, jr., assistant | do | 1,320 |
| Chapman C. Fleming, assistant | Cleveland, Ohio | 1,620 |
| William B. Frantz, assistant | Pittsburgh, Pa | 2,040 |
| Herbert L. Gernandt, assistant | do | 1,740 |
| Howell H. Harris, assistant | Columbus, Ohio | 2,160 |
| Wilmot Louis Harris, assistant | Cleveland, Ohio | 1,500 |
| Clyde Hendrix, jr, assistant | Painesville, Ohio | 1,500 |
| Preston P. Kellogg, assistant | Richmond, Ky | 2,000 |
| Walter J. Kunzi, assistant | Cincinnati, Ohio | 2,120 |
| Marcellus R. Lare, jr., assistant | Pittsburgh, Pa | 1,680 |
| Wendell C. Laycock, assistant | Columbus, Ohio | 2,160 |
| Paul O. Malone, assistant | Pittsburgh, Pa | 2,160 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 4—Continued

| Name | Address | Salary |
|---|---|---|
| Charles J. Miller, assistant | New Castle, Pa | $1,900 |
| Robert D. O'Grady, assistant | Pittsburgh, Pa | 2,160 |
| Ira Paine, assistant | do | 2,400 |
| John H. Pole, assistant | Cleveland, Ohio | 2,000 |
| Sherman C. Shull, assistant | Greensburgh, Pa | 1,860 |
| E. Trimble Smith, assistant | Columbus, Ohio | 2,000 |
| Harold N. Smith, assistant | do | 1,860 |
| Benjamin D. Staggers, assistant | Wheeling, W. Va | 1,860 |
| Gordon E. Starkey, assistant | Lima, Ohio | 1,860 |
| Leon F. Stroefer, assistant | Pittsburgh, Pa | 1,920 |
| Curtis D. Thomas, assistant | do | 1,860 |
| Chelsea E. Underwood, assistant | Painesville, Ohio | 1,920 |
| H. M. Walker, assistant | Cleveland, Ohio | 2,100 |

DISTRICT NO. 5

| Name | Address | Salary |
|---|---|---|
| Ralph W. Byers, chief examiner | Washington, D. C | $10,000 |
| Joseph A. Amrhein, examiner | Richmond, Va | 4,500 |
| Jennings L. Bailey, examiner | Washington, D. C | 4,500 |
| John W. Dalton, examiner | Charlotte, N. C | 4,500 |
| Charles W. Green, examiner | Cumberland, Md | 4,200 |
| Thos. F. Kane, examiner | Washington, D. C | 4,200 |
| John R. McMullan, examiner | do | 4,800 |
| Chas. W. Motter, examiner | Raleigh, N. C | 3,800 |
| F. C. Ockershausen, examiner | Columbia, S. C | 3,900 |
| Paul C. Ramsdell, examiner | Washington, D. C | 4,500 |
| Charles A. Stewart, examiner | do | 4,200 |
| H. F. Stokes, examiner | Huntington, W. Va | 3,300 |
| D. Robertson Wood, examiner | Pulaski, Va | 5,000 |
| Maurice L. Barnett, jr., assistant | Washington, D. C | 2,040 |
| James P. Benfer, jr., assistant | do | 1,860 |
| Wilfred H. Blanz, assistant | do | 2,280 |
| Douglas W. Cahill, assistant | Charlotte, N. C | 1,680 |
| Francis J. Clark, assistant | Washington, D. C | 2,220 |
| Lewis H. Clark, assistant | do | 2,000 |
| Earl B. Crabtree, assistant | do | 1,320 |
| James S. Ellington, assistant | do | 1,860 |
| Hugh W. Folger, assistant | do | 1,620 |
| J. Cooke Grayson, assistant | do | 3,600 |
| Frank A. Gunther, jr., assistant | do | 1,680 |
| James C. Hopkins, assistant | Huntington, W. Va | 1,740 |
| William E. Howard, jr., assistant | Pulaski, Va | 1,800 |
| Vernon D. Palmer, assistant | Raleigh, N. C | 1,920 |
| Garrett A. Pendleton, assistant | Washington, D. C | 2,000 |
| Alton L. Powell, assistant | Richmond, Va | 1,920 |
| Robert M. Seabury, assistant | Cumberland, Md | 2,160 |
| Douglas O. Starr, assistant | Washington, D. C | 2,100 |
| William M. Taylor, assistant | do | 2,160 |
| William T. Vandoren, assistant | do | 1,980 |
| Wm. H. Wheelwright, jr., assistant | do | 2. 160 |

DISTRICT NO. 6

| Name | Address | Salary |
|---|---|---|
| Ellis D. Robb, chief examiner | Atlanta, Ga | $12,000 |
| Albert A. Basham, examiner | Knoxville, Tenn | 4,800 |
| James J. Byrne, examiner | Montgomery, Ala | 3,600 |
| Field F. Cunningham, examiner | Lakeland, Fla | 3,600 |
| Clyde J. Evans, examiner | Nashville, Tenn | 5,200 |
| W. Morris Lammond, examiner | New Orleans, La | 4,700 |
| W. P. Lifsey, examiner | Albany, Ga | 4,200 |
| John B. Luiken, examiner | Birmingham, Ala | 4,700 |
| James W. S. Aylward, assistant | Atlanta, Ga | 1. 500 |
| Edward C. Barnes, assistant | Montgomery, Ala | 1,920 |
| Wm. A. Cottingham, assistant | Atlanta, Ga | 1,500 |
| Reed Dolan, assistant | do | 2,220 |
| Lorian C. Hendrix, assistant | do | 1,500 |
| Donald F. Houser, assistant | do | 1,800 |
| Leonard C. Johnson, assistant | do | 1,500 |
| William H. Lewis, jr., assistant | do | 1,920 |
| Jefferson S. McClain, assistant | do | 2,000 |
| E. P. Medlock, assistant | do | 3,600 |
| Hiram C. Miller, assistant | do | 1,500 |
| Turner Rice, jr., assistant | Nashville, Tenn | 1,800 |
| Wilbur W. Sasser, assistant | Atlanta, Ga | 1,500 |
| Aldine K. Snead, jr., assistant | do | 1. 620 |
| Gilbert M. Stell, assistant | do | 1,740 |
| James M. Stooksbury, assistant | do | 1,500 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 7

| Name | Address | Salary |
|---|---|---|
| A. P. Leyburn, chief examiner | 164 West Jackson Boulevard, room 1209, Chicago, Ill. | $12,000 |
| Glenn W. Baugh, examiner | Sioux City, Iowa | 3,000 |
| Robert S. Beatty, examiner | Decatur, Ill | 4,000 |
| Lysle S. Burk, examiner | Des Moines, Iowa | 2,700 |
| Willston A. Cutler, examiner | Rock Island, Ill | 3,900 |
| Leo D. Donovan, examiner | Chicago, Ill | 2,700 |
| Samuel W. Dye, examiner | Peoria, Ill | 4,800 |
| Horace S. French, examiner | Chicago, Ill | 5,300 |
| Harry R. Fuller, examiner | Indianapolis, Ind | 3,900 |
| Raby L. Hopkins, examiner | Detroit, Mich | 5,300 |
| E. M. Joseph, examiner | Grand Rapids, Mich | 4,100 |
| Harry A. Laird, examiner | Des Moines, Iowa | 4,200 |
| Harold E. Laufer, examiner | Chicago, Ill | 2,700 |
| William R. Nolan, examiner | Waterloo, Iowa | 3,300 |
| Henry F. Quinn, examiner | Chicago, Ill | 3,300 |
| David H. Reimers, examiner | Des Moines, Iowa | 3,600 |
| J. Lyell Sanders, examiner | Indianapolis, Ind | 3,900 |
| Robert K. Stuart, examiner | Milwaukee, Wis | 6,200 |
| H. W. Walker, examiner | Wisconsin Rapids, Wis | 5,700 |
| Maxwell M. Ward, examiner | Chicago, Ill | 3,300 |
| George Robert Wilson, examiner | Danville, Ill | 3,000 |
| Chester A. Ackley, assistant | Fort Wayne, Ind | 2,000 |
| Edward C. Alderson, assistant | Peoria, Ill | 1,500 |
| T. F. Barradell, assistant | Chicago, Ill | 2,700 |
| Felix Brodthagen, assistant | Des Moines, Iowa | 1,620 |
| Walter F. Busch, assistant | Grand Rapids, Mich | 1,800 |
| Orth I. Dains, assistant | Decatur, Ill | 1,980 |
| Paul E. Enlow, assistant | Chicago, Ill | 2,160 |
| Francis B. Fanning, assistant | do | 1,680 |
| Laurence B. Finn, jr, assistant | do | 1,620 |
| George J. Fitzgerald, assistant | do | 2,000 |
| Theodore Flaska, assistant | do | 2,400 |
| Bernard M. Flynn, assistant | Detroit, Mich | 2,040 |
| E. L. Gustafson, assistant | Chicago, Ill | 2,280 |
| Guy Richard Heflen, assistant | Sioux City, Iowa | 1,500 |
| Edward B. Johnson, assistant | Milwaukee, Wis | 2,000 |
| Roger A. McLean, assistant | Chicago, Ill | 1,740 |
| Francis J. Madden, assistant | do | 2,160 |
| Warren F. Miller, assistant | Rock Island, Ill | 2,160 |
| Maurice B. Moon, assistant | Chicago, Ill | 1,440 |
| Marshall W. Murray, assistant | do | 2,500 |
| P. E. Norsen, assistant | do | 3,800 |
| William F. O'Meara, assistant | Danville, Ill | 1,920 |
| J. C. Patterson, assistant | Indianapolis, Ind | 1,620 |
| Ivan L. Potts, assistant | do | 1,980 |
| J. C. Remington, assistant | Chicago, Ill | 1,620 |
| Franklin F. Robinson, assistant | Des Moines, Iowa | 1,620 |
| James F. Rush, assistant | Waterloo, Iowa | 2,100 |
| Thomas H. Sayer, assistant | Chicago, Ill | 2,400 |
| Joseph W. Sinnott, assistant | do | 1,920 |
| Lawrence B. Thurman, assistant | Wisconsin Rapids, Wis | 2,040 |
| Max Van Scoy, assistant | Des Moines, Iowa | 1,920 |
| Richard J. Wainwright, assistant | Chicago, Ill | 1,680 |
| Earl J. Walters, assistant | do | 1,800 |

DISTRICT NO. 8

| Name | Address | Salary |
|---|---|---|
| John S. Wood, chief examinaer | 1310 Federal Commerce Building, St. Louis, Mo. | $15,000 |
| Lewis R. Elkins, examiner | Evansville, Ind | 4,200 |
| Henry Glenn Harrison, examiner | St. Louis, Mo | 3,600 |
| Robert K. Hooker, examiner | do | 3,300 |
| William W. Kane, jr., examiner | do | 4,500 |
| John F. Lilly, examiner | Little Rock, Ark | 4,200 |
| Stuart H. Mann, examiner | St. Louis, Mo | 5,500 |
| Russell E. Mooney, examiner | Louisville, Ky | 3,600 |
| Edward A. Vonarb, examiner | Centralia, Ill | 3,900 |
| Hal Woodside, examiner | Springfield, Mo | 6,000 |
| William R. Young, examiner | Memphis, Tenn | 6,000 |
| Joseph D. Cowan, assistant | do | 1,560 |
| Robert R. Dickinson, assistant | Louisville, Ky | 1,620 |
| Albert W. Doepke, assistant | St. Louis, Mo | 2,160 |
| Martin J. Franey, assistant | do | 2,040 |
| Hollis Haggard, assistant | do | 1,920 |
| Sterling Hale, assistant | do | 1,860 |
| James Parker Hickok, assistant | do | 1,620 |
| Harry H. Holekamp, assistant | do | 1,200 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 8—Continued

| Name | Address | Salary |
|---|---|---|
| John D. Spires, assistant | Evansville, Ind | $1,740 |
| Pope James Walker, assistant | St. Louis, Mo | 1,500 |
| Fred S. Wetzel, assistant | Springfield, Mo | 1,740 |
| Cliff Wood, assistant | Little Rock, Ark | 1,620 |

DISTRICT NO. 9

| Name | Address | Salary |
|---|---|---|
| Irwin D. Wright, chief examiner | 1334 First National-Soo Line Building, Minneapolis, Minn. | $11,000 |
| Ole A. Anderson, examiner | Billings, Mont | 4,800 |
| James H. Gentry, examiner | Bismarck, N. Dak | 2,700 |
| William F. Huck, examiner | Minneapolis, Minn | 4,200 |
| Daniel D. McLaren, examiner | Fargo, N. Dak | 3,300 |
| Nels Nelson, examiner | Minneapolis, Minn | 3,900 |
| Elmer J. O'Bleness, examiner | Sioux Falls, S. Dak | 2,700 |
| Louis H. Sedlacek, examiner | do | 5,000 |
| Henry Sevison, examiner | Duluth, Minn | 4,500 |
| Lyle T. Stevens, examiner | Minneapolis, Minn | 4,500 |
| LeRoy J. Van Brunt, examiner | do | 3,600 |
| Francis M. von Birgelen, examiner | do | 3,000 |
| Harold Lester Wray, examiner | do | 3,000 |
| J. Howard Barker, assistant | do | 1,680 |
| Lorille J. Boyle, assistant | do | 1,800 |
| Marvin B. Chapin, assistant | do | 1,800 |
| L. Harold Ickler, assistant | do | 1,860 |
| Lester G. Le Fevre, assistant | do | 1,800 |
| Robert T. Lincoln, assistant | do | 2,100 |
| Reynolds B. North, assistant | do | 2,400 |
| Walter W. Olson, assistant | do | 2,100 |
| Evan D. Saltzman, assistant | do | 1,860 |
| Frank T. Sankovitz, assistant | do | 1,980 |
| F. Pinkham Sherman, assistant | do | 1,800 |
| E. D. Van Rhee, assistant | do | 1,860 |

DISTRICT NO. 10

| Name | Address | Salary |
|---|---|---|
| Luther K. Roberts, chief examiner | 800 Federal Reserve Bank Building, Kansas City, Mo. | $15,000 |
| Edgar F. Allen, examiner | Kansas City, Mo | 4,200 |
| Edwin J. Becker, jr., examiner | Clinton, Okla | 3,600 |
| Rollin O. Bishop, examiner | Kansas City, Mo | 3,900 |
| William H. Donahue, examiner | Muskogee, Okla | 4,500 |
| Jesse A. Fraser, examiner | Hutchinson, Kans | 3,000 |
| Cecil W. Lyon, examiner | Norfolk, Nebr | 3,300 |
| Walter N. Male, examiner | Denver, Colo | 3,300 |
| Pleasant V. Miller, examiner | Kansas City, Mo | 4,000 |
| Frank S. Nelson, examiner | Grand Island, Nebr | 3,600 |
| David V. Penn, examiner | Oklahoma City, Okla | 3,600 |
| Charles T. Rafter, examiner | Salina, Kans | 3,000 |
| Gerhard F. Roetzel, examiner | Oklahoma City, Okla | 3,300 |
| Murdo A. Ross, examiner | Kansas City, Mo | 4,500 |
| Claude L. Stout, examiner | Cheyenne, Wyo | 3,600 |
| Otis W. White, examiner | Denver, Colo | 4,800 |
| Elbert L. Williams, examiner | Kansas City, Mo | 3,000 |
| Clarence R. Anderson, assistant | Oklahoma City, Okla | 1,740 |
| Glenn E. Anderson, assistant | Kansas City, Mo | 1,620 |
| Ralph A. Blackburn, assistant | do | 1,500 |
| Charles M. Bowles, assistant | Denver, Colo | 1,740 |
| James E. Bradshaw, assistant | Kansas City, Mo | 1,500 |
| Ross M. Burt, assistant | do | 2,700 |
| Dillard Coggins, assistant | do | 2,700 |
| Robert E. Cook, assistant | do | 1,920 |
| Merle Cushing, assistant | do | 1,920 |
| John C. Faulkner, assistant | do | 1,680 |
| Fred Gignilliat, assistant | do | 1,740 |
| Richard S. Goodhart, assistant | do | 1,320 |
| Howard N. Hardenbrook, assistant | Clinton, Okla | 1,560 |
| John S. Head, assistant | Grand Island, Nebr | 1,800 |
| Paul T. Henninger, assistant | Norfolk, Nebr | 1,740 |
| Charles G. Hout, assistant | Kansas City, Mo | 1,500 |
| William N. Hurd, assistant | do | 1,500 |
| William B. Knight, assistant | do | 1,740 |
| Charles D. Lents, assistant | Oklahoma City, Okla | 1,740 |
| Joseph W. Morrisey, assistant | Muskogee, Okla | 1,680 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 10—Continued

| Name | Address | Salary |
|---|---|---|
| Howard O. Murray, assistant | Denver, Colo | $1,440 |
| Frank A. Rees, assistant | Kansas City, Mo | 3,000 |
| Fred L. Rees, assistant | do | 1,200 |
| Cecil G. Reynolds, assistant | Muskogee, Okla | 1,800 |
| Edmond Tomlin Richmond, assistant | Kansas City, Mo | 1,440 |
| Hubert S. Robinson, assistant | do | 1,620 |
| Leonard H. Smith, assistant | Hutchinson, Kans | 1,500 |
| Frank J. Tyliski, assistant | Cheyenne, Wyo | 1,800 |
| Louis F. Ward, assistant | Salina, Kans | 1,620 |
| Hilary B. West, assistant | Kansas City, Mo | 1,740 |

DISTRICT NO. 11

| Name | Address | Salary |
|---|---|---|
| Richard H. Collier, chief examiner | 1706 Republic Bank Building; Dallas, Tex. | $13,000 |
| Jacob Embry, examiner | Dallas, Tex | 6,300 |
| Charles W. Foster, examiner | San Antonio, Tex | 4,500 |
| Headley B. Gilbert, examiner | Wichita Falls, Tex | 4,700 |
| John W. Hawkins, examiner | Abilene, Tex | 3,600 |
| Gilbar C. Hedrick, examiner | Dallas, Tex | 4,500 |
| Bryan E. Horton, examiner | Waco, Tex | 3,300 |
| William Edgar Hutt, examiner | Sherman, Tex | 5,000 |
| Ernest Lamb, examiner | Fort Worth, Tex | 6,300 |
| F. Raymond Peterson, examiner | Houston, Tex | 4,500 |
| William W. Pierce, examiner | Corsicana, Tex | 3,000 |
| Walter A. Sandling, examiner | Dallas, Tex | 4,000 |
| William L. Sibley, examiner | Shreveport, La | 3,600 |
| William N. Whitehurst, examiner | San Antonio, Tex | 3,600 |
| Grady T. Witt, examiner | Amarillo, Tex | 3,300 |
| Thomas M. Glass, assistant | Dallas, Tex | 1,600 |
| Lenode Goldston, assistant | Amarillo, Tex | 1,700 |
| Louie L. Harris, assistant | San Antonio, Tex | 1,620 |
| J. W. Hudspeth, assistant | do | 2,000 |
| Charles Godfrey Lee, assistant | Waco, Tex | 1,700 |
| Ernest O'Hearn, jr., assistant | Houston, Tex | 1,920 |
| Thomas C. Patterson, assistant | Corsicana, Tex | 1,700 |
| Virgil P. Patterson, assistant | Dallas, Tex | 1,500 |
| Edwin B. Patton, assistant | do | 1,700 |
| Luther K. Roberts, jr., assistant | do | 1,980 |
| Clyde Shannon, assistant | Shreveport, La | 1,700 |
| Carroll B. Spearman, assistant | Wichita Falls, Tex | 1,800 |
| Hunter L. Wilson, assistant | Sherman, Tex | 1,800 |
| Leon B. Withers, assistant | Fort Worth, Tex | 1,900 |
| Alfred R. Woodson, jr., assistant | Dallas, Tex | 1,200 |

DISTRICT NO. 12

| Name | Address | Salary |
|---|---|---|
| Thomas E. Harris, chief examiner | 1103 Alexander Building, San Francisco, Calif. | $15,000 |
| William H. Baldridge, examiner | Spokane, Wash | 5,200 |
| Ira I. Chorpening, examiner | Los Angeles, Calif | 7,500 |
| G. S. Coffin, examiner | Sacramento, Calif | 5,200 |
| Anthony J. Cooke, examiner | Los Angeles, Calif | 3,300 |
| Cornelius A. Donahue, examiner | do | 3,300 |
| Charles A. Glazier, examiner | Pocatello, Idaho | 3,300 |
| William M. Gray, examiner | Portland, Oreg | 2,500 |
| Marshall Hooper, examiner | Seattle, Wash | 4,300 |
| R. Foster Lamm, examiner | Santa Ana, Calif | 5,300 |
| Carvel C. Linden, examiner | Boise, Idaho | 3,000 |
| Leland L. Madland, examiner | Seattle, Wash | 7,000 |
| Charles Harold McLean, examiner | Los Angeles, Calif | 4,500 |
| Clarence E. Morgan, examiner | San Francisco, Calif | 3,600 |
| Robert E. A. Palmer, examiner | Seattle, Wash | 3,300 |
| Albert E. Price, examiner | San Francisco, Calif | 3,900 |
| John T. Rummel, examiner | do | 3,300 |
| Leo Shapirer, examiner | Sacramento, Calif | 3,900 |
| Orville C. Taylor, examiner | Los Angeles, Calif | 3,300 |
| Aubrey F. Tolton, examiner | Fresno, Calif | 3,600 |
| Max C. Wilde, examiner | Portland, Oreg | 5,800 |
| Thomas B. Williams, examiner | Los Angeles, Calif | 3,000 |
| Elmer M. Wright, examiner | Portland, Oreg | 3,600 |
| Floyd Andrews, assistant | San Francisco, Calif | 2,240 |
| John Kenneth Barnes, assistant | Portland, Oreg | 1,500 |
| Leland B. Dunham, assistant | do | 1,860 |

*National-bank examiners and assistants, by Federal reserve districts, March 5, 1930*—Continued

DISTRICT NO. 12—Continued

| Name | Address | Salary |
|---|---|---|
| Charles H. Franklin, assistant | Seattle, Wash | $2,100 |
| Edmund H. Galvin, assistant | Santa Ana, Calif | 1,800 |
| R. N. Geller, assistant | Los Angeles, Calif | 3,240 |
| A. Earl Harris, assistant | do | 1,620 |
| Ray A. Hook assistant | San Francisco Calif | 2,400 |
| G. W. Jorres, jr., assistant | Los Angeles, Calif | 2,300 |
| Francis H. Ketcham, assistant | Seattle, Wash | 1,500 |
| H. E. Landis, assistant | Los Angeles, Calif | 2,820 |
| Thomas P. McCoy, assistant | San Francisco, Calif | 2,340 |
| Arthur J. O'Meara, assistant | Los Angeles, Calif | 2,280 |
| James Congdon Osborn, assistant | Portland, Oreg | 1,800 |
| E. C. Overton, assistant | Los Angeles, Calif | 2,340 |
| W. J. Peters, assistant | do | 2,220 |
| Louis I. Rasmussen, assistant | do | 2,040 |
| A. W. Scougall, assistant | do | 3,480 |
| H. E. Scofield. assistant | San Francisco, Calif | 2,340 |
| Max Spendrup. assistant | Los Angeles, Calif | 2,400 |
| Merton E. Stewart, assistant | San Francisco, Calif | 2,280 |

ASSIGNED TO COMPTROLLER'S OFFICE

| | | |
|---|---|---|
| William P. Folger, chief examiner | Washington, D. C | $11,000 |
| Gail W. Crossen, assistant chief examiner | do | 6,500 |
| Reginald M. Hodgson, assistant chief examiner | do | 9,000 |
| W. Waller McBryde, assistant chief examiner | do | 9,000 |
| Clarence F. Smith, assistant chief examiner | do | 9,000 |
| Charles F. Wilson, assistant chief examiner | do | 6,000 |
| Adelia M. Stewart, examiner | do | 5,500 |
| Sumner E. Kimball, assistant | do | 3,600 |
| W. J. Owens, assistant | do | 5,200 |

RECAPITULATION IN NUMBERS

| | |
|---|---|
| Examiners | 194 |
| Assistant examiners | 292 |
| Total | 486 |

The CHAIRMAN. Are you carrying out the system of simultaneous examination of any parent bank and its branches?

Mr. POLE. Yes.

The CHAIRMAN. They do that in the smaller groups?

Mr. POLE. In the smaller groups.

The CHAIRMAN. Of the branch banks?

Mr. POLE. Yes, sir; and as far as possible in the larger groups, by covering the more important offices.

The CHAIRMAN. The reason you do not examine the larger groups is because it is physically impossible to do so with your present force?

Mr. POLE. Yes.

The CHAIRMAN. If you had a large enough force, you would rather make a simultaneous examination of those banks?

Mr. POLE. That would be preferable.

The CHAIRMAN. Referring to the organization of these affiliated companies, I am not just clear as to whether or not, in your judgment, the affiliated companies, whose stocks are owned entirely or in part by stockholders of the parent bank or national banks—do you consider those as legal institutions under the law?

Mr. POLE. As far as I know, Mr. Chairman, they are State chartered institutions and I have no reason to question their legality.

The CHIRMAN. Do your records show the ownership of these companies, where the control of the national banks is vested in the holding companies or these affiliated institutions?

Mr. POLE. Our records shown on July 1 of each year, where the stock of these companies is distributed.

The CHAIRMAN. Is it the usual practice of these companies to have the stock of a national bank owned in the name of a company or do they have it in dummy names?

Mr. POLE. Are you speaking of the holding corporations?

The CHAIRMAN. Yes.

Mr. POLE. I really am not informed.

The CHAIRMAN. I am speaking of what is shown in the stock list of the national banks as to the ownership of their own stocks—who owns their own stocks. Do the records of the banks show clearly where the holdings of a majority or less than a majority or control of them are in an affiliated company, or do you have to guess at that?

Mr. POLE. If the stock were in the name of another corporation, of course the records would show that. It would be very difficult for us to tell if the stock were held in the name of a dummy—the records, of course, would not show that.

The CHAIRMAN. In some of Mr. Wingo's questions to you the other day, he referred to State examinations, and I have understood from you this morning that you do not have anything to do with the examination of member banks?

Mr. POLE. That is correct as to State member banks.

The CHAIRMAN. Are you furnished with the examination sheets of any of these examinations of State member banks which are held entirely by the Federal Reserve Board?

Mr. POLE. They are held entirely by the Federal Reserve Board.

The CHAIRMAN. In connection with these examinations, what part of the cost of the maintenance of your office or examinations is paid by the Federal reserve banks?

Mr. POLE. None of it.

The CHAIRMAN. None of it?

Mr. POLE. No, sir.

The CHAIRMAN. Do you furnish the Federal reserve system with any information as regards your examination of national banks?

Mr. POLE. Copies of reports of our examination are sent to the Federal reserve banks.

The CHAIRMAN. Each of the 12 banks?

Mr. POLE. Yes.

The CHAIRMAN. Do they pay anything now for that?

Mr. POLE. The actual cost of typing that report.

The CHAIRMAN. What is that specific charge?

Mr. POLE. I think it is $4.50 or $5 now.

The CHAIRMAN. Will you put into the record the total receipts from the Federal reserve to your department covering payments to you for any part of the examination which you have rendered?

Mr. POLE. Yes. The total amount received from such source for the year 1929 was $77,559.75.

The CHAIRMAN. Do you make any use of the examiners of the Federal reserve?

Mr. POLE. We do, Mr. Chairman.

The CHAIRMAN. In what manner?

Mr. POLE. We enlist their assistance in the examination of the branch-banking systems.

The CHAIRMAN. They are always responsive to your calls to assist in these examinations?

Mr. POLE. Quite so.

The CHAIRMAN. How many examiners do the Federal reserve have—do you recall?

Mr. POLE. I really do not.

The CHAIRMAN. How many chief and assistant chief examiners have you at the present time? My understanding is that you have a chief examiner for each Federal reserve district.

Mr. POLE. That is correct.

The CHAIRMAN. That is correct, is it?

Mr. POLE. Yes.

The CHAIRMAN. And each one of those chief examiners has an assistant, does he?

Mr. POLE. There are examiners who usually act in their stead, when they are away for any purpose. There is not such a title in the field as assistant chief national-bank examiner.

The CHAIRMAN. One of the regular examiners assigned to that district acts as chief when the chief examiner is away?

Mr. POLE. Yes, sir; during his absence

The CHAIRMAN. In your statement of the names and salaries, and so forth, of examiners, I wish you would also include such attorneys as may be regularly employed by your department, their names and addresses and the amount of salaries or compensation paid and also information pertaining to those attorneys employed in connection with failed national banks; and we will also like to have you put in a brief as to how you handle the business in connection with failed national banks. You have a department, I believe, that handles that?

Mr. POLE. Yes

The CHAIRMAN. If you will give us a statement as to how that business is handled, we will appreciate it.

Mr. POLE. I shall be glad to do so.

(The statement referred to as being furnished by Mr. Pole is as follows:)

When a national bank is insolvent, the Comptroller of the Currency, in accordance with the statute, appoints a receiver for such bank; and if there is no possibility of reopening the bank as a going concern, the receiver thus appointed by the comptroller proceeds to liquidate the bank and pay its creditors to the limit which may be obtained from the realization on its assets. These receivers are usually appointed from men of experience in this line of work and who may be termed trained receivers, since they are shifted from receivership to receivership in accordance with the demands of the work. Such receivers are not paid on a commission basis, as was done in the earlier days of receiverships, but are paid on a flat salary basis.

As of December 31, 1929, there were 424 insolvent national banks being administered by 172 receivers, some receivers in the interest of economy having charge of more than one bank. The average yearly salary paid these receivers on the basis of 424 banks was $1,681 per bank; or, on the basis of 172 receivers, $4,144 per year per receiver. Under the law, the liquidation of national banks by receivers is made under the supervision of the Comptroller of the Currency. As an example, all compromises of debts and all sales of assets are approved by the comptroller; all stock assessments are levied by the comptroller, and all dividends are paid by the comptroller through the issuance of checks. To maintain this supervision it is necessary for the comptroller to have in his office a division giving attention entirely to insolvent matters.

There is attached hereto a chart showing the personnel of this division as of December 31, 1929, at which date there were 73 employees, 2 field examiners, and 4 employees in the office of the general receiver, the general receiver being a receiver who takes over the liquidation of these receiverships which have been practically closed out, with the exception of certain miscellaneous assets and unfinished litigation which would not justify the expense of the continuance of a resident receiver.

In this division the supervising receiver, the two assistant supervising receivers, and the receivers shown on the chart as district receivers are all men of experience from the field, who have been detailed to the comptroller's office by virtue of their wide knowledge of conditions, their training, and their experience in liquidation work. These men have been brought from various sections of the country and give direct attention to the receiverships in the sections, the conditions of which they are familiar. As of December 31, 1929, the total amount of resources of the insolvent national banks then in liquidation being supervised by the comptroller's office through the insolvent division was, as of the date of the failure of the various banks, in the aggregate sum of $344,486,598.

It can be readily appreciated that in these failed banks almost every question of law can arise. In view of the complexity of these various questions and the large amount of litigation, with numerous cases going to the Supreme Court of the United States, it has been necessary to maintain a legal staff in connection with this insolvent work. At the present time this staff consists of the general counsel and two assistants; and in accordance with the chairman's request, their salaries are as follows:

| | |
|---|---|
| General counsel | $9,000 |
| One assistant general counsel | 6,000 |
| One assistant general counsel | 5,000 |

The CHAIRMAN. I would like to ask, if in your judgment, national bank examiners and their assistants are properly compensated?

Mr. POLE. I should say the scale of salaries of examiners is quite low.

Mr. STEAGALL. Does not the comptroller's office fix those salaries?

Mr. POLE. Yes.

Mr. STEAGALL. That is my recollection of the law.

Mr. POLE. With the approval of the Federal Reserve Board.

The CHAIRMAN. You are speaking now of examiners. How about the assistant examiners?

Mr. POLE. I think, as a general thing, the assistants are better paid than the national bank examiners.

The CHAIRMAN. At what salary do you start examiners and assistant examiners?

Mr. POLE. Assistant examiners are usually started at $1,500 or $1,600 a year and given the usual per diem in addition to their expenses while away from headquarters.

The CHAIRMAN. $6 a day?

Mr. POLE. Yes, sir. Examiners quite often start as low as $3,000, in accordance with their experience and aptitude for the position. They also receive their regular per diem and expenses when away from headquarters.

The CHAIRMAN. Some examiners are drawing less than $3,000, are they not?

Mr. POLE. Some of the examiners of the junior grade.

The CHAIRMAN. At what salary do you start them?

Mr. POLE. There is no fixed salary for them, but it is usually $2,700—$2,500 or $2,700.

The CHAIRMAN. What is your experience as to the turnover among your examiners?

Mr. POLE. It is quite large.

The CHAIRMAN. What is the reason for that?

Mr. POLE. An examiner develops perhaps to the point where he attracts the attention of a bank and they offer him a position which is much more remunerative than we can pay.

The CHAIRMAN. Taking into consideration the importance of the position of national bank examiners, clothed with the authority they have, as well as their assistants, do you not think that the quality of men employed could be improved a great deal by paying them higher salaries? In other words, it seems to me that we should have a very high type of man to be charged with the responsibility of examining these important banking institutions. I am not intending in this statement, to reflect upon your present corps of examiners. I think they are a splendid lot of men—at least those that I have come in contact with—but I am under the impression that they are greatly underpaid for the type of work they are doing

Mr. POLE. Yes.

The CHAIRMAN. I believe you are losing a great many men in your department to-day because of the fact they are underpaid, and I believe that you would greatly improve your service if you would pay them a higher wage. The type of service they render certainly entitles them to a better salary than they are now getting.

Mr. POLE. I think you are right, Mr. Chairman.

The CHAIRMAN. I say that because I am deeply impressed with the importance of improving these examinations because of the rapid and diversified development of the banking systems.

I believe that you have a problem on your hands and I believe it is most important that you should have the right type of men and that they should be better paid because they are coming into contact with the highest officers and managers of national banks; in other words, they must sustain a certain standard of living to enable them to meet men drawing salaries of from $10,000 to $50,000 a year in the management of banks. For that reason, it seems to me—and I am glad you agree with me—that the service could probably be improved by paying these men a higher wage.

Mr. POLE. I think there is no doubt of what you say. I think, however, it would be extremely difficult for us ever to compete in the matter of salaries with commercial banks. Men getting $5,000 a year walk into positions of $15,000 a year and men who are getting $7,500 a year now and then $15,000 or $20,000 a year. It is extremely difficult to compete with commercial banks in matters of salary.

Mr. FENN. Is it not a fact that your ablest men are drawn away from you by the commercial banks?

Mr. POLE. Yes.

Mr. FENN. The ability shown by them attracts the attention of the commercial banks and their large salaries take them away from you?

Mr. POLE. Yes, sir; those are the men we lose.

Mr. FENN. Is it not really a training school?

Mr. POLE. For the examiners; yes. We usually consider it such.

Mr. FENN. They go to work at these low salaries with the expectation of getting higher salaries from commercial banks?

The CHAIRMAN. Mr. Pole, have there been any complaints by the banks as to the amount of charges levied against them for these examinations?

Mr. POLE. No complaints, Mr. Chairman. I might qualify that by saying that some time ago there was a feeling expressed upon the part of some of the larger banks that they were paying the loss which was entailed in the examination of the smaller banks in the country. They felt they were paying a little more than their share.

The CHAIRMAN. Am I correct in saying that a year or two ago, or during the period of Mr. McIntosh's term, that out of the funds collected, under the workings of the budget system put in operation in each Federal reserve district, under a chief national bank examiner, a surplus accumulated over and above that, which was paid back to the banks?

Mr. POLE. Yes, ir.

The CHAIRMAN. How was that disposed of?

Mr. POLE. Returned to the banks, Mr. Chairman, by making a round of examinations—one examination for each bank at a greatly reduced rate.

The CHAIRMAN. What was the amount of that accumulation so reimbursed to the banks?

Mr. POLE. May I insert that in the record, as I have not the figures in mind.

The CHAIRMAN. Put it in at this point, if you will, please.

Mr. POLE. The amount of accumulation of funds that was reimbursed to the banks was $577,118.21, which represented reduction in fee of 2½ cents per thousand of resources.

Mr. WINGO. Mr. Chairman, did you not ascertain—Mr. Pole suggested that some of the larger banks complained about paying for the smaller banks—I expected you to follow that up by asking if those banks were the ones mentioned by Mr. Seiberling that were having so much difficulty in making their expenses.

The CHAIRMAN. Do you put that in the form of a question?

Mr. WINGO. No; I did not, exactly.

The CHAIRMAN. It should be put in the form of a question. Mr. Wingo, will you restate your question?

Mr. WINGO. Whether or not those who complained were these larger banks that Mr. Seiberling and you went over their earnings yesterday—these banks that have such difficulty in meeting expenses, were they the ones complaining about these examination expenses——

Mr. POLE. As I recall it the only complaints that have ever been recorded in our officers are complaints from the New York banks.

Mr. WINGO. They were only making about 16 per cent a year and they were probably trying to find some economics to increase their earnings.

The CHAIRMAN. You appoint all national-bank examiners and assistant national-bank examiners and chief national-bank examiners?

Mr. POLE. In the case of the national-bank examiners, with the approval of the Secretary.

The CHAIRMAN. Secretary of the Treasury?

Mr. POLE. Yes, sir.

The CHAIRMAN. Now if branch banking is permitted in the country as you suggest, limited to trade areas, such laws as are passed here would only apply to national banks. Is that correct? Also member banks of the Federal reserve system.

Mr. POLE. I assume that is correct.

The CHAIRMAN. Well, would not such a plan then favor national banks to the exclusion of State banks?

Mr. POLE. I should hope it would favor the national banks. I do not know whether it would to the point of exclusion of the State banks, since the privilege of applying for membership or converting into national banks would be open to them

The CHAIRMAN. If a national bank, for instance, operating in a trade area was permitted to have branches and a State bank operating in that particular trade area was not permitted to have branches, would not that tend to nationalize those State banks in that community in order to enable them to compete?

Mr. POLE. The probability is that the States would pass similar legislation. However, if their trade area should extend beyond the State lines, it would be a decided advantage to the national banks and would probably attract a great number of State banks into the national system.

The CHAIRMAN. Because the State banks could not go outside of State lines?

Mr. POLE. Yes.

The CHAIRMAN. Some allegation was made the other day as to trade areas. Take, for instance, Jersey City, Newark, New York City, Kansas City, Mo., and so forth. Under your plan of not permitting branches to cross Federal reserve district lines and State lines——

Mr. POLE. District lines, Mr Chairman.

The CHAIRMAN. You mean district lines there?

Mr. POLE. Yes, sir.

The CHAIRMAN. Would not there be many troubles in defining trade areas through the Federal reserve districts; would not some State banks be discriminated against definitely under that plan? I wish you would, in the brief covering that, elucidate very clearly as to how you would restrict chain banking to certain areas.

Mr. POLE. I will try to do that. You mean chain banking or group banking?

The CHAIRMAN. I have particular reference, in that last question, to your statement wherein you indicated there should be some restriction as to control through chain banking or holding companies of those groups developed in certain trade areas.

In other words, it was indicated there that you were of the opinion that New York should not control eventually these several independent trade areas by controlling the branches or the parent banks which had branches in these trade areas?

Mr. POLE. Yes.

The CHAIRMAN. It is not clear to me just how control of that situation could be worked out and if, in your statement, you can clarify that, the committee, I think, would be very glad to have you do so.

In that connection, you rather indicated you thought it desirable to decentralize New York financially. Did I understand you correctly that you are in favor of building these units throughout the territory, in these trade areas, and decentralizing the financial situation in New York, by that operation?

Mr. POLE. The building up of larger groups of banks all over the country generally might result in a greater decentralization away from New York.

The CHAIRMAN. But it would tend to centralize in these trade areas, would it not?

Mr. POLE. What might be termed a more local centralization. It would centralize the funds which properly belonged to that particular trade area or locality.

The CHAIRMAN. Mr. Busby, the other day, in his questions to you, referred to the flow of money into the stock market. I should like to ask you a question in connection with that.

Do you not think we might restrict the flow of money into the stock-market operations by regulating the amount that a bank can lend on certain stocks?

Mr. POLE. That possibly might be done. It is rather difficult to answer that question offhand.

Mr. WINGO. Do the banks not do that now, Mr. Chairman?

Mr. FORT. No.

The CHAIRMAN. Are there restrictions on the amount now?

Mr. POLE. There is a legal restriction with regard to the amount which an individual may borrow from a bank. Of course any number of individuals may borrow whatever the bank's limit might be

The CHAIRMAN. I was referring to the amount loaned on the par value or market value of stocks back of the loans.

Mr. POLE. Oh.

The CHAIRMAN. Do you not think that the flow may be checked by allowing a less amount, a safer amount, than the practice has been heretofore?

Mr. POLE. Possibly something like that could be worked out. I could not very well answer that offhand.

The CHAIRMAN. Mr. Letts asked you concerning the Bank of Italy and affiliated companies. I wish you would tell us in detail the make-up of this group in all its known ramifications over which your department has jurisdiction. Just describe to us the make-up of this particular group.

Mr. POLE. Our department has jurisdiction only over the Bank of Italy, which is a national association, operating in California with something like 300 branches.

The CHAIRMAN. How about the Bank of America in New York? Is that a national bank?

Mr. POLE. The Bank of America in New York is a national association.

The CHAIRMAN. You have jurisdiction over them?

Mr. POLE. We have jurisdiction over them.

The CHAIRMAN. But the Bank of America in Los Angeles is a State bank?

Mr. POLE. A State bank.

The CHAIRMAN. Your jurisdiction, then, over the trans-American group is confined entirely to the Bank of Italy in California and the Bank of America in New York?

Mr. POLE. That is correct.

The CHAIRMAN. You have no access to any other of the affiliated companies?

Mr. POLE. None at all.

Mr LETTS. I wonder if it may be shown how many affiliated companies there are?

The CHAIRMAN. I wish that you would put into the record how many branches the Bank of Italy has and their location and the number of branches of the Bank of America. Have you any knowledge as to the other affiliated companies in these particular groups?

Mr. POLE. I have no official knowledge, Mr. Chairman.

The CHAIRMAN. As I understood you to say, national banks were not permitted to own their own stocks or the stocks of other State or national banks. Is that correct?

Mr. POLE. Correct.

The CHAIRMAN. Nor are they permitted to own directly stocks of affiliated companies?

Mr. POLE. That is correct, except such companies as might be formed for the purpose of holding real estate for the accommodation of the bank's own business.

The CHAIRMAN. Well, has the Bank of Italy or the Bank of America such a company?

Mr. POLE. If it has the stock of such a company is not owned by the Bank of Italy.

The CHAIRMAN. Well, it would be owned by one of the affiliated companies?

Mr POLE. It might be owned by the Trans-America Corporation or one of its affiliates.

The CHAIRMAN. Are the bank buildings and equipment and main offices and branches owned by the Bank of Italy or the Bank of America, or owned by the affiliated companies?

Mr. POLE. My recollection is that they are owned by the affiliated company.

The CHAIRMAN. These various groups of banks are either owned by the Bank of Italy, the Bank of America, the Bancitaly, Trans-American Co., or the Trans-American-Blair Co.—in other words, there is a centralized control of the management, is there not?

Mr. POLE. I am not able to answer that. I know that those companies are affiliated with one another, except possibly the Bancitaly Co , which I understand has been absorbed by the Bank of America-Blair Corporation. But as to how the corporations are controlled, I am not able to answer.

The CHAIRMAN. The make-up of officers and directors of these various companies does not indicate anything so far as control is concerned, of these big groups; in other words, there is a management group outside of the officers and directors of these various individual institutions that has the real control, is there not?

Mr. POLE. I could not definitely answer that, Mr. Chairman. I have no official knowledge of the workings of these various corporations except those which are of national charter. I am quite sure, however, that any officer of any of those companies would be very glad to furnish you all the information. I presume you may call them to testify before your committee.

The CHAIRMAN. In that connection, it is the function of your office, is it not, in small national banks, in communities, to know who controls the institutions or who its stockholders and officers are?

Mr. POLE. We usually do.

The CHAIRMAN. Whether they are dummies or some one man or group controls and dominates the situation.

Mr. POLE. That is true.

The CHAIRMAN. Should any different rule apply as to large groups than as to smaller ones?

Mr. POLE. It would be very difficult for us to trace out the ramifications of a corporation like the Trans-America Corporation and as to whether or not the stock of the bank may be held by it or one of its affiliates. It is a matter that we would hardly be posted on, inasmuch as we have no jurisdiction.

The CHAIRMAN. This is one added reason you should have authority to examine these affiliated companies?

Mr. POLE. I think it is important that we should have an insight into to the affairs of corporations which own considerable amounts of national-bank stocks.

The CHAIRMAN. In other words, you find, in the conduct of your examinations, it is rather difficult to examine and know the full facts as to the companies, because you are prohibited from examining the affiliated institut ons?

Mr. POLE. Yes.

The CHAIRMAN. Now, Mr. Fort asked you concerning the ownership of bank stocks by banks and affiliated companies. I think you pretty well covered that this morning.

Mr. POLE. Yes.

The CHAIRMAN. Were you here this morning, Mr. Fort, to hear the answers which Mr. Pole made?

Mr. FORT. I was here most of the time.

The CHAIRMAN. Have you covered all the questions you wanted to ask in regard to that particular phase?

Mr. FORT. Not quite; no, sir. I have had some others that have come to my mind during the examination of the comptroller by yourself and others.

The CHAIRMAN. I wish you would make note of them.

Mr. FORT. I am doing that. We are to go ahead, are we not, Mr. Chairman, after you, with a sort of recapitulation examination of the witness?

The CHAIRMAN. Yes. Mr. Pole, you said in answer to Mr. Fort the other day that two holding companies in one Federal reserve district do not now hold enough stock of member banks to give them control of the election of the directors of the Federal reserve bank of that district. Would you not say that those influences would determine an election because of the preponderance of control of banks in that district; that it might control the election of directors in the Federal reserve district?

Mr. POLE. I said that I was not sure that that was the case. I might insert in the record, if you will permit me, a memorandum on that question, Mr. Chairman.

The CHAIRMAN. Well it is perfectly clear that this question pertains to the district in which the Minneapolis Federal Reserve Bank is located.

Mr. POLE. Yes.

The CHAIRMAN. And I hope that you have in that brief you are submitting there a list of just how many banks are controlled by these two groups in St. Paul and Minneapolis, and I would like to ask you, in that connection, whether or not your office was consulted by either one of these holding companies as to the organization and control of these several banks.

Mr. POLE. They have consulted us with respect to organizations of new national banks and with the taking over of certain national banks, and we have been very much delighted, in some instances, when they have gone into a community and have assisted us in correcting a bad situation. As to the number of banks which they have in their groups, I could probably furnish that.

Mr. WINGO. Mr. Chairman, may I suggest that I intended, at the proper time, to suggest that we get a list of the names and locations of these different groups and chains where more than 10 banks were involved, and the names of the banks in the chain and where located, and the names of individuals that dominated them or the holding company or central bank that dominated them. We had a great many conflicting statements as to the extent of this and where it is located and I had intended suggesting to the committee that we call for that, and if you are going to go into that question, why not prepare that and get it into the record? It may take a couple of weeks to get it.

The CHAIRMAN. Is that available and can it be furnished to the committee?

Mr. POLE. The information was compiled up to December 31 by the Federal Reserve Board, and possibly by the American Bankers Association. It has not been compiled by our office. I feel quite sure the records of the Federal Reserve Board would be available.

Mr. WINGO. It does not make any difference what source it comes from. It is public information.

Mr. FORT. If you are going to get that information and have it in the record, is there any special necessity for restricting it to, say, 10 banks? There may be groups of 5 banks that would far exceed in importance a group of 10 or even 100 banks.

Mr. WINGO. I see the force of your suggestion as to putting a limit on the number.

Mr. FORT. Why not get all?

Mr. WINGO. The trouble is that possibly there would be some where only one or two extra hands are involved. I think we should have the outstanding ones. Of course if it is thought necessary to have all of them, let us have them.

The CHAIRMAN. While this is not under the jurisdiction of the comptroller, the comptroller is ex officio a member of the Federal Reserve Board, and I am going to suggest to you, if that is available through the Federal Reserve Board, that you present it to the committee and it will be inserted in the record here.

Mr. POLE. I shall be glad to obtain that for the record if it is available.

Mr. WINGO. He would not only have to have the cooperation of the Federal Reserve Board, but the State banking commissions. However, I think they can give you this.

Mr. POLE. It has been compiled in connection with information received from the State banking commissions.

Mr. WINGO. If it is available in the States, I have an idea you can easily get it.

Mr. POLE. It is a very difficult thing to get.

The CHAIRMAN. Governor Young stated in his letter this morning the willingness of his research department to cooperate with the committee. If Mr. Pole has not got that information, I think he can get it.

Mr. POLE. I think so.

The CHAIRMAN. We would like to have it in the record at this point.

CHAIN OR GROUP BANKING AT THE END OF DECEMBER AND JUNE, 1929

The attached list of bank groups or chains is based on information collected for the Federal Reserve Board by the Federal reserve agents and includes those systems in which any person, group of persons, partnership, association, or corporation has actual or potential control over the operations or policies of three or more banking units, each working on its own capital and under its own personnel. The sources of the information include State banking departments, national bank examiners, the management or controlling interest of some of the groups, press reports, etc. While the information obtained is believed to be reasonably correct it may omit a few small chains for which no information is available and may not include all the banks in some of the groups or chains listed. It is also possible that the controlling interests do not regard some of the banks included in the attached statement as constituting group or chain systems.

*Number and loans and investments of banks in each chain or group*

[All banks are located in the same State as the management or controlling interest in the chain or group, unless otherwise noted. Figures of loans and investments for both December and June are based largely on June, 1929, Bankers' Directory, and are in thousands of dollars]

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Alabama (December, 4 groups; June, 3 groups) | 26 | 23 | 15 | 12 | | | 11 | 11 | $39,188 | $14,368 | $37,490 | $12,670 | | | $1,698 | $1,698 |
| First National Bank (Grimsley, A. M.), Clanton | 10 | 10 | 2 | 2 | | | 8 | 8 | 2,086 | 2,086 | 1,263 | 1,263 | | | 823 | 823 |
| First National Bank, Dothan | 8 | 8 | 5 | 5 | | | 3 | 3 | 8,686 | 8,686 | 7,811 | 7,811 | | | 875 | 875 |
| Alabama | 5 | 5 | 4 | 4 | | | 1 | 1 | 3,267 | 3,267 | 3,194 | 3,194 | | | 73 | 73 |
| Florida | 3 | 3 | 1 | 1 | | | 2 | 2 | 5,419 | 5,419 | 4,617 | 4,617 | | | 802 | 802 |
| Dothan National Bank, Dothan | 5 | 5 | 5 | 5 | | | | | 3,596 | 3,596 | 3,596 | 3,596 | | | | |
| Alabama | 4 | 4 | 4 | 4 | | | | | 2,118 | 2,118 | 2,118 | 2,118 | | | | |
| Florida | 1 | 1 | 1 | 1 | | | | | 1,478 | 1,478 | 1,478 | 1,478 | | | | |
| American-Traders Security Co., Birmingham | 3 | | 3 | | | | | | 24,820 | | 24,820 | | | | | |
| Arizona, Brophy, F. C., and associates, Phoenix | 6 | 6 | 1 | 1 | | | 5 | 5 | 17,646 | 17,646 | 5,833 | 5,833 | | | 11,813 | 11,813 |
| Arkansas, December, 3 groups; June, 4 groups | 24 | 62 | 9 | 12 | 2 | 3 | 13 | 47 | 16,768 | 41,624 | 14,085 | 15,837 | $234 | $11,374 | 2,449 | 14,413 |
| Banks, A. B., et al., Little Rock | (1) | 38 | | 3 | | 1 | | 34 | | 24,856 | | 1,752 | | 11,140 | | 11,964 |
| Hudspeth, A. T., Harrison | 11 | 11 | 1 | 1 | 1 | 1 | 9 | 9 | 2,626 | 2,626 | 424 | 424 | 158 | 158 | 2,044 | 2,044 |
| Nakdimen, I. H., Fort Smith | 8 | 8 | 6 | 6 | | | 2 | 2 | 4,585 | 4,585 | 4,287 | 4,287 | | | 298 | 298 |
| Arkansas | 5 | 5 | 5 | 5 | | | | | 4,154 | 4,154 | 4,154 | 4,154 | | | | |
| Oklahoma | 3 | 3 | 1 | 1 | | | 2 | 2 | 431 | 431 | 133 | 133 | | | 298 | 298 |

[1] Taken over by Rogers Caldwell Group, Nashville, Tenn.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks: Total, December | Total, June | National, December | National, June | State member, December | State member, June | Nonmember, December | Nonmember, June | Loans and investments: Total, December | Total, June | National, December | National, June | State member, December | State member, June | Nonmember, December | Nonmember, June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arkansas—Continued. Sims, Neil, Fort Smith | 5 | 5 | 2 | 2 | 1 | 1 | 2 | 2 | $9,557 | $9,557 | $9,374 | $9,374 | $76 | $76 | $107 | $107 |
| Arkansas | 1 | 1 | 1 | 1 | | | | | 9,083 | 9,083 | 9,083 | 9,083 | | | | |
| Oklahoma | 4 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 474 | 474 | 291 | 291 | 76 | 76 | 107 | 107 |
| California (December, 5 groups; June, 4 groups) | 36 | 31 | 24 | 22 | | | 12 | 9 | 170,252 | 173,875 | 156,640 | 162,153 | | | 13,612 | 11,722 |
| Anglo-National Corporation, San Francisco | 17 | 15 | 14 | 12 | | | 3 | 3 | 146,138 | 144,040 | 137,121 | 135,023 | | | 9,017 | 9,017 |
| California | 16 | 14 | 13 | 11 | | | 3 | 3 | 145,066 | 142,968 | 136,049 | 133,951 | | | 9,017 | 9,017 |
| Washington | 1 | 1 | 1 | 1 | | | | | 1,072 | 1,072 | 1,072 | 1,072 | | | | |
| Calitalo Investment Corporation, San Francisco | 6 | | 3 | | | | 3 | | 7,776 | | 6,435 | | | | 1,341 | |
| California | 3 | | 1 | | | | 2 | | 2,147 | | 1,711 | | | | 436 | |
| Oregon | 1 | | 1 | | | | | | 2,293 | | 2,293 | | | | | |
| Washington | 2 | | 1 | | | | 1 | | 3,336 | | 2,431 | | | | 905 | |
| Howard, Mr. & Mrs. W. B., Pasadena | 6 | 6 | 2 | 2 | | | 4 | 4 | 4,403 | 4,403 | 2,247 | 2,247 | | | 2,156 | 2,156 |
| McCook, R. D., and Nelson, San Bernardino | 4 | 4 | 4 | 4 | | | | | 9,914 | 9,914 | 9,914 | 9,914 | | | | |
| California | 3 | 3 | 3 | 3 | | | | | 8,984 | 8,984 | 8,984 | 8,984 | | | | |
| Iowa | 1 | 1 | 1 | 1 | | | | | 930 | 930 | 930 | 930 | | | | |
| Pacific National Co., Los Angeles | (2) | 6 | | 4 | | | | 2 | | 15,518 | | 14,969 | | | | 549 |
| Sebastopol National Securities Co., Sebastopol | 3 | | 1 | | | | 2 | | 2,021 | | 923 | | | | 1,098 | |
| Colorado (December, 3 groups; June, 3 groups) | 15 | 15 | 10 | 10 | | | 5 | 5 | 29,505 | 29,505 | 22,405 | 22,405 | | | 7,100 | 7,100 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Thatcher, M. D., et al., Pueblo | 8 | 8 | 6 | 6 | | | 2 | 2 | 26, 588 | 26, 588 | 19, 700 | 19, 700 | | | 6, 888 | 6, 888 |
| Parks, C. C., et al., Denver | 4 | 4 | 2 | 2 | | | 2 | 2 | 2, 296 | 2, 296 | 2, 184 | 2, 184 | | | 112 | 112 |
| Holland, M. B., Denver | 3 | 3 | 2 | 2 | | | 1 | 1 | 621 | 621 | 521 | 521 | | | 100 | 100 |
| Colorado | 2 | 2 | 2 | 2 | | | | | 521 | 521 | 521 | 521 | | | | |
| Wyoming | 1 | 1 | | | | | 1 | 1 | 100 | 100 | | | | | 100 | 100 |
| Connecticut, Hartford (Conn.) Trust Co., Hartford | 7 | | 4 | | | | 3 | | 37, 186 | | 4, 261 | | | | 32, 925 | |
| Delaware, Vinton, Benj., and Associates, St. George | 3 | 3 | | | | | 3 | 3 | 1, 141 | 1, 141 | | | | | 1, 141 | 1, 141 |
| Florida (December, 6 groups; June, 5 groups) | 36 | 39 | 17 | 12 | | | 19 | 27 | 127, 282 | 122, 034 | 114, 402 | 87, 469 | | | 12, 880 | 34, 565 |
| Atlanta Trust Co., Jacksonville | 7 | 7 | 4 | 4 | | | 3 | 3 | 31, 153 | 31, 153 | 29, 933 | 29, 933 | | | 1, 220 | 1, 220 |
| First National Bank, Tampa | 8 | 8 | 2 | 2 | | | 6 | 6 | 21, 682 | 21, 682 | 17, 188 | 17, 188 | | | 4, 494 | 4, 494 |
| Exchange National Bank, Tampa | 7 | 4 | 1 | 1 | | | 6 | 3 | 13, 735 | 13, 027 | 9, 505 | 9, 505 | | | 4, 230 | 3, 522 |
| First National Bank, Miami | 6 | 6 | 3 | 3 | | | 3 | 3 | 25, 796 | 25, 796 | 23, 367 | 23, 367 | | | 2, 429 | 2, 429 |
| Barnett National Bank, Jacksonville | 4 | | 4 | | | | | | 15, 771 | | 15, 771 | | | | | |
| Citizens Bank & Trust Co., Tampa | (3) | 14 | | 2 | | | | 12 | | 30, 376 | | 7, 476 | | | | 22, 900 |
| Florida National Bank, Jacksonville | 4 | | 3 | | | | 1 | | 19, 145 | | 18, 638 | | | | 507 | |
| Georgia (December, 5 groups; June, 6 groups) | 24 | 22 | 10 | 9 | 5 | 4 | 9 | 9 | 174, 033 | 165, 219 | 146, 971 | 146, 063 | 20, 763 | 13, 827 | 6, 299 | 5, 329 |
| The First National Bank of Atlanta, Atlanta | 7 | | 4 | | 3 | | | | 104, 954 | | 84, 502 | | 20, 452 | | | |
| Citizens & Southern Holding Co., Savannah | 7 | 4 | 4 | 2 | | | 3 | 2 | 67, 683 | 62, 658 | 61, 913 | 57, 964 | | | 5, 770 | 4, 694 |
| Georgia | 5 | 2 | 3 | 1 | | | 2 | 1 | 59, 951 | 54, 926 | 58, 458 | 54, 509 | | | 1, 493 | 417 |
| South Carolina | 2 | 2 | 1 | 1 | | | 1 | 1 | 7, 732 | 7, 732 | 3, 455 | 3, 455 | | | 4, 277 | 4, 277 |
| Ethridge, F. S., Atlanta | [4] 4 | 5 | 1 | 1 | 1 | 1 | 2 | 3 | 603 | 709 | 200 | 200 | 251 | 251 | 152 | 258 |
| Fourth National Bank, Atlanta | (5) | 4 | | 4 | | | | | | 39, 869 | | 39, 869 | | | | |
| Atlanta & Lowry National Bank, Atlanta | (5) | 3 | | 1 | | 2 | | | | 61, 190 | | 47, 674 | | 13, 516 | | |
| Benton, L. O., Monticello | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 467 | 467 | 356 | 356 | 60 | 60 | 51 | 51 |
| Holden, Jonathan F., Crawfordville | 3 | 3 | | | | | 3 | 3 | 326 | 326 | | | | | 326 | 326 |

[2] Constituent banks taken over by Transamerica Corporation group.
[3] 10 banks suspended during July, 1929, and group dissolved.
[4] One bank suspended Dec. 31, 1929.
[5] Atlanta & Lowry National and Fourth National merged to form the First National.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Idaho (December, 3 groups; June, 3 groups) | 22 | 23 | 6 | 7 | | | 16 | 16 | $20,589 | $21,431 | $11,814 | $12,656 | | | $8,775 | $8,775 |
| First National Investment Co. (Crawford-Moore chain), Boise | 10 | 10 | 3 | 3 | | | 7 | 7 | 11,820 | 11,820 | 7,351 | 7,351 | | | 4,469 | 4,469 |
| Idaho | 8 | 8 | 1 | 1 | | | 7 | 7 | 11,090 | 11,090 | 6,621 | 6,621 | | | 4,469 | 4,469 |
| Oregon | 2 | 2 | 2 | 2 | | | | | 730 | 730 | 730 | 730 | | | | |
| Vollmer Clearwater Co., Lewistown | 9 | 9 | 2 | 2 | | | 7 | 7 | 5,145 | 5,149 | 3.756 | 3,756 | | | 1,389 | 1,389 |
| Idaho | 7 | 7 | 2 | 2 | | | 5 | 5 | 4,508 | 4,508 | 3,756 | 3,756 | | | 752 | 752 |
| Washington | 2 | 2 | | | | | 2 | 2 | 637 | 637 | | | | | 637 | 637 |
| Hemingway, H. E., Burley | [6] 3 | 4 | 1 | 2 | | | 2 | 2 | 3,624 | 4,466 | 707 | 1,549 | | | 2,917 | 2,917 |
| Idaho | 2 | 2 | 1 | 1 | | | 1 | 1 | 1,132 | 1,132 | 707 | 707 | | | 425 | 425 |
| Nevada | | 1 | | 1 | | | | | | 842 | | 842 | | | | |
| Utah | 1 | 1 | | | | | 1 | 1 | 2,492 | 2,492 | | | | | 2,492 | 2,492 |
| Illinois (December, 12 groups; June, 11 groups) | 87 | 82 | 21 | 20 | 10 | 9 | 56 | 53 | 1,205,290 | 989,238 | 724,331 | 658,871 | $191,272 | $61,747 | 289,687 | 268,620 |
| John Bain & Lewis Co., Chicago | 16 | 14 | | | | | 16 | 14 | 28,059 | 25,580 | | | | | 28,059 | 25,580 |
| Foreman Family, Chicago | 14 | 14 | 3 | 3 | 2 | 2 | 9 | 9 | 270,719 | 189,475 | 176,961 | 111,501 | 24,262 | 24,262 | 69,496 | 53,712 |
| Ballou, Ralph N., et al., Chicago | 8 | 8 | 2 | 2 | 1 | 1 | 5 | 5 | 23,366 | 23,366 | 6,193 | 6,193 | 1,522 | 1,522 | 15,651 | 15,651 |
| Craig, C. C., Galesburg | 8 | 8 | 1 | 1 | | | 7 | 7 | 6,275 | 6,275 | 1,222 | 1,222 | | | 5,053 | 5,053 |
| Baetz, A. W., East St. Louis | 7 | 7 | 3 | 3 | | | 4 | 4 | 11,478 | 11,478 | 10,055 | 10,055 | | | 1,423 | 1,423 |
| First National Bank, Chicago | 7 | 7 | 1 | 1 | 3 | 3 | 3 | 3 | 512,669 | 512,669 | 342,066 | 342,066 | 25,811 | 25,811 | 144,792 | 144,792 |
| Schmidt, W. B., Chicago | 6 | 6 | 1 | 1 | | | 5 | 5 | 17,283 | 17,283 | 5,381 | 5,381 | | | 11,902 | 11,902 |
| Clay, John, Chicago | 5 | 5 | 2 | 2 | 1 | 1 | 2 | 2 | 5,857 | 5,857 | 4,132 | 4,132 | 950 | 950 | 775 | 775 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nebraska | 1 | 1 | 1 | 1 | | | | | 680 | 680 | 680 | 680 | | | | |
| South Dakota | 1 | 1 | | | 1 | 1 | | | 950 | 950 | | | 950 | 950 | | |
| Wyoming | 3 | 3 | 1 | 1 | | | 2 | 2 | 4, 227 | 4, 227 | 3, 452 | 3, 452 | | | 775 | 775 |
| Carroll, John A., Chicago | 4 | 4 | 2 | 2 | | | 2 | 2 | 13, 825 | 13, 825 | 11, 622 | 11, 622 | | | 2, 203 | 2, 203 |
| Central Trust Co., Chicago | 3 | | 1 | | 1 | | 1 | | 132, 329 | | | | 129, 525 | | 2, 804 | |
| McLeod Murray, Chicago | 4 | 4 | 3 | 3 | | | 1 | 1 | 11, 977 | 11, 977 | 10, 738 | 10, 738 | | | 1, 239 | 1, 239 |
| National Bank of the Republic, Chicago | 5 | 5 | 2 | 2 | 2 | 2 | 1 | 1 | 171, 453 | 171, 453 | 155, 961 | 155, 961 | 9, 020 | 9, 202 | 6, 290 | 6, 290 |
| Indiana (December, 3 groups; June, 2 groups | 17 | 10 | 3 | 2 | 1 | 1 | 13 | 7 | 40, 576 | 29, 620 | 4, 323 | 3, 931 | 22, 291 | 22, 291 | 13, 962 | 3, 398 |
| First and Tri-State Corporation, Fort Wayne | 7 | | 1 | | | | 6 | | 10, 956 | | 392 | | | | 10, 564 | |
| Riley, Walter J., East Chicago | 3 | 3 | 2 | 2 | | | 1 | 1 | 5, 694 | 5, 694 | 3, 931 | 3, 931 | | | 1, 763 | 1, 763 |
| Fletcher, Savings & Trust Co., Indianapolis | 7 | 7 | | | 1 | 1 | 6 | 6 | 23, 926 | 23, 926 | | | 22, 291 | 22, 291 | 1, 635 | 1, 635 |
| Iowa: December, 12 groups; June, 12 groups | 88 | 87 | 32 | 32 | 1 | 1 | 55 | 54 | 60, 999 | 60, 999 | 37, 059 | 37, 059 | 910 | 910 | 23, 030 | 23, 030 |
| Toy, James F., Sioux City | 17 | 16 | 10 | 10 | | | 7 | 6 | 13, 056 | 13, 056 | 9, 163 | 9, 163 | | | 3, 893 | 3, 893 |
| Iowa | 13 | 12 | 6 | 6 | | | 7 | 6 | 11, 579 | 11, 579 | 7, 686 | 7, 686 | | | 3, 893 | 3, 893 |
| Nebraska | 3 | 3 | 3 | 3 | | | | | 1, 044 | 1, 044 | 1, 044 | 1, 044 | | | | |
| South Dakota | 1 | 1 | 1 | 1 | | | | | 433 | 433 | 433 | 433 | | | | |
| Bradley Bros., Centerville | 13 | 13 | 3 | 3 | | | 10 | 10 | 4, 996 | 4, 996 | 1, 878 | 1, 878 | | | 3, 118 | 3, 118 |
| Rich, E. H., Fort Dodge | 12 | 12 | 2 | 2 | | | 10 | 10 | 8, 651 | 8, 651 | 3, 165 | 3, 165 | | | 5, 486 | 5, 486 |
| Iowa | 11 | 11 | 2 | 2 | | | 9 | 9 | 7, 726 | 7, 726 | 3, 165 | 3, 165 | | | 4, 561 | 4, 561 |
| Minnesota | 1 | 1 | | | | | 1 | 1 | 925 | 925 | | | | | 925 | 925 |
| Weiser, C. J., and Algier, R., Decorah | 11 | 11 | 1 | 1 | | | 10 | 10 | 5, 733 | 5, 733 | 660 | 660 | | | 5, 073 | 5, 073 |
| Iowa | 7 | 7 | | | | | 7 | 7 | 3, 882 | 3, 882 | | | | | 3, 882 | 3, 882 |
| Minnesota | 3 | 3 | 1 | 1 | | | 2 | 2 | 1, 404 | 1, 404 | 660 | 660 | | | 744 | 744 |
| Washington | 1 | 1 | | | | | 1 | 1 | 447 | 447 | | | | | 447 | 447 |
| Benton Bros., Des Moines | 9 | 9 | 2 | 2 | | | 7 | 7 | 18, 102 | 18, 102 | 15, 168 | 15, 168 | | | 2, 934 | 2, 934 |
| Haugen, G. N., Northwood | 4 | 4 | 2 | 2 | | | 2 | 2 | 1, 336 | 1, 336 | 855 | 855 | | | 481 | 481 |
| Chamberlain, Park, Anamosa | 4 | 4 | 2 | 2 | | | 2 | 2 | 1, 637 | 1, 637 | 1, 236 | 1, 236 | | | 401 | 401 |
| Shade, Charles, Rock Rapids | 4 | 4 | 2 | 2 | | | 2 | 2 | 1, 076 | 1, 076 | 652 | 652 | | | 424 | 424 |
| Taylor, Henry C., Bloomfield | 4 | 4 | 2 | 2 | | | 2 | 2 | 1, 161 | 1, 161 | 959 | 959 | | | 202 | 202 |
| Foster, John W., Guthrie Center | 3 | 3 | 2 | 2 | | | 1 | 1 | 991 | 991 | 894 | 894 | | | 97 | 97 |
| Dufer, E. T., Diagonal | 3 | 3 | 3 | 3 | | | | | 881 | 881 | 881 | 881 | | | | |
| Johnson, Brush & Annis, Osage | 4 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 3, 379 | 3, 379 | 1, 548 | 1, 548 | 910 | 910 | 921 | 921 |
| Iowa | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 3, 056 | 3, 056 | 1, 548 | 1, 548 | 910 | 910 | 598 | 598 |
| North Dakota | 1 | 1 | | | | | 1 | 1 | 323 | 323 | | | | | 323 | 323 |

[6] Disposed of stock in one bank.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks: Total, December | Number of banks: Total, June | Number of banks: National, December | Number of banks: National, June | Number of banks: State member, December | Number of banks: State member, June | Number of banks: Nonmember, December | Number of banks: Nonmember, June | Loans and investments: Total, December | Loans and investments: Total, June | Loans and investments: National, December | Loans and investments: National, June | Loans and investments: State member, December | Loans and investments: State member, June | Loans and investments: Nonmember, December | Loans and investments: Nonmember, June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Kansas (December, 19 groups; June, groups) | 89 | 86 | 23 | 21 | 1 | 1 | 65 | 64 | $46,291 | $41,923 | $24,476 | $20,179 | $1,445 | $1,445 | $20,370 | $20,299 |
| Benton, G. D. and H. O., Oberlin | 7 | 7 | 2 | 2 | | | 5 | 5 | 1,769 | 1,769 | 1,030 | 1,030 | | | 739 | 739 |
| Burrow, J. R., and family, Topeka | 7 | 7 | 2 | 2 | | | 5 | 5 | 8,309 | 8,309 | 5,575 | 5,575 | | | 2,734 | 2,734 |
| Atwood, F. J., Concordia | 6 | 6 | 1 | 1 | | | 5 | 5 | 1,135 | 1,135 | 479 | 479 | | | 656 | 656 |
| Burks, W. H., Wellington | 6 | 6 | 1 | 1 | | | 5 | 5 | 3,341 | 3,341 | 1,259 | 1,259 | | | 2,082 | 2,082 |
| Kansas | 4 | 4 | | | | | 4 | 4 | 1,939 | 1,939 | | | | | 1,939 | 1,939 |
| Oklahoma | 2 | 2 | 1 | 1 | | | 1 | 1 | 1,402 | 1,402 | 1,259 | 1,259 | | | 143 | 143 |
| Collingwood, J. H., and family, Topeka | 6 | 6 | 1 | 1 | 1 | 1 | 4 | 4 | 3,199 | 3,199 | 906 | 908 | 1,445 | 1,445 | 846 | 846 |
| Lemon, G. W., Pratt | 6 | 6 | 3 | 3 | | | 3 | 3 | 2,569 | 2,569 | 2,145 | 2,145 | | | 424 | 424 |
| Gardiner, J. G., Wichita | 5 | 5 | 1 | 1 | | | 4 | 4 | 3,243 | 3,243 | 1,385 | 1,385 | | | 1,858 | 1,858 |
| Gray, George M., et al., Kansas City | 5 | 5 | | | | | 5 | 5 | 4,339 | 4,339 | | | | | 4,339 | 4,339 |
| Moffett, A. H., Larned | 5 | 5 | 1 | 1 | | | 4 | 4 | 1,322 | 1,322 | 935 | 935 | | | 387 | 387 |
| Docking, Wm., Topeka | 4 | 4 | | | | | 4 | 4 | 1,962 | 1,962 | | | | | 1,962 | 1,962 |
| Jellison, A. D., Junction City | 4 | 4 | 1 | 1 | | | 3 | 3 | 2,212 | 2,212 | 980 | 980 | | | 1,232 | 1,232 |
| Mermis, J. A., Hays | 4 | 4 | 1 | 1 | | | 3 | 3 | 871 | 871 | 426 | 426 | | | 445 | 445 |
| Sponable, F. W., Paola | 4 | 4 | 1 | 1 | | | 3 | 3 | 2,770 | 2,770 | 1,975 | 1,975 | | | 795 | 795 |
| Stewart Estate, Wellington | 4 | 4 | 1 | 1 | | | 3 | 3 | 945 | 945 | 353 | 353 | | | 592 | 592 |
| Kansas | 2 | 2 | | | | | 2 | 2 | 424 | 424 | | | | | 424 | 424 |
| Oklahoma | 2 | 2 | 1 | 1 | | | 1 | 1 | 521 | 521 | 353 | 353 | | | 168 | 168 |
| Womer, W. D., and family, Manhattan | 4 | 4 | 3 | 3 | | | 1 | 1 | 2,448 | 2,448 | 2,267 | 2,267 | | | 181 | 181 |
| Benjamin, J. J., Cambridge | 3 | 3 | | | | | 3 | 3 | 233 | 233 | | | | | 233 | 233 |
| Flack, B. A., Enterprise | 3 | 3 | 1 | 1 | | | 2 | 2 | 733 | 733 | 237 | 237 | | | 496 | 496 |
| Frazier, Linn, Fouber | 3 | 3 | 1 | 1 | | | 2 | 2 | 523 | 523 | 225 | 225 | | | 298 | 298 |
| Limbocker, M. A., Emporia | 3 | | 2 | | | | 1 | | 4,368 | | 4,297 | | | | 71 | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Kentucky, December, 3 groups; June, 1 group | 18 | 4 | 10 | 4 | 4 | | 4 | | 149,372 | 8,120 | 77,710 | 8,120 | 65,115 | | 6,547 | |
| First National Corporation, Louisville | 9 | | 5 | | 1 | | 3 | | 43,823 | | 21,656 | | 17,642 | | 4,525 | |
| Banco Kentucky, Louisville | 5 | | 1 | | 3 | | 1 | | 97,429 | | 47,934 | | 47,473 | | 2,022 | |
| Ohio | 2 | | | | 2 | | | | 25,088 | | | | 25,088 | | | |
| Kentucky | 3 | | 1 | | 1 | | 1 | | 72,341 | | 47,934 | | 22,385 | | 2,022 | |
| Ashland National Bank, Ashland | 4 | 4 | 4 | 4 | | | | | 8,120 | 8,120 | 8,120 | 8,120 | | | | |
| Louisiana, December, 2 groups; June, 2 groups | 10 | 10 | 6 | 6 | | | 4 | 4 | 33,078 | 33,078 | 29,842 | 29,842 | | | 3,236 | 3,236 |
| Calcasieu National Bank of southwest Louisiana, Lake Charles | 6 | 6 | 5 | 5 | | | 1 | 1 | 14,644 | 14,644 | 14,294 | 14,294 | | | 350 | 350 |
| Commercial National Bank Shreveport | 4 | 4 | 1 | 1 | | | 3 | 3 | 18,434 | 18,434 | 15,548 | 15,548 | | | 2,886 | 2,886 |
| Maine, December, 2 groups; June, 1 group | 12 | 5 | 5 | 2 | | | 7 | 3 | 69,635 | 53,267 | 14,583 | 10,033 | | | 55,052 | 43,234 |
| Financial institutions, Augusta | 9 | 5 | 5 | 2 | | | 4 | 3 | 59,576 | 53,267 | 14,583 | 10,033 | | | 44,993 | 43,234 |
| Eastern Trust & Banking Co, Bangor | 3 | | | | | | 3 | | 10,059 | | | | | | 10,059 | |
| Massachusetts (December, 5 groups; June, 4 groups) | 45 | 33 | 27 | 19 | 7 | 6 | 11 | 8 | 870,871 | 530,104 | 761,556 | 280,558 | 73,461 | 224,929 | 35,854 | 24,617 |
| First National—Old Colony Corporation, Boston | 20 | 17 | 12 | 9 | 5 | 5 | 3 | 3 | 568,312 | 275,980 | 492,815 | 45,229 | 65,134 | 220,388 | 10,363 | 10,363 |
| Federal National Bank (through Federal National Investment Trust), Boston | 8 | 6 | 4 | 4 | 1 | | 3 | 2 | 55,785 | 45,787 | 42,601 | 42,601 | 3,786 | | 9,398 | 3,186 |
| National Shawmut Bank (through Shawmut Association), Boston | 6 | 6 | 4 | 4 | | | 2 | 2 | 194,642 | 194,642 | 190,388 | 190,388 | | | 4,254 | 4,254 |
| Worcester County National, Worcester | 6 | | 5 | | | | 1 | | 37,287 | | 33,412 | | | | 3,875 | |
| Makepeace, J. C., and family, Wareham | 5 | 4 | 2 | 2 | 1 | 1 | 2 | 1 | 14,845 | 13,695 | 2,340 | 2,340 | 4,541 | 4,541 | 7,964 | 6,814 |

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks: Total, December | Number of banks: Total, June | Number of banks: National, December | Number of banks: National, June | Number of banks: State member, December | Number of banks: State member, June | Number of banks: Nonmember, December | Number of banks: Nonmember, June | Loans and investments: Total, December | Loans and investments: Total, June | Loans and investments: National, December | Loans and investments: National, June | Loans and investments: State member, December | Loans and investments: State member, June | Loans and investments: Nonmember, December | Loans and investments: Nonmember, June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Michigan (December, 11 groups; June, 12 groups) | 126 | 80 | 20 | 4 | 24 | 11 | 82 | 65 | $1,243,488 | $418,628 | $348,162 | $12,153 | $707,123 | $347,145 | $188,203 | $59,330 |
| Guardian Detroit Union Group (Inc.), Detroit | 35 | | 10 | | 7 | | 18 | | 403,996 | | 167,360 | | 154,218 | | 82,418 | |
| First National-Peoples, Wayne group, Detroit | 21 | 6 | 5 | | 8 | 1 | 8 | 5 | 705,032 | 284,071 | 167,482 | | 479,253 | 273,176 | 58,297 | 10,895 |
| Sleeper, A. E., Bad Axe | 16 | 16 | 1 | 1 | 1 | 1 | 14 | 14 | 5,612 | 5,612 | 465 | 465 | 419 | 419 | 4,728 | 4,728 |
| American State Bank group, Detroit | 13 | 8 | 2 | | 5 | 2 | 6 | 6 | 61,701 | 53,186 | 2,308 | | 51,104 | 44,897 | 8,289 | 8,289 |
| McPhail, C. W., Central Lake | 12 | 12 | | | | | 12 | 12 | 2,954 | 2,954 | | | | | 2,954 | 2,954 |
| Wolf, Frank, Detroit | 7 | 7 | 1 | 1 | | | 6 | 6 | 32,686 | 32,686 | 10,140 | 10,140 | | | 22,546 | 22,546 |
| Gerber, Cornelius, Fremont | 5 | 5 | | | 1 | 1 | 4 | 4 | 2,975 | 2,975 | | | 1,290 | 1,290 | 1,685 | 1,685 |
| Merrick, Frank W., Saginaw | 5 | 5 | | | 1 | 1 | 4 | 4 | 2,522 | 2,522 | | | 626 | 626 | 1,896 | 1,896 |
| Smith, Wm. A., Grand Rapids | 5 | 5 | | | 1 | 1 | 4 | 4 | 23,531 | 23,531 | | | 20,213 | 20,213 | 3,318 | 3,318 |
| Hicks, John C., St. Johns | 4 | 4 | 1 | 1 | | | 3 | 3 | 1,881 | 1,881 | 407 | 407 | | | 1,474 | 1,474 |
| Hudson, John R., Middleton | [7] 3 | 4 | | | | | 3 | 4 | 598 | 992 | | | | | 598 | 992 |
| McGill, H. J., Mount Clemens | ([8]) | 4 | | 1 | | 3 | | | | 7,370 | | 1,141 | | 6,229 | | |
| Orr, Andrew W., Blanchard | ([9]) | 4 | | | | 1 | | 3 | | 848 | | | | 295 | | 553 |
| Minnesota (December, 37 groups; June, 37 groups) | 472 | 362 | 223 | 146 | 7 | 2 | 242 | 214 | 836,699 | 356,715 | 660,155 | 265,999 | 38,749 | 1,805 | 137,795 | 88,911 |
| Northwest Bancorporation, Minneapolis | 92 | 20 | 59 | 17 | 3 | | 30 | 3 | 339,754 | 147,674 | 288,356 | 128,204 | 17,664 | | 33,734 | 19,470 |
| Minnesota | 46 | 10 | 27 | 7 | | | 19 | 3 | 208,180 | 109,758 | 182,039 | 90,288 | | | 26,141 | 19,470 |
| Montana | 7 | | 2 | | 2 | | 3 | | 15,116 | | 5,610 | | 6,963 | | 2,543 | |
| North Dakota | 9 | 2 | 7 | 2 | | | 2 | | 14,875 | 8,099 | 14,706 | 8,099 | | | 169 | |
| South Dakota | 10 | 6 | 10 | 6 | | | | | 22,213 | 16,178 | 22,213 | 16,178 | | | | |
| Nebraska | 8 | | 4 | | | | 4 | | 35,358 | | 31,445 | | | | 3,913 | |
| Iowa | 4 | 1 | 3 | 1 | | | 1 | | 24,338 | 7,871 | 24,338 | 7,871 | | | | |
| Wisconsin | 7 | 1 | 6 | 1 | | | 1 | | 8,973 | 5,768 | 8,005 | 5,768 | | | 968 | |
| Washington | 1 | | | | 1 | | | | 10,701 | | | | 10,701 | | | |
| First Bank Stock Corporation, Minneapolis | 78 | 12 | 63 | 11 | 2 | | 13 | 1 | 339,267 | 21,550 | 282,646 | 20,836 | 19,280 | | 37,341 | 714 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Minnesota | 36 | 5 | 26 | 5 | | | 10 | | 252,785 | 10,379 | 217,297 | 10,379 | | | 35,488 | |
| Montana | 13 | | 10 | | 2 | | 1 | | 53,496 | | 33,802 | | 19,280 | | 414 | |
| North Dakota | 15 | 4 | 15 | 4 | | | | | 14,378 | 5,731 | 14,378 | 5,731 | | | | |
| South Dakota | 11 | 3 | 9 | 2 | | | 2 | 1 | 9,727 | 5,440 | 8,288 | 4,726 | | | 1,439 | 714 |
| Michigan | 3 | | 3 | | | | | | 8,881 | | 8,881 | | | | | |
| Bremer, Otto, et al., St. Paul | 71 | 71 | 12 | 12 | 1 | 1 | 58 | 58 | 52,932 | 52,932 | 27,434 | 27,434 | 1,315 | 1,315 | 24,183 | 24,183 |
| Minnesota | 30 | 30 | 6 | 6 | 1 | 1 | 23 | 23 | 32,919 | 32,919 | 17,685 | 17,685 | 1,315 | 1,315 | 13,919 | 13,919 |
| Montana | 1 | 1 | | | | | 1 | 1 | 1,893 | 1,893 | | | | | 1,893 | 1,893 |
| North Dakota | 32 | 32 | 5 | 5 | | | 27 | 27 | 15,233 | 15,233 | 9,349 | 9,349 | | | 5,884 | 5,884 |
| Wisconsin | 8 | 8 | 1 | 1 | | | 7 | 7 | 2,887 | 2,887 | 400 | 400 | | | 2,487 | 2,487 |
| Union Investment Co. (J. F. Millard) Minneapolis | [10] | 31 | [10] | 16 | | | [10] | 15 | [10] | 15,143 | [10] | 9,658 | | | [10] | 5,485 |
| Minnesota | | 23 | | 11 | | | | 12 | | 11,769 | | 7,421 | | | | 4,348 |
| Wisconsin | | 6 | | 5 | | | | 1 | | 3,205 | | 2,237 | | | | 968 |
| North Dakota | | 2 | | | | | | 2 | | 169 | | | | | | 169 |
| Hazlett, Isaac, et al., Minneapolis | 19 | 19 | 13 | 13 | | | 6 | 6 | 5,361 | 5,361 | 4,434 | 4,434 | | | 927 | 927 |
| Minnesota | 18 | 18[7] | 12 | 12 | | | 6 | 6 | 5,224 | 5,224 | 4,297 | 4,297 | | | 927 | 927 |
| Montana | 1 | 1[8] | 1 | 1 | | | | | 137 | 137 | 137 | 137 | | | | |
| Black, J. W., Co., Minneapolis | 13 | 13 | 7 | 7 | | | 6 | 6 | 7,139 | 7,139 | 3,742 | 3,742 | | | 3,397 | 3,397 |
| Minnesota | 8 | 8 | 4 | 4 | | | 4 | 4 | 4,513 | 4,513 | 1,727 | 1,727 | | | 2,786 | 2,786 |
| Michigan | 2 | 2 | 2 | 2 | | | | | 1,462 | 1,462 | 1,462 | 1,462 | | | | |
| Wisconsin | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,164 | 1,164 | 553 | 553 | | | 611 | 611 |
| Lewison, Samuel, Swenson, Carl C., and Fries, J. F., Canby | 12 | 12 | 7 | 7 | | | 5 | 5 | 5,440 | 5,440 | 2,600 | 2,600 | | | 2,840 | 2,840 |
| Minnesota | 9 | 9 | 4 | 4 | | | 5 | 5 | 4,427 | 4,427 | 1,587 | 1,587 | | | 2,840 | 2,840 |
| South Dakota | 3 | 3 | 3 | 3 | | | | | 1,013 | 1,013 | 1,013 | 1,013 | | | | |
| Sheldon, F. P., Sheldon Bros., Minneapolis | 11 | 11 | 5 | 5 | | | 6 | 6 | 3,728 | 3,728 | 2,950 | 2,950 | | | 778 | 778 |
| Mealey, S. J., et al., Monticello | 9 | 9 | 1 | 1 | | | 8 | 8 | 4,110 | 4,110 | 2,023 | 2,023 | | | 2,087 | 2,087 |
| Johnson, A. J., Granite Falls | 8 | 8 | | | | | 8 | 8 | 2,503 | 2,503 | | | | | 2,503 | 2,503 |
| Minnesota | 2 | 2 | | | | | 2 | 2 | 1,659 | 1,659 | | | | | 1,659 | 1,659 |
| North Dakota | 5 | 5 | | | | | 5 | 5 | 636. | 636 | | | | | 636 | 636 |
| Montana | 1 | 1 | | | | | 1 | 1 | 208 | 208 | | | | | 208 | 208 |

[7] 1 bank sold to Guardian Detroit Union group, Detroit.
[8] Taken over by American State Bank group, Detroit.
[9] Taken over by Guardian Detroit Union group, Detroit.
[10] Now a part of the Northwest Bancorporation group.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Minnesota—Continued. | | | | | | | | | | | | | | | | |
| J. Lampert Co., St. Paul | 8 | 8 | 3 | 3 | | | 5 | 5 | $2,431 | $2,431 | $1,451 | $1,451 | | | $980 | $980 |
| Minnesota | 7 | 7 | 3 | 3 | | | 4 | 4 | 2,096 | 2,096 | 1,451 | 1,451 | | | 645 | 645 |
| Wisconsin | 1 | 1 | | | | | 1 | 1 | 335 | 335 | | | | | 335 | 335 |
| St. Olaf College and Holland, P. O., Northfield | 8 | 8 | 2 | 2 | | | 6 | 6 | 2,396 | 2,396 | 616 | 616 | | | 1,780 | 1,780 |
| Minnesota | 3 | 3 | | | | | 3 | 3 | 1,062 | 1,062 | | | | | 1,062 | 1,062 |
| North Dakota | 5 | 5 | 2 | 2 | | | 3 | 3 | 1,334 | 1,334 | 616 | 616 | | | 718 | 718 |
| Brickson, Edwin, Adrian | 7 | 7 | 2 | 2 | | | 5 | 5 | 1,375 | 1,375 | 259 | 259 | | | 1,116 | 1,116 |
| Carlson, John C., Rush City | 7 | 7 | 1 | 1 | | | 6 | 6 | 3,104 | 3,104 | 618 | 618 | | | 2,486 | 2,486 |
| Lofgren, C. J., Ada | 7 | 7 | 3 | 3 | | | 4 | 4 | 1,635 | 1,635 | 898 | 898 | | | 737 | 737 |
| Minnesota | 4 | 4 | 2 | 2 | | | 2 | 2 | 1,146 | 1,146 | 805 | 805 | | | 341 | 341 |
| North Dakota | 2 | 2 | 1 | 1 | | | 1 | 1 | 294 | 294 | 93 | 93 | | | 201 | 201 |
| Montana | 1 | 1 | | | | | 1 | 1 | 195 | 195 | | | | | 195 | 195 |
| March, C. H., Litchfield | 7 | 7 | 2 | 2 | | | 5 | 5 | 4,151 | 4,151 | 2,716 | 2,716 | | | 1,435 | 1,435 |
| Tillemans, H. J., Minnesota | 7 | 7 | 2 | 2 | | | 5 | 5 | 2,661 | 2,661 | 1,745 | 1,745 | | | 916 | 916 |
| Christopherson, Alfred, Albert Lea | [11] 6 | 7 | 1 | 2 | | | 5 | 5 | 980 | 3,167 | 267 | 2,454 | | | 713 | 713 |
| Minnesota | 5 | 6 | 1 | 2 | | | 4 | 4 | 802 | 2,989 | 267 | 2,454 | | | 535 | 535 |
| Iowa | 1 | 1 | | | | | 1 | 1 | 178 | 178 | | | | | 178 | 178 |
| Gunn, D. M., King, F. E., King, Alexander, Grand Rapids | 6 | 6 | 4 | 4 | | | 2 | 2 | 1,602 | 1,602 | 1,345 | 1,345 | | | 257 | 257 |
| Lee, Harry, Long Prairie | 6 | 6 | 3 | 3 | | | 3 | 3 | 2,223 | 2,223 | 969 | 969 | | | 1,254 | 1,254 |
| Mills, C. B., General Securities Co., Minneapolis | [11] 6 | 7 | 4 | 5 | | | 2 | 2 | 8,530 | 27,935 | 8,021 | 27,426 | | | 509 | 509 |
| Minnesota | 2 | 3 | 1 | 2 | | | 1 | 1 | 384 | 19,789 | 193 | 19,598 | | | 191 | 191 |
| North Dakota | 1 | 1 | 1 | 1 | | | | | 215 | 215 | 215 | 215 | | | | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Iowa | 3 | 3 | 2 | 2 | | | 1 | 1 | 7,931 | 7,931 | 7,613 | 7,613 | | | 318 | 318 |
| Ponsford, J. J., Watertown | 6 | 6 | | | | | 6 | 6 | 1,313 | 1,313 | | | | | 1,313 | 1,313 |
| Simons, L. C., St. Paul | 6 | 6 | 2 | 2 | | | 4 | 4 | 4,302 | 4,302 | 3,417 | 3,417 | | | 885 | 885 |
| Towle, Geo. E., et al., Minneapolis | 6 | 6 | 4 | 4 | | | 2 | 2 | 1,392 | 1,392 | 1,065 | 1,065 | | | 327 | 327 |
| North Dakota | 3 | 3 | 2 | 2 | | | 1 | 1 | 576 | 576 | 415 | 415 | | | 161 | 161 |
| Montana | 3 | 3 | 2 | 2 | | | 1 | 1 | 816 | 816 | 650 | 650 | | | 166 | 166 |
| Ward, A. L., Fairmont | 6 | 6 | 5 | 5 | | | 1 | 1 | 2,826 | 2,826 | 2,647 | 2,647 | | | 179 | 179 |
| Paulson, C. E., et al., Albert Lea | 6 | 6 | | | | | 6 | 6 | 971 | 971 | | | | | 971 | 971 |
| Bank Shares Corporation, Minneapolis | 5 | | 1 | | | | 4 | | 6,922 | | 3,444 | | | | 3,478 | |
| Du Toit, D. W., and Lundsten, O. W., Chaska and Excelsior | 5 | 5 | 1 | 1 | 1 | 1 | 3 | 3 | 2,582 | 2,582 | 113 | 113 | 490 | 490 | 1,979 | 1,979 |
| Glemmestad, M., Tyler | 5 | 5 | 2 | 2 | | | 3 | 3 | 1,789 | 1,789 | 1,109 | 1,109 | | | 680 | 680 |
| Klein, C. H., Chaska | 5 | 5 | 3 | 3 | | | 2 | 2 | 3,202 | 3,202 | 2,570 | 2,570 | | | 632 | 632 |
| Sampson, H., Elbow Lake | 5 | 5 | | | | | 5 | 5 | 1,410 | 1,410 | | | | | 1,410 | 1,410 |
| Schmidt, J. G., Northfield | 5 | 5 | 2 | 2 | | | 3 | 3 | 1,994 | 1,994 | 1,410 | 1,410 | | | 584 | 584 |
| Warner, H. A., White Bear Lake | 5 | 5 | | | | | 5 | 5 | 1,215 | 1,215 | | | | | 1,215 | 1,215 |
| Minnesota | 3 | 3 | | | | | 3 | 3 | 649 | 649 | | | | | 649 | 649 |
| South Dakota | 1 | 1 | | | | | 1 | 1 | 187 | 187 | | | | | 187 | 187 |
| Wisconsin | 1 | 1 | | | | | 1 | 1 | 379 | 379 | | | | | 379 | 379 |
| Andrisen, H. P., Clarksfield | 4 | 4 | | | | | 4 | 4 | 805 | 805 | | | | | 805 | 805 |
| Minnesota | 2 | 2 | | | | | 2 | 2 | 576 | 576 | | | | | 576 | 576 |
| South Dakota | 2 | 2 | | | | | 2 | 2 | 229 | 229 | | | | | 229 | 229 |
| Davies, E. W., Pipestone | 4 | 4 | 4 | 4 | | | | | 1,666 | 1,666 | 1,666 | 1,666 | | | | |
| Minnesota | 2 | 2 | 2 | 2 | | | | | 1,165 | 1,165 | 1,165 | 1,165 | | | | |
| South Dakota | 2 | 2 | 2 | 2 | | | | | 501 | 501 | 501 | 501 | | | | |
| McClure, T. F., Litchfield | 4 | 4 | | | | | 4 | 4 | 2,431 | 2,431 | | | | | 2,431 | 2,431 |
| Atlas Realty Co., Minneapolis | 3 | 3 | 2 | 2 | | | 1 | 1 | 2,714 | 2,714 | 1,825 | 1,825 | | | 889 | 889 |
| Castle, L. G., Duluth | 4 | 4 | 3 | 3 | | | 1 | 1 | 7,843 | 7,843 | 7,799 | 7,799 | | | 44 | 44 |
| Mississippi (December, 3 groups; June, 3 groups) | 21 | 21 | 2 | 2 | | | 19 | 19 | 15,119 | 15,119 | 7,584 | 7,584 | | | 7,535 | 7,535 |
| High, S. J., and associates, Tupelo | 10 | 10 | | | | | 10 | 10 | 4,547 | 4,547 | | | | | 4,547 | 4,547 |
| Holland, Mr. and Mrs. W. P. et al., Clarksdale | 7 | 7 | 1 | 1 | | | 6 | 6 | 4,953 | 4,953 | 2,794 | 2,794 | | | 2,159 | 2,159 |
| First National Bank, Hattiesburg | 4 | 4 | 1 | 1 | | | 3 | 3 | 5,619 | 5,619 | 4,790 | 4,790 | | | 829 | 829 |

[11] 1 bank taken over by Northwest Bancorporation.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Missouri (December, 7 groups; June, 7 groups) | 41 | 40 | 11 | 12 | 5 | 5 | 25 | 23 | $158,374 | $160,887 | $26,406 | $29,531 | $111,188 | $111,188 | $20,780 | $20,168 |
| Ford, F. L. and associates St. Joseph | 9 | 9 | 1 | 1 | | | 8 | 8 | 10,018 | 10,018 | 5,188 | 5,188 | | | 4,830 | 4,830 |
| Missouri | 8 | 8 | 1 | 1 | | | 7 | 7 | 9,799 | 9,799 | 5,188 | 5,188 | | | 4,611 | 4,611 |
| Nebraska | 1 | 1 | | | | | 1 | 1 | 219 | 219 | | | | | 219 | 219 |
| Kemper, J. M. et al. Kansas City | [12] 8 | 9 | 3 | 4 | | | 5 | 5 | 10,810 | 13,935 | 1,358 | 4,483 | | | 9,452 | 9,452 |
| Missouri | 4 | 4 | 1 | 1 | | | 3 | 3 | 10,160 | 10,160 | 938 | 938 | | | 9,222 | 9,222 |
| Oklahoma | 3 | 3 | 1 | 1 | | | 2 | 2 | 363 | 363 | 133 | 133 | | | 230 | 230 |
| Kansas | 1 | 2 | 1 | 2 | | | | | 287 | 3,412 | 287 | 3,412 | | | | |
| The Keystone Corp. (affiliate of Commerce Trust Co.) Kansas City | 5 | 5 | 1 | 1 | 1 | 1 | 3 | 3 | 82,025 | 82,025 | 3,052 | 3,052 | 75,106 | 75,106 | 3,867 | 3,867 |
| Meyers, A. C. F., St. Louis | 7 | 7 | 3 | 3 | 4 | 4 | | | 47,294 | 47,294 | 11,212 | 11,212 | 36,082 | 36,082 | | |
| Harty, A. L., Cape Girard | 5 | 3 | 1 | 1 | | | 4 | 2 | 2,429 | 1,817 | 546 | 546 | | | 1,883 | 1,271 |
| Speer, A. A., Jefferson City | 4 | 4 | 1 | 1 | | | 3 | 3 | 4,959 | 4,959 | 4,404 | 4,404 | | | 555 | 555 |
| Marshall, N. B., Unionville | 3 | 3 | 1 | 1 | | | 2 | 2 | 839 | 839 | 646 | 646 | | | 193 | 193 |
| Montana (December, 2 groups; June, 3 groups) | 14 | 21 | | 4 | 1 | 3 | 13 | 14 | 7,370 | 40,537 | | 12,136 | 2,412 | 23,189 | 4,958 | 5,212 |
| Woehner, Fred A., Great Falls | 8 | 8 | | | | | 8 | 8 | 3,527 | 3,527 | | | | | 3,527 | 3,527 |
| Johnson, A. C., Helena | [13] 6 | 7 | | 1 | 1 | 1 | 5 | 5 | 3,843 | 7,796 | | 3,953 | 2,412 | 2,412 | 1,431 | 1,431 |
| Marlow, T. A., Helena | ([14]) | 6 | | 3 | | 2 | | 1 | | 29,214 | | 8,183 | | 20,777 | | 254 |
| Nebraska (December, 10 groups; June, 10 groups) | 62 | 65 | 15 | 15 | | | 47 | 50 | 25,044 | 25,544 | 12,740 | 12,740 | | | 12,304 | 12,804 |
| McCloud, C. A., et al., York | 10 | 10 | 3 | 3 | | | 7 | 7 | 3,375 | 3,375 | 1,944 | 1,944 | | | 1,431 | 1,431 |
| Weil, M., and family, Lincoln | 10 | 10 | 1 | 1 | | | 9 | 9 | 6,708 | 6,708 | 4,335 | 4,335 | | | 2,373 | 2,373 |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Kirchman, F. J., et al., Wahoo | [15] 8 | 9 | 1 | 1 | | | 7 | 8 | 2,404 | 2,738 | 605 | 605 | | | 1,799 | 2,133 |
| Nebraska | 7 | 8 | 1 | 1 | | | 6 | 7 | 2,071 | 2,405 | 605 | 605 | | | 1,466 | 1,800 |
| South Dakota | 1 | 1 | | | | | 1 | 1 | 333 | 333 | | | | | 333 | 333 |
| Gund, C. F., and family, Blue Hill | 7 | 7 | 1 | 1 | | | 6 | 6 | 1,779 | 1,779 | 240 | 240 | | | 1,539 | 1,539 |
| Southwick, L. E., H. J., and P. O., friend | 6 | 6 | 1 | 1 | | | 5 | 5 | 1,824 | 1,824 | 834 | 834 | | | 990 | 990 |
| Folda, E. F., and family, Schuyler | 5 | 5 | | | | | 5 | 5 | 3,275 | 3,275 | | | | | 3,275 | 3,275 |
| Barber, R. H., Kearney | 4 | 4 | | | | | 4 | 4 | 321 | 321 | | | | | 321 | 321 |
| Coffee, C. F., sr., chadron | 4 | 4 | 4 | 4 | | | | | 2,761 | 2,761 | 2,761 | 2,761 | | | | |
| Hansen, T. J. and C. C., Omaha | [16] 4 | 6 | 1 | 1 | | | 3 | 5 | 588 | 754 | 120 | 120 | | | 468 | 634 |
| Colorado | 1 | 1 | 1 | 1 | | | | | 120 | 120 | 120 | 120 | | | | |
| Nebraska | 3 | 5 | | | | | 3 | 5 | 468 | 634 | | | | | 468 | 634 |
| Titus, G. H., Holdrege | 4 | 4 | 3 | 3 | | | 1 | 1 | 2,009 | 2,009 | 1,901 | 1,901 | | | 108 | 108 |
| Nevada, December, 1 group; June, 2 groups | 12 | 14 | 2 | 2 | | | 10 | 12 | 18,911 | 20,799 | 6,811 | 6,811 | | | 12,100 | 13,988 |
| Wingfield, Geo., Reno | 12 | 11 | 2 | 2 | | | 10 | 9 | 18,911 | 18,911 | 6,811 | 6,811 | | | 12,100 | 12,100 |
| Scheeline, H. S., Reno | ([17]) | 3 | | | | | | 3 | | 1,888 | | | | | | 1,888 |
| New Jersey (December, 15 groups; June, 14 groups) | 59 | 55 | 25 | 24 | 14 | 14 | 20 | 17 | 391,089 | 353,198 | 92,274 | 92,479 | 109,210 | 76,228 | 189,605 | 184,491 |
| Peoples Trust & Guaranty Co., Hackensack | 9 | 9 | 2 | 2 | 7 | 7 | | | 25,427 | 25,427 | 570 | 570 | 24,857 | 24,857 | | |
| Bankers Securities (Inc.), Hackensack | 7 | 7 | 5 | 5 | 1 | 1 | 1 | 1 | 8,592 | 8,592 | 7,377 | 7,377 | 169 | 169 | 1,046 | 1,046 |
| Montclair Trust Co., Montclair | 5 | 5 | 2 | 2 | 1 | 1 | 2 | 2 | 25,862 | 25,862 | 2,326 | 2,326 | 14,380 | 14,380 | 9,156 | 9,156 |
| Kean family, Elizabeth | 4 | 4 | 3 | 3 | | | 1 | 1 | 34,636 | 34,636 | 24,086 | 24,086 | | | 10,550 | 10,550 |
| Peoples Bank & Trust Co., Passaic | 4 | 3 | 2 | 1 | 1 | 1 | 1 | 1 | 20,276 | 18,013 | 3,372 | 1,109 | 9,869 | 9,869 | 7,035 | 7,035 |
| Doremus, Cornelius, Ridgewood | ([18]) | 3 | | 2 | | 1 | | | | 11,159 | | 8,086 | | 3,073 | | |
| Everett, J. D., and Holmes, H. L., Orange | 3 | 3 | 2 | 2 | | | 1 | 1 | 11,583 | 11,583 | 9,920 | 9,920 | | | 1,663 | 1,663 |
| First-Mechanics National Bank, Trenton | 3 | 3 | 1 | 1 | | | 2 | 2 | 35,374 | 35,374 | 32,880 | 32,880 | | | 2,494 | 2,494 |
| Heppenheimer, Wm. C., Jersey City | 3 | 3 | | | | | 3 | 3 | 94,382 | 94,382 | | | | | 94,382 | 94,382 |

[12] Disposed of stock in one bank.
[13] 1 bank taken over by First Bank Stock Corporation.
[14] Group taken over by First Bank Stock Corporation.
[15] Sold interest in 1 bank.
[16] 2 banks suspended.
[17] Controlling interest in 1 bank sold; no longer constitutes a chain.
[18] 2 banks merged; no longer considered a chain.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks: Total, December | Number of banks: Total, June | Number of banks: National, December | Number of banks: National, June | Number of banks: State member, December | Number of banks: State member, June | Number of banks: Nonmember, December | Number of banks: Nonmember, June | Loans and investments: Total, December | Loans and investments: Total, June | Loans and investments: National, December | Loans and investments: National, June | Loans and investments: State member, December | Loans and investments: State member, June | Loans and investments: Nonmember, December | Loans and investments: Nonmember, June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New Jersey—Continued. | | | | | | | | | | | | | | | | |
| Mechanics Trust Co., Bayonne | 3 | 3 | 2 | 2 | | | 1 | 1 | $10,745 | $10,745 | $1,725 | $1,725 | | | $9,020 | $9,020 |
| New Jersey Title Guaranty Trust Co., Jersey City | 3 | | | | 1 | | 2 | | 38,440 | | | | $36,055 | | 2,385 | |
| Plainfield Trust Co., Plainfield | 3 | 3 | 1 | 1 | 2 | 2 | | | 22,984 | 22,984 | 495 | 495 | 22,489 | $22,489 | | |
| Sutton, Frank W., et al., Tom's River | 3 | | 2 | | | | 1 | | 8,347 | | 5,618 | | | | 2,729 | |
| Union County Trust Co., Elizabeth | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 16,450 | 16,450 | 1,078 | 1,078 | 1,391 | 1,391 | 13,981 | 13,981 |
| United States Trust Co., Paterson | 3 | 3 | | | | | 3 | 3 | 24,758 | 24,758 | | | | | 24,758 | 24,758 |
| West Side Trust Co., Newark | 3 | 3 | 2 | 2 | | | 1 | 1 | 13,233 | 13,233 | 2,827 | 2,827 | | | 10,406 | 10,406 |
| New Mexico (December, 2 groups; June, 2 groups) | 8 | 8 | 4 | 4 | | | 4 | 4 | 2,902 | 2,902 | 2,071 | 2,071 | | | 831 | 831 |
| Jones, H. B., Roy | 5 | 5 | 3 | 3 | | | 2 | 2 | 1,475 | 1,475 | 1,218 | 1,218 | | | 257 | 257 |
| First National Investment Corporation, Gallup | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,427 | 1,427 | 853 | 853 | | | 574 | 574 |
| Colorado | 1 | 1 | | | | | 1 | 1 | 452 | 452 | | | | | 452 | 452 |
| New Mexico | 2 | 2 | 1 | 1 | | | 1 | 1 | 975 | 975 | 853 | 853 | | | 122 | 122 |
| New York, December, 20 groups; June, 17 groups | 126 | 107 | 64 | 57 | 20 | 20 | 42 | 30 | 3,434,166 | 2,931,994 | 1,441,508 | 1,277,595 | 1,502,279 | 1,126,785 | 490,379 | 527,614 |
| Marine-Midland Corporation, Buffalo | 19 | 15 | 5 | 5 | 6 | 5 | 8 | 5 | 425,436 | 372,496 | 57,071 | 37,663 | 256,660 | 237,781 | 111,705 | 97,052 |
| Trans-America Corporation, New York | [19] 18 | 22 | 10 | 11 | | 2 | 8 | 9 | 1,418,361 | 1,357,342 | 1,080,930 | 965,920 | | 1,218 | 337,431 | 390,204 |
| California | 17 | 21 | 9 | 10 | | 2 | 8 | 9 | 1,139,879 | 1,078,860 | 802,448 | 687,438 | | 1,218 | 337,431 | 390,204 |
| New York | 1 | 1 | 1 | 1 | | | | | 278,482 | 278,482 | 278,482 | 278,482 | | | | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| First Securities Corporation, Syracuse | 14 | 7 | 6 | 3 | 1 | 1 | 7 | 3 | 115,559 | 77,618 | 6,999 | 4,137 | 100,025 | 67,499 | 8,535 | 5,982 |
| American & Foreign Shares Corporation, Albany | 9 | 5 | 9 | 5 | | | | | 18,102 | 10,949 | 18,102 | 10,949 | | | | |
| New York | 8 | 5 | 8 | 5 | | | | | 16,992 | 10,949 | 16,992 | 10,949 | | | | |
| Vermont | 1 | | 1 | | | | | | 1,110 | | 1,110 | | | | | |
| Humphrey, W. J. & F. J., Warsaw | 8 | 7 | 4 | 4 | | | 4 | 3 | 12,427 | 10,557 | 8,844 | 8,844 | | | 3,583 | 1,713 |
| Goldman Sachs Trading Corporation, New York City | 5 | 5 | 1 | 1 | 4 | 4 | | | 815,684 | 815,684 | 149,995 | 149,995 | 665,689 | 665,689 | | |
| New York | 3 | 3 | 1 | 1 | 2 | 2 | | | 550,911 | 550,911 | 149,995 | 149,995 | 400,916 | 400,916 | | |
| California | 1 | 1 | | | 1 | 1 | | | 225,072 | 225,072 | | | 225,072 | 225,072 | | |
| Pennsylvania | 1 | 1 | | | 1 | 1 | | | 39,701 | 39,701 | | | 39,701 | 39,701 | | |
| Northern New York Trust Co., Watertown | [20] 6 | 7 | 2 | 3 | 2 | 2 | 2 | 2 | 21,083 | 21,392 | 7,641 | 7,950 | 12,666 | 12,666 | 776 | 776 |
| Globe Financial Corporation, Brooklyn | 5 | 6 | 4 | 4 | 1 | 2 | | | 21,871 | 22,009 | 10,615 | 10,615 | 11,256 | 11,394 | | |
| Interbank Investors Co., Buffalo | 5 | | 2 | | | | 3 | | 9,013 | | 5,473 | | | | 3,540 | |
| Crandall Family, Westfield | 4 | 4 | 2 | 2 | 2 | 2 | | | 8,116 | 8,116 | 4,291 | 4,291 | 3,825 | 3,825 | | |
| Hulbert, C. E., and associates, Downsville | 4 | 4 | 4 | 4 | | | | | 5,082 | 5,082 | 5,082 | 5,082 | | | | |
| Murray family, Goshen | 4 | 4 | 4 | 4 | | | | | 4,431 | 4,431 | 4,431 | 4,431 | | | | |
| Palmer, Leslie R., Irvington | [20] 4 | 5 | 3 | 3 | | | 1 | 2 | 31,070 | 32,704 | 27,606 | 16,976 | | | 3,464 | 15,728 |
| Bank Shares Corporation of United States, New York City | 3 | 3 | 2 | 2 | | 1 | 1 | | 6,083 | 9,246 | 5,902 | 5,902 | | 3,344 | 181 | |
| New York | 1 | 2 | 1 | 1 | | 1 | | | 878 | 4,222 | 878 | 878 | | 3,344 | | |
| New Jersey | 1 | 1 | 1 | 1 | | | | | 5,024 | 5,024 | 5,024 | 5,024 | | | | |
| Connecticut | 1 | | | | | | 1 | | 181 | | | | | | 181 | |
| Buchner, P. C., et al., Geneseo | 3 | 3 | 1 | 1 | | | 2 | 2 | 5,040 | 4,252 | 2,150 | 1,362 | | | 2,890 | 2,890 |
| First National Bank & Trust Co., Elmira | [21] 3 | 4 | 2 | 3 | | | 1 | 1 | 17,234 | 15,697 | 16,672 | 15,135 | | | 562 | 562 |
| Straus, S. W., & Co., New York City | 3 | 3 | 2 | 2 | | | 1 | 1 | 31,942 | 31,942 | 28,343 | 28,343 | | | 3,599 | 3,599 |
| New York | 1 | 1 | 1 | 1 | | | | | 19,609 | 19,609 | 19,609 | 19,609 | | | | |
| Illinois | 2 | 2 | 1 | 1 | | | 1 | 1 | 12,333 | 12,333 | 8,734 | 8,734 | | | 3,599 | 3,599 |
| Western New York Investors, Buffalo | 3 | 3 | | | 1 | 1 | 2 | 2 | 132,477 | 132,477 | | | 123,369 | 123,369 | 9,108 | 9,108 |
| American Shares (Inc.), New York City | 3 | | 1 | | | | 2 | | 6,366 | | 1,361 | | | | 5,005 | |
| Manhattan Co., New York City | 3 | | | | 3 | | | | 328,789 | | | | 328,789 | | | |

[19] Seven banks converted into or merged with existing branches and 3 banks added to the group. [20] 2 banks consolidated. [21] Two banks merged.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| North Dakota (December, 6 groups; June, 6 groups) | 48 | 50 | 14 | 16 | | | 34 | 34 | $12,673 | $13,901 | $4,921 | $6,149 | | | $7,752 | $7,752 |
| Hanson, O. S., et al., Grand Forks | 14 | 14 | 5 | 5 | | | 9 | 9 | 3,303 | 3,303 | 1,640 | 1,640 | | | 1,663 | 1,663 |
| North Dakota | 12 | 12 | 3 | 3 | | | 9 | 9 | 2,687 | 2,687 | 1,024 | 1,024 | | | 1,663 | 1,663 |
| Minnesota | 2 | 2 | 2 | 2 | | | | | 616 | 616 | 616 | 616 | | | | |
| Sishek, J. H., Ashby | 11 | 11 | | | | | 11 | 11 | 2,639 | 2,639 | | | | | 2,639 | 2,639 |
| North Dakota | 9 | 9 | | | | | 9 | 9 | 2,134 | 2,134 | | | | | 2,134 | 2,134 |
| Montana | 1 | 1 | | | | | 1 | 1 | 131 | 131 | | | | | 131 | 131 |
| South Dakota | 1 | 1 | | | | | 1 | 1 | 374 | 374 | | | | | 374 | 374 |
| Peterson, Akin, estate, et al., Harvey | [22] 9 | 11 | 6 | 8 | | | 3 | 3 | 1,390 | 2,618 | 1,152 | 2,380 | | | 238 | 238 |
| Robinson, Harve, Medora | 6 | 6 | 1 | 1 | | | 5 | 5 | 2,136 | 2,136 | 413 | 413 | | | 1,723 | 1,723 |
| North Dakota | 3 | 3 | | | | | 3 | 3 | 572 | 572 | | | | | 572 | 572 |
| Montana | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,564 | 1,564 | 413 | 413 | | | 1,151 | 1,151 |
| Bischof, John, Zeland | 5 | 5 | 1 | 1 | | | 4 | 4 | 1,677 | 1,677 | 376 | 376 | | | 1,301 | 1,301 |
| Graves, H. T., et al., Jamestown | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,528 | 1,528 | 1,340 | 1,340 | | | 188 | 188 |
| Ohio (December, 2 groups; June, 1 group) | 8 | 4 | 5 | 3 | 2 | 1 | 1 | | 69,230 | 7,928 | 38,231 | 7,538 | $29,152 | $390 | 1,847 | |
| Banc Ohio Corporation, Columbus | 4 | | 2 | | 1 | | 1 | | 61,302 | | 30,693 | | 28,762 | | 1,847 | |
| Mather, W. G., Cleveland—Michigan | 4 | 4 | 3 | 3 | 1 | 1 | | | 7,928 | 7,928 | 7,538 | 7,538 | 390 | 390 | | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oklahoma (December, 8 groups; June, 9 groups) | 73 | 69 | 52 | 41 | | | 21 | 28 | 101,152 | 92,775 | 96,768 | 86,896 | | | 4,384 | 5,879 |
| Southwest Corporation,[23] Tulsa | 21 | 5 | 16 | 5 | | | 5 | | 77,753 | 66,638 | 76,510 | 66,638 | | | 1,243 | |
| Oklahoma | 19 | 5 | 14 | 5 | | | 5 | | 76,181 | 66,638 | 74,938 | 66,638 | | | 1,243 | |
| Kansas | 1 | | 1 | | | | | | 915 | | 915 | | | | | |
| Texas | 1 | | 1 | | | | | | 657 | | 657 | | | | | |
| Thurmond Bros., Oklahoma City | 15 | 15 | 9 | 9 | | | 6 | 6 | 4,664 | 4,664 | 3,568 | 3,568 | | | 1,096 | 1,096 |
| McCauley, H. A., Sapulpa | (24) | 12 | | | | | | 12 | | 2,738 | | | | | | 2,738 |
| Douglas, H. T., et al., Shawnee | 9 | 9 | 6 | 6 | | | 3 | 3 | 5,233 | 5,233 | 4,149 | 4,149 | | | 1,084 | 1,084 |
| Johnson Bros., Shawnee Mounds | 9 | 9 | 4 | 4 | | | 5 | 5 | 4,407 | 4,407 | 3,553 | 3,553 | | | 854 | 854 |
| Wooten, H. K., Chickesha | 6 | 6 | 6 | 6 | | | | | 3,139 | 3,139 | 3,139 | 3,139 | | | | |
| Mullendore, E. C., and family, Cleveland | 5 | 5 | 4 | 4 | | | 1 | 1 | 3,158 | 3,158 | 3,082 | 3,082 | | | 76 | 76 |
| Myers, W. D., Alva | 5 | 5 | 4 | 4 | | | 1 | 1 | 1,909 | 1,909 | 1,878 | 1,878 | | | 31 | 31 |
| Kansas | 1 | 1 | 1 | 1 | | | | | 239 | 239 | 239 | 239 | | | | |
| Oklahoma | 4 | 4 | 3 | 3 | | | 1 | 1 | 1,670 | 1,670 | 1,639 | 1,639 | | | 31 | 31 |
| Vose, R. A., Oklahoma City | 3 | 3 | 3 | 3 | | | | | 889 | 889 | 889 | 889 | | | | |
| Oregon (December, 7 groups; June, 6 groups) | 35 | 32 | 16 | 14 | 5 | 5 | 14 | 13 | 80,126 | 80,170 | 68,424 | 66,632 | 3,353 | 2,936 | 8,349 | 10,602 |
| Pacific Bancorporation, Portland | 10 | 10 | 5 | 4 | 1 | 2 | 4 | 4 | 9,074 | 9,074 | 6,777 | 6,023 | 214 | 968 | 2,083 | 2,083 |
| West Coast Bancorporation, Portland | 9 | 9 | 7 | 7 | | | 2 | 2 | 18,853 | 18,853 | 16,724 | 16,724 | | | 2,129 | 2,129 |
| Oregon | 8 | 8 | 6 | 6 | | | 2 | 2 | 18,226 | 18,226 | 16,097 | 16,097 | | | 2,129 | 2,129 |
| Washington | 1 | 1 | 1 | 1 | | | | | 627 | 627 | 627 | 627 | | | | |
| Oregon Investors Corporation, Hillsboro | 4 | 4 | 1 | 1 | | | 3 | 3 | 1,449 | 1,449 | 945 | 945 | | | 504 | 504 |
| First National Corporation, Portland | 3 | 3 | 1 | 1 | | | 2 | 2 | 42,080 | 45,308 | 40,101 | 40,101 | | | 1,979 | 5,207 |
| Linn Securities Co., Albany | 3 | | 1 | | 1 | | 1 | | 3,184 | | 1,038 | | 1,171 | | 975 | |
| McCoy, E. O., The Dalles | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 3,414 | 3,414 | 2,839 | 2,839 | 198 | 198 | 377 | 377 |
| Wright, Will T., Oregon City | 3 | 3 | | | 2 | 2 | 1 | 1 | 2,072 | 2,072 | | | 1,770 | 1,770 | 302 | 302 |
| Oregon | 2 | 2 | | | 2 | 2 | | | 1,770 | 1,770 | | | 1,770 | 1,770 | | |
| Washington | 1 | 1 | | | | | 1 | 1 | 302 | 302 | | | | | 302 | 302 |

[22] Two banks sold to First Bank Stock Corporation.

[23] Formerly Exchange National Co.

[24] All banks suspended November, 1929.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Pennsylvania (December, 12 groups: June, 12 groups) | 47 | 47 | 15 | 15 | 9 | 9 | 23 | 23 | $763,305 | $742,052 | $343,683 | $343,683 | $333,911 | $312,658 | $85,711 | $85,711 |
| Peoples Pittsburgh Trust Co., Pittsburgh | 7 | 7 | 1 | 1 | 2 | 2 | 4 | 4 | 167,180 | 145,927 | 73,470 | 73,470 | 74,444 | 53,191 | 19,266 | 19,266 |
| Union Trust Co., Pittsburgh | 6 | 6 | 2 | 2 | 2 | 2 | 2 | 2 | 458,901 | 458,901 | 217,529 | 217,529 | 206,465 | 206,465 | 34,907 | 34,907 |
| Commonwealth Trust Co., Pittsburgh | 5 | 5 | 1 | 1 | 1 | 1 | 3 | 3 | 20,317 | 20,317 | 1,713 | 1,713 | 15,754 | 15,754 | 2,850 | 2,850 |
| First National Bank, Johnstown | 4 | 4 | 1 | 1 | | | 3 | 3 | 19,329 | 19,329 | 15,639 | 15,639 | | | 3,690 | 3,690 |
| United States Finance Co., Carlisle | 4 | 4 | 2 | 2 | | | 2 | 2 | 5,888 | 5,888 | 1,122 | 1,122 | | | 4,766 | 4,766 |
| Bosak, Michael & Associates, Scranton | 3 | 3 | | | 1 | 1 | 2 | 2 | 14,000 | 14,000 | | | 4,333 | 4,333 | 9,667 | 9,667 |
| Butler County National Bank, Butler | 3 | 3 | 2 | 2 | | | 1 | 1 | 9,784 | 9,784 | 9,784 | 9,784 | | | | |
| Berwind-White Coal Mining Co., Philadelphia | 3 | 3 | 1 | 1 | 2 | 2 | | | 5,062 | 5,062 | 244 | 244 | 4,818 | 4,818 | | |
| Colonial Trust Co., Pittsburgh | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 32,200 | 32,200 | 2,220 | 2,220 | 28,097 | 28,097 | 1,883 | 1,883 |
| Oswald, V. A., Altoona | 3 | 3 | 2 | 2 | | | 1 | 1 | 7,592 | 7,592 | 5,142 | 5,142 | | | 2,450 | 2,450 |
| Prindible, Geo. E., Patton | 3 | 3 | 1 | 1 | | | 2 | 2 | 4,541 | 4,541 | 3,182 | 3,182 | | | 1,359 | 1,359 |
| United States National Bank, Johnstown | 3 | 3 | 1 | 1 | | | 2 | 2 | 18,511 | 18,511 | 13,638 | 13,638 | | | 4,873 | 4,873 |
| Rhode Island: Industrial Trust Co., Providence | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 153,331 | 153,331 | 7,340 | 7,340 | 142,069 | 142,069 | 3,922 | 3,922 |
| South Dakota (December, 5 groups; June, 6 groups) | 30 | 35 | 6 | 10 | | | 24 | 25 | 11,057 | 13,526 | 3,200 | 5,606 | | | 7,857 | 7,920 |
| Beebe, M. P., Ipswich | 7 | 7 | | | | | 7 | 7 | 2,229 | 2,229 | | | | | 2,229 | 2,229 |
| Schirber, F. W., Bents, J. J., and Kindred, H. J., Mobridge | 6 | 6 | 1 | 1 | | | 5 | 5 | 788 | 788 | 249 | 249 | | | 539 | 539 |
| Schneider, G. F., et al., Rapid City | 6 | 6 | | | | | 6 | 6 | 3,701 | 3,701 | | | | | 3,701 | 3,701 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stiles, Fred B., Watertown | 6 | 6 | 5 | 5 | | | 1 | 1 | 3,096 | 3,096 | 2,951 | 2,951 | | | 145 | 145 |
| Greene, F. D., Cahalan, A. B., and Swanson, C. P., Miller | (25) | 5 | | 4 | | | | 1 | | 2,469 | | 2,406 | | | | 63 |
| Weare, H. G., Spearfish, Wyo | 5 | 5 | | | | | 5 | 5 | 1,243 | 1,243 | | | | | 1,243 | 1,243 |
| Tennessee (December, 4 groups; June, 5 groups) | 87 | 23 | 19 | 8 | 1 | | 67 | 15 | 183,139 | 91,727 | 112,919 | 62,151 | 11,140 | | 59,080 | 29,576 |
| Caldwell, Rogers, Nashville | 66 | | 12 | | 1 | | 53 | | 131,308 | | 78,642 | | 11,140 | | 41,526 | |
| Tennessee | 11 | | 4 | | | | 7 | | 97,028 | | 70,346 | | | | 26,682 | |
| Arkansas | 55 | | 8 | | 1 | | 46 | | 34,280 | | 8,296 | | 11,140 | | 14,844 | |
| American National Bank, Nashville | 15 | 11 | 4 | 3 | | | 11 | 8 | 35,470 | 34,012 | 27,388 | 26,279 | | | 8,082 | 7,733 |
| Commerce-Union Group, Nashville | 3 | 3 | 2 | 2 | | | 1 | 1 | 15,198 | 15,198 | 5,989 | 5,989 | | | 9,209 | 9,209 |
| First National Bank, Pittsburgh | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,163 | 1,163 | 900 | 900 | | | 263 | 263 |
| Fourth and First National Bank, Nashville | (26) | 3 | | 1 | | | | 2 | | 28,484 | | 27,465 | | | | 1,019 |
| Nashville Trust Co., Nashville | (26) | 3 | | 1 | | | | 2 | | 12,870 | | 1,518 | | | | 11,352 |
| Texas (December, 16 groups; June, 15 groups) | 86 | 80 | 25 | 22 | 3 | 3 | 58 | 55 | 104,384 | 88,712 | 77,263 | 62,508 | 13,971 | 13,971 | 13,150 | 12,233 |
| Wilkinson, J. G. & H. H., Fort Worth | 12 | 12 | 3 | 3 | | | 9 | 9 | 9,517 | 9,517 | 8,223 | 8,223 | | | 1,294 | 1,294 |
| Parrish, M. C., and associates, Austin | 9 | 8 | | | | | 9 | 8 | 1,059 | 959 | | | | | 1,059 | 959 |
| Crews, J. M., and associates, Childress | 9 | 9 | 2 | 2 | | | 7 | 7 | 1,928 | 1,928 | 429 | 429 | | | 1,499 | 1,499 |
| Thornton, R. L., and Mercantile Banking & Trust Co., Dallas | 8 | 8 | | | 2 | 2 | 6 | 6 | 14,176 | 14,176 | | | 13,869 | 13,869 | 307 | 307 |
| Fuqua, W. H., Amarillo | 6 | 6 | 4 | 4 | | | 2 | 2 | 5,996 | 5,996 | 5,452 | 5,452 | | | 544 | 544 |
| New Mexico | 1 | 1 | 1 | 1 | | | | | 151 | 151 | 151 | 151 | | | | |
| Texas | 5 | 5 | 3 | 3 | | | 2 | 2 | 5,845 | 5,845 | 5,301 | 5,301 | | | 544 | 544 |
| Feagin, L. M., and Kirby, J. H., Houston | 5 | 5 | | | | | 5 | 5 | 965 | 965 | | | | | 965 | 965 |
| Couch, R. C. and D. R., Haskell | 5 | 5 | 2 | 2 | 1 | 1 | 2 | 2 | 1,277 | 1,277 | 582 | 582 | 102 | 102 | 593 | 593 |
| Staley, J. I., Wichita Falls | 4 | | 2 | | | | 2 | | 4,462 | | 3,645 | | | | 817 | |
| New Mexico | 1 | | | | | | 1 | | 397 | | | | | | 397 | |
| Oklahoma | 1 | | | | | | 1 | | 420 | | | | | | 420 | |
| Texas | 2 | | 2 | | | | | | 3,645 | | 3,645 | | | | | |

25 Taken over by First Bank Stock Corporation.

26 Now included in Rogers Caldwell Group, shown above.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Texas—Continued. | | | | | | | | | | | | | | | | |
| Welhausen & Driscoll, Yoakum | 4 | 4 | 1 | 1 | | | 3 | 3 | $1,354 | $1,354 | $736 | $736 | | | $618 | $618 |
| Republic National Co., Dallas | 4 | 3 | 2 | 1 | | | 2 | 2 | 45,835 | 34,725 | 43,460 | 32,350 | | | 2,375 | 2,375 |
| Stewart, Carter, and Associates, Houston | 4 | 4 | 3 | 3 | | | 1 | 1 | 6,830 | 6,830 | 6,031 | 6,031 | | | 799 | 799 |
| Atmas, L. P., Groveton | 4 | 4 | 1 | 1 | | | 3 | 3 | 1,423 | 1,423 | 901 | 901 | | | 522 | 522 |
| Thompson, H. H., Houston | 3 | 3 | | | | | 3 | 3 | 268 | 268 | | | | | 268 | 268 |
| Weldon & Sweeney, Milwaukee | 3 | 3 | 2 | 2 | | | 1 | 1 | 494 | 494 | 434 | 434 | | | 60 | 60 |
| Moody, W. L., jr., and associates, Galveston | 3 | 3 | 2 | 2 | | | 1 | 1 | 7,087 | 7,087 | 7,087 | 7,087 | | | | |
| Paul, F. A., & Associates, Panhandle | 3 | 3 | 1 | 1 | | | 2 | 2 | 1,713 | 1,713 | 283 | 283 | | | 1,430 | 1,430 |
| Utah (December, 5 groups; June, 5 groups) | 50 | 51 | 13 | 13 | 8 | 8 | 29 | 30 | 70,160 | 70,262 | 35,632 | 35,632 | $11,888 | $11,888 | 22,640 | 22,742 |
| First Security Corporation, Ogden | 25 | 25 | 2 | 2 | 6 | 6 | 17 | 17 | 34,723 | 34,723 | 12,038 | 12,038 | 11,129 | 11,129 | 11,556 | 11,556 |
| Utah | 9 | 9 | 2 | 2 | 2 | 2 | 5 | 5 | 19,302 | 19,302 | 12,038 | 12,038 | 2,091 | 2,091 | 5,173 | 5,173 |
| Idaho | 14 | 14 | | | 4 | 4 | 10 | 10 | 13,860 | 13,860 | | | 9,038 | 9,038 | 4,822 | 4,822 |
| Wyoming | 2 | 2 | | | | | 2 | 2 | 1,561 | 1,561 | | | | | 1,561 | 1,561 |
| Cosgriff, J. E, Salt Lake City | 9 | 9 | 6 | 6 | | | 3 | 3 | 15,747 | 15,747 | 15,146 | 15,146 | | | 601 | 601 |
| Utah | 2 | 2 | 1 | 1 | | | 1 | 1 | 10,694 | 10,694 | 10,528 | 10,528 | | | 166 | 166 |
| Idaho | 4 | 4 | 3 | 3 | | | 1 | 1 | 2,574 | 2,574 | 2,312 | 2,312 | | | 262 | 262 |
| Wyoming | 3 | 3 | 2 | 2 | | | 1 | 1 | 2,479 | 2,479 | 2,306 | 2,306 | | | 173 | 173 |
| Armstrong - Whitmore, Salt Lake City | 7 | 7 | 4 | 4 | 2 | 2 | 1 | 1 | 4,487 | 4,487 | 3,534 | 3,534 | 759 | 759 | 194 | 194 |
| Utah | 5 | 5 | 2 | 2 | 2 | 2 | 1 | 1 | 2,722 | 2,722 | 1,769 | 1,769 | 759 | 759 | 194 | 194 |
| Idaho | 1 | 1 | 1 | 1 | | | | | 307 | 307 | 307 | 307 | | | | |
| Nevada | 1 | 1 | 1 | 1 | | | | | 1,458 | 1,458 | 1,458 | 1,458 | | | | |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Desert National Bank group, Salt Lake City | [27] 5 | 6 | 1 | 1 | | | 4 | 5 | 13,247 | 13,349 | 4,914 | 4,914 | | | 8,333 | 8,435 |
| Chipman family et al., American Forks | 4 | 4 | | | | | 4 | 4 | 1,956 | 1,956 | | | | | 1,956 | 1,956 |
| Washington (December, 12 groups; June, 11 groups) | 71 | 59 | 28 | 24 | 2 | 1 | 41 | 34 | 174,851 | 81,418 | 152,536 | 66,800 | 3,342 | 877 | 17,973 | 13,741 |
| Old National Corporation,[28] Spokane | 22 | 20 | 12 | 10 | | | 10 | 10 | 32,981 | 8,566 | 30,923 | 6,508 | | | 2,058 | 2,058 |
| Idaho | 5 | 5 | 3 | 3 | | | 2 | 2 | 3,325 | 3,325 | 3,026 | 3,026 | | | 299 | 299 |
| Washington | 17 | 15 | 9 | 7 | | | 8 | 8 | 29,656 | 5,241 | 27,897 | 3,482 | | | 1,759 | 1,759 |
| Marine Bancorporation, Seattle | 10 | 6 | 5 | 4 | | | 5 | 2 | 35,484 | 32,186 | 31,014 | 29,714 | | | 4,470 | 2,472 |
| First Seattle Dexter Horton Securities Co.[29], Seattle | 7 | 6 | 3 | 3 | | | 4 | 3 | 78,298 | 23,539 | 76,437 | 22,363 | | | 1,861 | 1,176 |
| American Securities Co., Spokane | 5 | 5 | | | | | 5 | 5 | 4,895 | 4,895 | | | | | 4,895 | 4,895 |
| Butler, Wm. C., and associates, Everett | 4 | | 2 | | | | 2 | | 12,484 | | 11,057 | | | | 1,427 | |
| Hall Investment Co., Carnation | 4 | 3 | | | | | 4 | 3 | 703 | 516 | | | | | 703 | 516 |
| Waddell, Hugh, et al., Colville | 4 | 4 | 1 | 1 | | | 3 | 3 | 1,194 | 1,194 | 887 | 887 | | | 307 | 307 |
| Bankers Holding Corporation, Seattle | 3 | 3 | 1 | 1 | | | 2 | 2 | 849 | 849 | 428 | 428 | | | 421 | 421 |
| Bingham, C. E., Sedro Woolley | 3 | 3 | | | | | 3 | 3 | 1,334 | 1,334 | | | | | 1,334 | 1,334 |
| Coffman Dobson Investment Co., Chehalis | 3 | | | | 1 | | 2 | | 2,439 | | | | 2,158 | | 281 | |
| Fechter, O. A., Yakima | 3 | | 2 | | 1 | | | | 3,121 | | 937 | | 2,184 | | | |
| Hannay, N. B., et al., Mount Vernon | (30) | 3 | | 1 | | | | 2 | | 1,675 | | 1,329 | | | | 346 |
| Pacific Brotherhood Investment Co., Seattle | (31) | 3 | | 2 | | 1 | | | | 5,595 | | 4,718 | | 877 | | |
| Washington | | 2 | | 1 | | 1 | | | | 3,250 | | 2,373 | | 877 | | |
| Oregon | | 1 | | 1 | | | | | | 2,345 | | 2,345 | | | | |
| Roberts, F. M. and F. W., Seattle | 3 | 3 | 2 | 2 | | | 1 | 1 | 1,069 | 1,069 | 853 | 853 | | | 216 | 216 |

[27] One bank merged with a bank outside the group.
[28] Formerly Union Securities Co.
[29] Formerly First National Corporation.
[30] Groups dissolved.
[31] Now part of Calitalo Investment Corporation group, San Francisco.

*Number and loans and investments of banks in each chain or group*—Continued

| Name and address of management or controlling interest | Number of banks | | | | | | | | Loans and investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | National | | State member | | Nonmember | | Total | | National | | State member | | Nonmember | |
| | December | June | December | June | December | June | December | June | December | June | December | June | December | June | December | June |
| Wisconsin (December, 6 banks; June, 5 banks) | 38 | 33 | 13 | 11 | | | 25 | 22 | $198,212 | $191,277 | $172,261 | $166,390 | | | $25,951 | $24,887 |
| First Wisconsin National Bank, Milwaukee | 18 | 17 | 7 | 6 | | | 11 | 11 | 168,466 | 165,460 | 147,480 | 144,474 | | | 20,986 | 20,986 |
| Coe, C. C., and Coe, A. E., Almena | 5 | 5 | | | | | 5 | 5 | 1,660 | 1,660 | | | | | 1,660 | 1,660 |
| Baker, Harry D., St. Croix Falls | 4 | 4 | | | | | 4 | 4 | 879 | 879 | | | | | 879 | 879 |
| Dunegan, J. W., Stevens Point | 4 | | 1 | | | | 3 | | 3,929 | | 2,865 | | | | 1,064 | |
| Rosebush, Judson, Milwaukee | 4 | 4 | 3 | 3 | | | 1 | 1 | 9,709 | 9,709 | 8,801 | 8,801 | | | 908 | 908 |
| Brown, C. C., Kenosha | 3 | 3 | 2 | 2 | | | 1 | 1 | 13,569 | 13,569 | 13,115 | 13,115 | | | 454 | 454 |
| Wyoming (December, 5 groups; June, 5 groups) | 21 | 21 | 6 | 6 | 3 | 3 | 12 | 12 | 12,994 | 12,994 | 9,369 | 9,369 | $940 | $940 | 2,685 | 2,685 |
| Hay, J. W., Cheyenne | 5 | 5 | 2 | 2 | | | 3 | 3 | 6,381 | 6,381 | 5,764 | 5,764 | | | 617 | 617 |
| Marble, A. H., Cheyenne | 4 | 4 | | | 2 | 2 | 2 | 2 | 1,167 | 1,167 | | | 805 | 805 | 362 | 362 |
| Wyoming | 1 | 1 | | | | | 1 | 1 | 197 | 197 | | | | | 197 | 197 |
| South Dakota | 3 | 3 | | | 2 | 2 | 1 | 1 | 970 | 970 | | | 805 | 805 | 165 | 165 |
| Williams, C. J., Hinman, G. A., and Paerson, W. E., Powell | 4 | 4 | 2 | 2 | 1 | 1 | 1 | 1 | 908 | 908 | 745 | 745 | 135 | 135 | 28 | 28 |
| Taliaferro, T. S., jr., Rock Springs | 3 | 3 | 1 | 1 | | | 2 | 2 | 912 | 912 | 463 | 463 | | | 449 | 449 |
| P. J. Quealy, Kemmerer | 5 | 5 | 1 | 1 | | | 4 | 4 | 3,626 | 3,626 | 2,397 | 2,397 | | | 1,229 | 1,229 |

Mr. LETTS. I understand the statement with respect to the Minneapolis and St. Paul situation is ready to go in at this point.

The CHAIRMAN. Yes. Do you want to submit that now, Mr. Pole?

Mr. POLE. This statement did not refer specifically to any particular banks. You asked that that be included, and so I shall have to revise it.

The CHAIRMAN. If you will revise that and insert it, we will be obliged.

Mr. POLE. I will be glad to do so.

(The statement referred to is as follows:)

POSSIBLE CONTROL OF ELECTIONS OF FEDERAL RESERVE BANK DIRECTORS BY GROUP BANKS IN NINTH FEDERAL RESERVE DISTRICT

For purposes of election of class A and class B directors of Federal reserve banks, member banks in each Federal reserve district are divided into three groups, each electoral group consisting as nearly as possible of banks of similar capitalization. Each group of banks is permitted to elect one class A and one class B director. Each member bank certifies its first, second, and other choices for a director of class A and class B, respectively. Only one choice for any one candidate may be voted. A candidate having a majority of first choice votes is declared elected. In case no candidate has a majority of first choice votes, the first and second choice votes are added together and if any candidate then have a majority of electors voting he is declared elected; if not, the first, second, and other choice votes are added and the candidate then having the highest number is declared elected.

In the ninth Federal reserve district the electoral groups of member banks are as follows: Group 1 consists of banks having a capital and surplus of $400,000 and over, Group 2 of banks having a capital and surplus of from $60,000 to $399,999, and Group 3 of banks having a capital and surplus of less than $60,000. At the end of 1929, there were 683 member banks in the Minneapolis district, of which 30 were in Group 1, 299 in Group 2, and 354 in Group 3.

The number of member banks in the ninth district belonging to the Northwest Bancorporation group and in the First Bank Stock Corporation group, together with the percentage of the number of banks in each of these groups to the total number of banks in each electoral group are shown below:

*Member banks in the ninth Federal reserve district, by electoral groups, December 31, 1929*

| | All member banks | Number of banks in— | | |
|---|---|---|---|---|
| | | Group 1 | Group 2 | Group 3 |
| All member banks | 683 | 30 | 299 | 354 |
| First Bank Stock Corporation: | | | | |
| Number | 65 | 7 | 47 | 11 |
| Per cent of total in group | 9.5 | 23.3 | 15.7 | 3.1 |
| Northwest Bancorporation: | | | | |
| Number | 55 | [1] 13 | 30 | 12 |
| Per cent of total in group | 8.1 | 43.3 | 10.0 | 3.4 |
| First Bank Stock Corporation and Northwest Bancorporation combined: | | | | |
| Number | 120 | 20 | 77 | 23 |
| Per cent of total in group | 17.6 | 66.7 | 25 8 | 6.5 |

[1] Includes 1 bank which joined the group in January, 1930.

It will be noted that the First Bank Stock Corporation and the Northwest Bancorporation together control 66.7 per cent of the member banks in Group 1, the group of largest banks, in the Minneapolis Federal reserve district; and it is manifest that acting together these two corporations could easily control the elections of class A and class B directors in this group by having the member banks which they own vote for a particular candidate. On the basis of their present holdings, therefore, these two corporations by their combined action would be able to place upon the board of directors of the Federal Reserve Bank of Minneapolis a class A director and a class B director from Group 1. Moreover, the First Bank Stock Corporation and the Northwest Bancorporation together control approximately 25 per cent of the banks in Group 2 in the Minneapolis district. While this number is, of course, not sufficient to control absolutely the elections of class A and class B directors in the district, it is obvious that by acting jointly, they could give to any specified candidate a large number of votes and with some additional votes from independent banks might bring about the election of the desired candidate. This would be more easily accomplished in an election where there were several candidates in the field, in which case control of a plurality of the votes might be sufficient to elect. Under some circumstances, therefore, on the basis of present stockholdings, the two corporations acting together might conceivably succeed in electing a class A and a class B director from both Group 1 and Group 2 in the Minneapolis district, a total of four directors.

Acting separately, the Northwest Bancorporation, owning as it does, approximately 43 per cent of the member banks in Group 1, could probably control the election of class A and class B directors in that group in many cases, unless the opposition were united on one other candidate. The First Bank Stock Corporation, however, owning about 23 per cent of the member banks in Group 1, would probably find it difficult to compel the election of any candidate in the group unless it were able to obtain the support of at least some of the banks owned by the Northwest Bancorporation. It is doubtful whether either the First Bank Stock Corporation or the Northwest Bancorporation could, acting separately, control the elections of class A or class B directors in Group 2, as their separate holdings in this group are only about 16 per cent and 10 per cent, respectively.

As shown in the above table, the holdings of these two corporations in member banks in Group 3, the group of smallest banks, are relatively small and it is very doubtful, on the basis of the present holdings, that much influence could be exerted by these two corporations on elections of class A and class B directors in this group, unless it be by moral suasion or some method other than direct control of votes.

While the above shows the possibility of the control of elections of Federal reserve bank directors by group banking systems, I wish to point out that there would be no likelihood of similar control of such elections in the case of branch banking. A parent bank and all its branches constitute but one corporate entity and, accordingly, a member bank with any number of branches would be entitled under the law to only one vote in elections of class A and class B directors. For example, if the Northwest Bancorporation were a member bank with a large number of branches instead of a holding corporation owning stock in a large number of individual banks, it would have only one vote in elections of class A and class B directors, whereas it now controls a large number of votes as indicated above.

The CHAIRMAN. What is the attitude of your department when you are approached by the heads of these chain groups for the organization of banks in any particular territory? Do you lend them assistance and cooperate with them to the end that these groups may be developed?

Mr. POLE. I would not go so far as to say that, Mr. Chairman, because when a group undertakes to purchase a bank, it does not consult us unless it is a question of reorganization under a national charter which is sometimes the case—frequently the case—and in those circumstances we have always been very glad indeed to do what we can to promote a better state of affairs in any particular locality.

The CHAIRMAN. You have no notice, then, when a national bank is taken over by one of these groups until you examine the stockholders' list?

Mr. POLE. Not necessarily.

The CHAIRMAN. And you do not take any cognizance of it?

Mr. Pole. No; we can not take any more cognizance of that than we can the transfer of the stock into other hands than the group.

The Chairman. Have you ever suggested to the organizers of these groups the merging or taking over of a national bank in any of these groups?

Mr. Pole. I have not. There may have been some such suggestions upon the part of our chief examiners or examiners in the field.

The Chairman. Is your department or are your chief examiners consulted in regard to the organization of these various holding companies affiliated with the banks?

Mr. Pole. What is that, Mr. Chairman?

The Chairman. Is your department or the chief national bank examiners consulted in connection with the organization of these affiliated companies with national banks?

Mr. Pole. Usually our organization department is consulted, in order that a method may be adopted which has been approved, of declaring a dividend and using the proceeds of such a dividend for the capitalization of the affiliated company.

The Chairman. Does that extend to the point of approving or disapproving the organization of these companies?

Mr. Pole. No; we do not have to approve or disapprove.

The Chairman. I understood you to say the other day that we did not need any larger banks in the central reserve cities. Was I correct in this? To which cities did you refer?

Mr. Pole. Chicago and New York are the central reserve cities.

The Chairman. Suppose two or more of the big banks in one of these cities wanted to merge or consolidate; is it the practice of your department to protest or approve, or could you stop, if you wanted to, such consolidation or merger?

Mr. Pole. Consolidations of banks has to be made with the approval of the comptroller.

The Chairman. None of these mergers could be brought about without the approval of the comptroller?

Mr. Pole. Consolidation can not be brought about otherwise.

The Chairman. The other day you said, in answer to a question, that you were largely responsible for much of the branch banking discussion going on at the present time. How did you mean that?

Mr. Pole. I mean that through my report to Congress, and through addresses which I have made, interest over the country has been aroused in the banking situation, particularly with respect to the banking situation in the rural communities, where the failures have been very large.

The Chairman. Are you carrying on any propaganda in favor of branch banking or chain banking or group banking?

Mr. Pole. None whatever.

The Chairman. I have here a report of the Comptroller of the Currency, sent out by the National Shawmut Bank of Boston, it apparently having been sent to banks generally. It is dated December 2, 1929, and pertains to legislation recommended, and it is printed at the United States Government Printing Office.

Was that sent out as a circular to the banks for distribution?

Mr Pole. May I look at it? [After examining document.] I know nothing about this. Mr. Awalt says that he does.

The Chairman. Can Mr. Awalt tell us about it?

Mr. AWALT. As I remember it, Mr. Chairman, an officer of the Shawmut Bank came into the office in Mr. Pole's absence from the city one day and asked if we could furnish them with some of the copies of our annual report, and I said we could not. He wanted quite a large number. I called up the statistical division of our office, and they told me that some banks had desired copies of the comptroller's report and an arrangement had been made that they could get them from the Government Printing Office by getting in touch with the Public Printer and having them printed and paid for, and I assume that that was done in this case. I do not know why they wanted it.

The CHAIRMAN. The reason I mentioned it is that it seems that these are being sent out to the banks of the country as part of a movement apparently to encourage certain forms of development.

Mr. AWALT. I might suggest that if the committee desires to find out the exact reason they call the officers of the Shawmut Bank. I do not know what their reason is, and we did not approve anything of the sort.

Mr. LUCE. It might be useful in the record to have it appear at this point that any citizen may secure from the Government Printing Office, at cost plus 10 per cent, any public documents that he may desire.

The CHAIRMAN. I was not raising that question, but raising it in connection with the dissemination of information that Mr. Pole referred to the other day, as to whether the discussion was being brought about from the comptroller's office, or whether it was proceeding independently of that, or just what there was to that.

Mr. LUCE. I have an ulterior motive in making the statement that I did, because I desire to take every opportunity to correct the wrong impression on the part of the public that members of Congress are working the Public Treasury in the wide distribution of literature at public expense.

Mr. WINGO. I think it might be well, for reasons not necessary to elucidate here—and the public seems to have developed a suspicion along these lines—to make it appear affirmatively in the record that what has been done, that what the Shawmut Bank has done is not reprehensible at all but what they had a right to do. You and I have seen some things go out in the last few weeks that are perfectly innocent, and yet the newspapers seem to think something terrible is suggested. So I do not think a reputable person or a reputable institution like a bank should be suspected in a case like this of having done something terrible where they have acted properly. They have done what any citizen has the right to do, go to the Public Printing Office and get copies of documents and pay for them. The Government does not lose any money. In other words, the right of legitimate propaganda is really a part of the right of free speech and freedom of press.

The CHAIRMAN. Now, Mr. Pole, reverting to that question I asked some few moments ago which was referred to by Mr. Fort the other day; take, for instance, St. Louis, as a trade area. You avoided answering Mr. Fort fully in his question the other day about how many banks you think, that city should have under your plan. For instance, do you think it should have 1, 2, 3, or more banks, and just how would you parcel out the business in the city? Would you, in case there were four big banks with branches, permit each of the four to have a branch on each of the four corners of a location, or just how would you do it? Would you divide the city into four districts, one bank to serve each district, and where national-bank stocks are owned by group, chain, or holding companies, how are the stocks registered on the books of the bank, correctly or in the names of dummies—I think you have answered on this last feature.

When you answer this question, I wish you would specifically set forth just how you would deal with a specific trade area like St. Louis, for instance, so that the committee may understand just how this plan of branch banking would work out. If you will add that to the brief you are preparing——

Mr. POLE. You wish me to add that to the brief on trade areas?

The CHAIRMAN. Yes.

Mr. POLE. I thought you wanted me to answer it now.

The CHAIRMAN. Do you regard the national banking system as a unit banking system?

Mr. POLE. A unit and a branch banking system.

The CHAIRMAN. Your branches being confined to the cities?

Mr. POLE. There are also branches of national banks outside of the cities which have resulted from the conversion of State branch banking systems.

The CHAIRMAN. As I understand your testimony, you believe that we have arrived at the point where we should look the situation squarely in the eye as to these banks and recommend an enlargement of the functions of the national bank business as now conducted?

Mr. POLE. Yes, as being the only remedy which occurs to me, as the only one which will carry to the rural communities a safe and sound banking service.

Mr. STEAGALL. Right there, let Mr Pole insert the figures showing the development of branch banking in point of capital and the number of branches since the passage of the McFadden Act.

The CHAIRMAN. February 25, 1927.

Mr. WINGO. Let that show not only the branches established by direct authorization, but those that have come into the national system by reason of mergers or by reason of taking over State banks. I think that is in your annual report

Mr. POLE. It is.

Mr. WINGO. But it might be wise to get it into the record at this point.

The CHAIRMAN Without objection, when Mr. Pole supplies that it will be put in the record at this point.

(The information requested is reproduced below.)

BRANCHES

In the comptroller's report for the year ended October 31, 1927, the statement was made that under the provisions of the act of February 25, 1927, the Comptroller of the Currency had approved the establishment of new city branches to the number of 127. In the year following 103 new city branches were authorized and during the year ended October 31, 1929, the number authorized was 89. Of the 319 local branches authorized by the comptroller 75 have been discontinued leaving the total of city branches now in operation authorized by the comptroller under the provisions of the McFadden Act as 244.

During the past year 2 branches were added to the system through the conversion of a State bank and 82 branches were added through the consolidation of

State banks with national banks. These additions, together with those branches in the system under date of October 31, 1927, less 104 branches dropped through action of directors and shareholders or liquidation of national banks make a total of 1,061 branches in existence in the national banking system as of October 31, 1929, summarized as follows:

| Classes | In operation Feb. 25, 1927 | In existence Oct. 31, 1928 | Authorized during year ended Oct. 31, 1929 | Closed during the year ended Oct. 31, 1929 | | | | Total in existence Oct. 31, 1929 |
|---|---|---|---|---|---|---|---|---|
| | | | | Shareholders | Directors | Lapsed | Voluntary liquidation | |
| Statutory a | 165 | 469 | 2 | | | | 44 | 427 |
| Statutory b | | 162 | 82 | 1 | | | | 243 |
| Additional offices, c branches | 202 | 168 | | | 1 | | 25 | 142 |
| Millspaw Act | 5 | 6 | | | | 1 | | 5 |
| C branches | | 187 | 89 | | 5 | 10 | 17 | 244 |
| Total | 372 | 992 | 173 | 1 | 6 | 11 | 86 | 1,061 |

The CHAIRMAN. I would suggest to the committee that our committee has charge on the floor this morning of two bills, and probably we had better recess.

Mr. GOLDSBOROUGH. Mr. Chairman, it seems to me that the rule under which this hearing is being conducted has worked out so far very satisfactorily, and I am going to suggest that when we further hear Mr. Pole, the same procedure be carried out. In other words, there are certain of the members, I am sure, who, because of the discussion, have other questions that they would like to ask, and if the chairman would just begin and go around the committee as we did before, I believe it would be better than to have a round table discussion.

The CHAIRMAN. The Chair will be very glad to comply with that. There are some members of the committee who have not had their opportunity to question the witness.

Without objection, we will stand adjourned until 10.30 o'clock to-morrow morning.

(Thereupon, at 11.57 o'clock p. m., an adjournment was taken until Thursday morning, March 6, 1930, at 10.30 o'clock.)

# BRANCH, CHAIN, AND GROUP BANKING

House of Representatives,
Committee on Banking and Currency,
*Thursday, March 6, 1930.*

The committee met in the committee room, Capitol Building, at 10.30 o'clock a. m., Hon. Louis T. McFadden (chairman) presiding.

The Chairman. The committee will come to order.

Mr. Dunbar, would you like to proceed now?

## STATEMENT OF HON. JOHN W. POLE—Resumed

Mr. Dunbar. Mr. Pole, you stated that the great number of failures in banks have occurred since 1921—I think it was 5,000—is that correct?

Mr. Pole. Five thousand six hundred and forty.

Mr. Dunbar. To what extent do you think that the failures of these banks were due to conditions existing since 1921? The reason I ask that question is this, that I was a member of the Committee on on Banking and Currency nine years ago and we at that time had confidential information that if the banks in Iowa were required to liquidate and to do so within two years' time, 95 per cent of them would prove to be insolvent.

Now, then, to what extent have these bank failures in small communities been due to conditions existing since that time?

Mr. Pole. I think it has been due in considerable part to the economic conditions.

Mr. Dunbar. Those banks at that time were practically insolvent but we were told that if they were given a chance, probably they could recuperate and that they might become solvent, and we were also informed that the condition of many small banks throughout the United States was the same. Has not the failure of these banks in rural communities largely been due to the fact that they have been unable to recover from the effects of frozen paper that they had in their possession at that time?

Mr. Pole. Undoubtedly that has had its effect.

Mr. Dunbar. Do you believe that if the banks at that time had been solvent in a fair proportion, that we would have had the bank failures in recent years that we have had?

Mr. Pole. The banks were not insolvent as far as the national banks were concerned. Just as soon as we would discover a condition of insolvency, the law requires us to take charge of that bank or to put into effect such remedial measures as are available.

Mr. Dunbar. Does this figure of 5,640 that you have given us relate to national banks alone, or to national and State banks?

Mr. Pole. National and State banks.

Mr. Dunbar. Can you tell us how many of them were national banks?

Mr. Pole. There were 763 national banks, and 4,877 State banks.

Mr. DUNBAR. Which shows that the national banks are better supervised and better conducted than the State banks.

Mr. POLE. We must take into consideration the fact that there were almost three times as many State banks as national banks

Mr. DUNBAR. But the proportion of failures is 3 to 1—is that correct?

Mr. POLE. Approximately, in ratio to the number of banks.

Mr. DUNBAR. Of course, you have no supervision over any State banks except in so far as they are members of the Federal reserve system.

Mr. POLE. We have no supervisory powers over those banks.

Mr. DUNBAR. A large number of the banks that have failed have been banks as to which you had no power or authority to regulate their affairs—is that correct?

Mr. POLE. Very largely.

Mr. DUNBAR. You said that if a $100,000 capitalization were required of all banks, that it would close a great many banks in that area and that there would be a tendency to monopoly.

Mr. POLE. In the smaller communities, because there were in the United States on June 30, 1929, 5,468 banks with capital of less than $25,000; 5,357 banks of $25,000 capital; 6,031 banks with capital above $25,000, but not exceeding $50,000; and 1,073 banks with capital above $50,000, up to, but not including, $100,000. So that out of 24,912 banks, there were 18,000 which had caiptal under $100,000.

Mr. DUNBAR. In a community in which there is a large number of State banks, how would the requirement that a national bank have a capitalization of $100,000 produce a monopoly?

Mr. POLE. Because a bank has necessarily to have a sufficient territory from which to draw business, which will enable it to earn a reasonable profit on its capital investment, and, in addition to that, it must have an area which will permit of reasonable diversification.

Mr. DUNBAR. If it were a monopoly, it would have all those advantages, would it not?

Mr. POLE. It would have those advantages, but it would also deprive many communities of banking facilities which they are entitled to.

Mr. DUNBAR. Then you are in favor of communities having banking service in addition to the service to be rendered by national banks with $100,000 capitalization?

Mr. POLE. I am in favor of that.

Mr. DUNBAR. If you established branch banking systems in those communities, will that not drive away all of the State banks that are now serving those communities?

Mr. POLE. If national banks were given the right to extend their branches, that probably would have the effect of getting a great many State banks into the national system.

Mr. DUNBAR. Do you think it would get a great many of these small banks into the national system?

Mr. POLE. I think a great many of those small banks would become branches of a bank which would be a member of the national system, provided the advantages which were given to the national bank were such as to make the national system more attractice than the State system.

Mr. DUNBAR. What would you suggest in the way of advantages that we could give the national banking system that would make it more attractive than State banks?

Mr. POLE. If the national system were permitted to extend its branches across State lines, it would be such an advantage.

Mr. DUNBAR. You take Indiana and Ohio, for instance; we have the cities of Cleveland and Cincinnati, and their banks would come over into Indiana and compete with Indianapolis, Evansville, and every one of the other large cities. What would be the object of that? Why should they compete with one another in the different cities? Those cities are large capital centers.

Mr. POLE. As far as Cleveland and Cincinnati are concerned, my suggestion, in order that the development of the branch system might be orderly, is that a bank should not be permitted to branch out into a city in which there was a Federal reserve bank or a branch of the Federal reserve bank.

Mr. DUNBAR. You so stated the other day.

Mr. POLE. Yes.

Mr. DUNBAR. But now we have communities in which the banks in existence are earning 10 and 12 per cent. They are prosperous, but they can not furnish all of the credit required by local manufacturers. Now, then, might not the plea be made that because they can not extend that credit, a branch bank would be justifiable in the opinion of the Comptroller of the Currency?

Mr. POLE. It might be so.

Mr. DUNBAR. Then, if it were so, it would interfere with prosperous municipal banks that have filled the requirements made of them, with such assistance as they were able to give these manufacturers in obtaining credits in large cities?

Mr. POLE. That is the case now. Where banks are not able to accommodate the larger borrowings of their communities they now have to go to these larger cities.

Mr DUNBAR That is true.

Mr. POLE. My idea is that the business that has developed in that particular community would remain there, but it would be transacted through a branch, furthermore it does not mean because banks would be permitted to establish branches, that they would be compelled to do so.

In Indianapolis there is not a branch of the Federal reserve bank, is there?

Mr. DUNBAR. I do not know.

Mr. POLE. Indianapolis might be the center of a very large and important trade area of Indiana.

Mr. DUNBAR. It is now.

Mr. POLE. Yes. It might be found that it would not be necessary for them to take full advantage of what opportunities were offered them under such an amendment.

Mr. DUNBAR. That is true, but I can imagine a situation where some manufacturer might feel aggrieved in his dealings with the local bank and he would go to the Comptroller of the Currency and make his presentation to the effect that he could not be accommodated, and a branch bank would then be established in that community, which would interfere with and ruin the business of the banks which are there now Do you not think that there is a high probability of interference with the banking business by the granting of a charter to a branch bank in that kind of a community?

Mr. POLE. Under the suggestion which I have made, that there would not be much necessity for establishing de novo branches. There would be nothing to prevent, as far as I know, some Cleveland people coming down and buying a bank in Indianapolis, but, if they did buy it, I can not imagine that it would be such keen competition for the banks of Indianapolis.

Mr. DUNBAR. Theoretically it has been stated that a branch banking system would have been of great benefit in the South, the Southwest, and the Northwest.

Mr. POLE. Undoubtedly.

Mr. DUNBAR. But I fail to see wherein it would be of any advantage in Indiana. In the district I represent, we have 53 banks, and in 12 years there have been only 3 failures, 1 a national bank and 2 State banks. One State bank paid its depositors in full, the national bank paid about 90 per cent. The other is in process of liquidation. Most of the banks there pay large dividends, State and national, 10 and 12 per cent, and the only injury that has befallen them occurred in the debacle of last year's speculation when people began to use all their resources, borrowed from the banks, and lost their money in Wall Street. Now they are in the financial condition that they do not have money to deposit in banks and they do not have surpluses of necessary funds to engage in their enterprises, so that the country banks down there are somewhat embarrassed, because they do not have money to supply speculative losses. Now, the remedy, instead of establishing branches in those kinds of communities, is some law that would regulate speculation, because speculators borrowed money in those banks and invested it in New York. I know one bank in my own district that loaned $200,000. Banks sent large sums of money to New York for speculation because of high rate of interest. Those banks have been injured, but it has been due only to speculation.

Mr. POLE. Mr. Congressman, that era of speculation is of quite recent date and covered a comparatively brief period, whereas banks have been failing in rapidly increasing numbers since 1920.

Mr. DUNBAR. National or State?

Mr. POLE. Both national and State; and there have been 115 banks fail in Indiana—more than 10 per cent of all the banks which were in existence in 1920. Under the branch banking plan, if it were not found to fit the particular State or the particular community to which you refer, it would not be compulsory for them to go into the branch-banking business. It would be easily possible for the important banks of Indianapolis to continue as an independent bank, perhaps taking advantage of the law to the extent of operating branches within a short distance of Indianapolis, but if banks of $100,000 minimum capital are to be established, it would deprive a great many communities in Indiana of banking service to which they are entitled, and my chief interest, as has been already expressed, is particularly with the rural banking situation.

Mr. DUNBAR. A branch bank would have available to be loaned not only $100,000, but a great many times $100,000, and it would then interfere with the banks in the communities.

Mr. POLE. It would offer to any community in which it operates a branch its entire and complete facilities.

Mr. DUNBAR. I do not see any objection to a national bank having a capitalization of $100,000 being authorized for the simple reason that it would tend to promote a monopoly of banking institutions in the country, when the branch banks would certainly do it, with the great increased availability they have of loaning money to the community.

Mr. POLE. The point was raised that branch banking would tend to create a monopoly in banking, and as a remedy for the situation which exists in the rural communities, it has been suggested that banks of not less than $100,000 capital be established, and it was there that I presented the argument that, such capital limitation would be more apt to create a monopoly among the small communities, which might be just as dangerous as a monopoly among the large communities, inasmuch as perhaps two banks could not succeed if their capital had to be $100,000 or more unless they had territory sufficient to attract an amount of business necessary to make such a capital profitable.

Mr. DUNBAR. I do not see where the objection would be to a national bank having a capital stock of $100,000 on the theory of producing a monopoly, because if it did shut out some of these small banks, so would branch banks. I believe it would be beneficial to the entire community with the supervison given by the bank examining system which you have.

Mr. POLE. It is not a question of supervison entirely. It is a question of ability to earn a fair return on invested capital.

Mr. DUNBAR. I think a $100,000 national bank in my section of the country would be able to earn a fair investment on its return, because, with few exceptions, every bank in 12 years has been able to do so. And I am of the opinion that branch banking, except as it may be developed from now on on account of speculation indulged in a year ago, would have no beneficial result in that district. However, I believe that there are a great many States where it would have beneficial results. At the same time, I recognize that theoretically it is the right idea of banking. One of my objections to branch banking is that it is going to run out all community banks eventually, and it is going to supersede every banking system in the United States outside of the large banking centers, and in doing that there will be a tendency to develop toward paternalism, and then, following paternalism, socialism.

We see that illustrated in our holding companies; we see it illustrated in our chain stores, and we see it illustrated in our great corporations, which are taking away the individuality of the people of all the communities, and making them of no avail.

I used to be secretary of the American Gas Association. I remember 25 years ago when we would attend the convention of that association, every man had the courage of his convictions and would get up and express his opinion. I attended a meeting last October at Atlantic City, and there were 5,000 in attendance. I looked over that crowd and I was glad that I was not one of them, because but few of them had an opinion of his own; a man had to look to the fellow higher up if he wanted to talk, and he had to talk so as to get the approval of the man higher up. They were all college graduates, but all of them were impotent so far as having any personality or individuality or sovereignty because they were desirous of having the approval of the superior, and I was glad that I was no longer connected with an organization that had to be servile to somebody, just because they had the money and knew how to manipulate politics.

Now, if we have branch banking, that is only adding to that condition of man, and I hate to see the individuality that used to exist on the decline.

Do you not think that that would be one tendency of branch banking, to promote paternalism, and, following that, socialism?

Mr. Pole. I have expressed myself as deploring the passing of the unit bank. I do, however, recognize that there is a banking condition in this country which must be remedied, with the tremendous number of failures with which we have been faced during the last nine or ten years, and with the earning position of the thousands of banks in this country to-day I feel sure that something must be offered as a remedy for it.

Mr. Dunbar. Do you not think——

Mr. Pole. May I go on?

Mr. Dunbar. Surely; pardon me

Mr. Pole. After giving the matter considerable thought, the idea which has appealed to me as being the most effective is the branch banking system, and that particularly because I believe it is far better than the chain system or the group system. Now, inasmuch as there must be in my opinion some remedy for the situation, I recognize that it is very difficult to suggest anything which would be equally effective in every part of this great country. The conditions in Indiana are so different from the conditions in the Dakotas, that it is difficult to prescribe any remedy which will be equally fitting. That there is a necessity for remedy is well recognized and because of legal restrictions against branch banking there has sprung up in this country already a large number of chains and groups. National banks reported as members of banking chains or groups numbered 791 at the end of December, as compared with 646 in June

Mr. Dunbar. Pardon me, but are not those chains or groups confined to the corporate limits in which the banks operate?

Mr. Pole. By no means.

Mr. Dunbar. Do you mean to say that a bank in Cincinnati that has a chain will go into Indiana, into Kentucky, and into adjoining communities?

Mr. Pole. I am not specifically referring to Indiana, but in certain sections of the country State lines and Federal reserve district lines have been entirely disregarded.

Mr. Dunbar. By what authority?

Mr. Pole. Through the organization of holding companies under State charters.

Mr. Dunbar. We have no jurisdiction whatever of holding companies under State charters, have we?

Mr. Pole. As far as I know, we have not

May I continue this?

Mr. Dunbar. Yes.

Mr. Pole. State banks, members of groups in December numbered 134, compared with 111 in June, and nonmembers 1,144, compared 1,049 in June. Loans and investments of national banks belonging to banking groups were $5,600,000,000, or about one-fourth of the total of all national banks, where loans and investments of State member banks belonging to the groups aggregated $3,000,000,000 and of nonmember banks $1,800,000,000

I was trying to show there that the 2,069 banks reported as belonging to banking groups or chains at the end of the year constituted one-twelfth of all the banks in the country, while the loans and investments of groups and chain banks were about 10,500,000,000 or nearly one-sixth of the aggregate loans and investment of all banks in the United States.

So, as I say, we are faced with that condition now——

Mr. DUNBAR. Due to State charters?

Mr POLE (continuing). And the question is, Would it be preferable to regulate it by law, or would it be better to let it develop as it is doing without regulation?

Mr. DUNBAR. But if the Legislature of Indiana would be averse to such a system of banking, we would be secured against these branch banks and group banks going far.

Mr. POLE. I do not know how far the laws could be amended to cover such a situation.

Mr. DUNBAR We would have a right to control our own affairs within our own State, except in so far as it did not interfere with Federal law.

Mr. POLE It might be possible to keep a group formed outside of the State of Indiana from owning the stock of banks within the State of Indiana.

Mr. STRONG I am not so sure that it would be possible by a State law to keep another State from bringing a bank into that State.

Mr. AWALT Of owning the stock in a bank in that State, which would be possibly controlled, and therefore part of the chain.

Mr. STRONG. They could prevent the majority of the stock being owned outside, could they not?

Mr. POLE. That is a legal question I am not prepared to answer.

Mr. STRONG I think they could.

Mr. DUNBAR. I am not a lawyer, but I do not understand how any banking law of Indiana could not exclude branch banks from adjoining States being legalized unless they were Federal.

Now, Mr. Pole, I recognize the theory of branch banking as being economical as applied to the Southwest, the Southeast and the Northwest, but do you not believe that it would be more conducive to the development of man, his courage, his ingenuity, his resourcefulness, not to have it, and that after the people in these various communities had suffered, they would find a way to overcome their difficulties?

Mr. POLE. I am trying to assist them along that line.

Mr. DUNBAR. By branch banking?

Mr. POLE. Yes.

Mr. DUNBAR. I do not think it would do it, although I do recognize it would help those communities at this time.

Mr. STRONG. Do not admit it for our community.

Mr. DUNBAR. What is your community?

Mr. STRONG. Kansas. Do not admit that branch banking would help us. It would not.

Mr DUNBAR. It would not help us in Indiana, and I do not think it would help any of the States on the Mississippi River. I think it would help some of the States west of the Mississippi River, but I believe if they were put upon their own resources and made to realize that they had to devise their means and plans to make the banking system successful, they would do so.

I want to ask about the Bank of Italy. That is a branch bank system, is it not?

Mr. POLE. Yes.

Mr. DUNBAR. How did they acquire all their banks? Did they purchase existing banks?

Mr. POLE. In a good many instances.

Mr. DUNBAR. In a great many instances they purchased banks?

Mr. POLE. Yes.

Mr. DUNBAR. To what extent were the existing banks coerced into selling?

Mr. POLE. I am not able to answer that.

Mr. DUNBAR. Can you tell us how those that were not purchased succeeded after the Bank of Italy expanded?

Mr. POLE. I am hardly able to answer that.

Mr. DUNBAR. Would not the natural presumption be that after the Bank of Italy began to obtain such a strong fortress, all the other banks of the community had to surrender on best terms?

Mr. POLE. That is a good many years ago.

Mr. DUNBAR. Do you not believe that if branch banking were made effective in Indiana, the banks there would have to surrender and sell out on best terms?

Mr. POLE. Not necessarily so. I can visualize a strong bank in an Indiana town that is well managed and a profitable institution competing quite successfully with any branch which might be operated from Indianapolis?

Mr. DUNBAR. I do not mean Indianapolis. I am down on the Ohio River, in the "sticks."

Mr. POLE. Did you not say Indianapolis?

Mr. DUNBAR. No, sir. I did a while ago.

Mr. POLE. I thought you referred to Indianapolis.

Mr. DUNBAR. Let us take a bank at Mitchell, Ind., which has a capitalization of $100,000 and a surplus of $100,000. Wè have institutions there that borrow $500,000, and the bank can not lend that money, but it can advise where the money can be borrowed.

Suppose some one says, "We want a branch bank here that can lend us all their money." What chance would that $100,000 bank with a $100,000 surplus have after a branch bank came in. Because it would lose one of its best customers, and it would lose other customers, because it is easier to go right to a bank in your home town and get all your money.

Mr. WINGO. Mr. Chairman, if the gentleman will permit me, it is evident that he has not read the hearings of this committee some years ago where the methods of the Bank of Italy in extending its branches and destroying independent banks in other communities were fully pictured, and both sides were presented here.

Mr. DUNBAR. I never read it.

Mr. WINGO. I suggest that you can get there a concrete illustration of what happens.

Mr. DUNBAR. What happens?

Mr. WINGO. They drive them out of business.

Mr. DUNBAR. The independent banks?

Mr. WINGO. Yes.

Mr. DUNBAR. And that would be the case if we had branch banks in Indiana.

Mr. WINGO. May I suggest that there would be no virtue in the proposal if you did not, because you say the present situation is a bad one, and to get rid of what you call these weak banks is one of the alleged virtues of the branch-banking scheme, to give service to the community of stronger and better institutions. I did not know anybody was insisting that there should be branch banking and still at the same time expect that what they regard as unprofitable and economically unsound institutions continue I thought they were going to supplant the present system with what they claim will be a stronger and better one.

Mr. DUNBAR. Would you regard the present system at Mitchell, Ind., as one which should be supplanted?

Mr. WINGO. I do not know anything about that system.

Mr. DUNBAR. Take any bank in any town that has a capitalization of $100,000 and had to loan $500,000 perhaps to one institution. Would you regard that system as being ideal because they had to go out and borrow money in different cities, or would you consider it a system that was worthy or that should be supplanted?

Mr. WINGO. No; I am a great believer in the independent, unit bank. I have always opposed branch banking, chain banking and group banking. If you can show me that changed conditions make branch banking necessary I shall be glad to hear you.

Mr. DUNBAR. I think branch banking might have been the salvation of some of the communities of this country, but I believe that, having lost their all, they should begin over again and begin on a sounder basis.

Mr. STRONG. The evident purpose of branch banking is to build up a monopoly in banking; that has been the result of every branch bank group that has started, and consequently they have had to drive out competing banks to establish the monopoly. Otherwise there would be no use of starting it.

Mr. DUNBAR. That is what I am afraid of.

Mr. STRONG. It is the purpose of it.

Mr. DUNBAR. I wanted information from Mr. Pole on that subject.

Mr. POLE. I should differ with Mr. Strong when he says that it is the evident purpose of such a system of banking to drive out competition. I think there will be ample competition in branch banking, and where branch banking has been developed in this country there is no lack of competition, and the banking situation in California, where branch banking has been developed beyond that of any other State, shows over a period of 10 years an infinitely more satisfactory condition with regard to bank failures than most of the other States.

Mr. DUNBAR. That is undoubtedly true.

Mr. BUSBY. Will the gentleman yield?

Mr. DUNBAR. Yes.

Mr. BUSBY. Would you call the absorption of the Bank of Italy, the Bancitaly and the other associated corporations by the Trans-America Corporation, issuing stock that was worth on the market less than one-fourth of the value originally of the Bank of Italy, a failure, or what would be your designation of the changed conditions of the Bank of Italy under the circumstances we find it to-day from what it was in June, 1928? It is not an independent entity any more in the sense that the stock is owned as bank stock is usually owned, but the stock is owned by the Trans-America Corporation and is worth now less than one-fourth of what the Bank of Italy stock was in June, 1928.

What was that but a failure in the sense that the stock depreciated three-fourths of its value?

Mr. POLE. That was the stock, Mr Busby, of the Trans-America Corporation of which you are speaking.

Mr. BUSBY. No, I am speaking of the Bank of Italy. The Bank of Italy is not an independent stock proposition, for the Bank of Italy stock is not listed any more, but the Trans-America stock is listed, and the Trans-America stock was traded on the basis of 1¾ shares for 1 share of Bank of Italy, and that stock is listed to-day at 45, whereas the Bank of Italy stock on June 5, 1928, was listed at 293. That is a drop from 293 to 66¼ at the present time. As to the Bancitaly Co., which was more or less of a trust corporation—Bancitaly Corporation, as it was called—the stock on June 5, 1929, was listed at 211, and that stock was exchanged for Trans-America Corporation stock, share per share, and the Trans-America Corporation stock is listed to-day at 45.

Was not that practically a failure of the whole Bank of Italy system?

Mr. POLE. I think that stock may have been split. I am not sure of that.

Mr. BUSBY. No; I have photographic copies of the history of it, taken from one of the reputable sources of information It was handled in this way; it was exchanged share for share for Trans-America Corporation, and it is worth 45 cents now.

Mr. FORT. He has used the date of June 5. On the following day, or two days later, was not that stock worth on the market something more than $200 less?

Mr. BUSBY. I will give you the history of it, if you will permit me, Mr. Dunbar.

Mr. DUNBAR. Yes.

Mr. BUSBY. On Saturday, June 9, the Bank of Italy closed at 280. On Monday it opened—Monday, June 11, 1928—at 257. It experienced a low of 125, and it closed at 212. On Tuesday its high was 250, and its low was 150¼; it closed at 210, and it wiggled down the line until the 23d, when we find it standing about 180.

Now, as to its companion corporation, the Bancitaly Corporation, on Saturday, June 9, 1928—and this is after the slump had slightly started—it closed at 195. On Monday, June 11, 1928, its high was 177, and its low 109, and it closed at 153. On Tuesday it opened at 140; its low was 120, and it closed at 135.

So the Bank of Italy, as an original institution, has dropped from its high pinnacle of 293 to, for exchanged stock in the Trans-America Corporation of New York and San Francisco, 66¼ cents per share of what was formerly the Bank of Italy stock, or 45 cents for Trans-America Corporation.

Mr. PRALL. Was there a corresponding decrease in the value of all bank stocks at that time?

Mr. BUSBY. There was not a corresponding decrease, although there was a slight and synpathetic decrease in other bank stocks, but they soon regained their position. However, the Bank of Italy stock, I find from following the San Francisco Chronicle quotations through those periods, never did get back to its former footing, and finally was taken over by the holding company that I mentioned, which took over practically all of the six or seven interests that were represented by the Bank of Italy. I say "interests" because they were independent corporations doing different types of business in line and in sympathy with the Bank of Italy; and that is the biggest branch banking institution in the country.

Mr. POLE. You are speaking largely——

Mr. BUSBY. Will you please answer my question first? I was stating the condition, and asked you if that was not a virtual failure of this tremendous branch banking institution?

Mr. POLE. You are speaking here of the movements of stock largely of the Trans-America Corporation.

Mr. BUSBY. It was not organized at that time; it was organized on the 11th of October, 1928, after the considerable slump in the Bank of Italy stock, and was organized as a holding company for the purpose of taking over the Bank of Italy interest in its several forms.

Mr. POLE. There might have been considerable fluctuation—and I think there was—in the Bank of Italy stock, whatever causes it might have been due to.

Mr BUSBY I can explain the causes, which I think will interest Mr Dunbar who is asking the questions of the comptroller. Do you understand the causes, Mr. Dunbar?

Mr. DUNBAR Yes, but ask the question.

Mr. BUSBY. I will await another time.

Mr. DUNBAR. Do it right now.

Mr. POLE. I was going to add, in answer to your question, Mr. Busby, that regardless of the stock fluctuations of the corporation to which you referred, the truth is that the history of the Bank of Italy is that it has increased from very small beginnings steadily upward until to-day it is a bank with more than billion dollars of deposits.

Mr. DUNBAR. What is its capitalization?

Mr. POLE. May I incorporate that in the record?

Mr. DUNBAR. Yes. What dividends does it pay?

Mr. POLE. I will furnish that for the record.

Mr. FORT. Here is the figure on the Bank of Italy—invested capital, $106,253,731.

Mr. POLE. What is the capital stock?

Mr. FORT. I do not know that it is here.

Mr. LETTS. That is as of November.

Mr. DUNBAR. Can you tell us how much they have paid in dividends, Mr. Fort?

Mr. FORT. No.

(The information requested is as follows:)

The capital of the Bank of Italy National Association is $50,000,000. Dividend rate is 12 per cent.

Mr. DUNBAR. How many independent banks in California in the last 10 years have liquidated or been merged either with the Bank of Italy or with other institutions? Can you tell us anything about that?

Mr. WINGO You mean either merged or sold out to the Bank of Italy, or acquired in some other way?

Mr. DUNBAR. Yes.

Mr. POLE. The Bank of Italy has to-day in the neighborhood of 300 branches. I think I could safely say that the majority of its branches outside the large cities were formerly independent banks. As to exactly how many were independent banks and how many were de novo branches, I have not the figures.

Mr. DUNBAR. Can you tell us how many independent unit banks there are now in California, and the amount of their capitalization?

Mr. POLE. I will be glad to furnish those figures for the record.

Mr. DUNBAR. Will you please inform us how many of them are national banks and how many are State banks?

Mr. POLE. Yes.

Mr. DUNBAR. Will you please put in the record their capitalization?

Mr. POLE. I will be glad to.

(The information requested is as follows:)

Three hundred and eighty-four unit banks in the State of California as of December 31, 1929. Of this number, 193 were national and 191 were State banks.

Mr. DUNBAR. Most of the bank failures have been State banks—I believe that was your assertion a while ago?

Mr. POLE. That is true.

Mr. DUNBAR. Most of these banks would never have been in existence if we had had the branch-bank system, would they?

Mr. POLE. A great many of them undoubtedly would not have been in existence.

Mr. DUNBAR. Have you any idea of the number of State banks that have failed in Indiana to date?

Mr. POLE. Indiana has been one of the States in which there have been fewer bank failures than in a good many other States. There have been 115 suspensions since 1921, up to December 31, 1929, which is 10.9 per cent of the 1,057 banks which were in existence on June 30, 1920.

Mr. DUNBAR. That is a good record?

Mr. POLE. In comparison with some other States, it is quite good, but 10 per cent of the number of banks in a State like Indiana is no record to be particularly proud of.

Mr. DUNBAR. Yet branch banking would not have assisted this very much?

Mr. POLE. I think it would have assisted it very much, because those banks generally are small banks in rural communities.

Mr. DUNBAR. If it would have assisted to a considerable extent, it would only have done so by knocking out the country banks, the good as well as the bad.

Mr. POLE. Which knocked themselves out by failing.

Mr. DUNBAR. But the good ones are still there and will be there, provided they can liquidate the financial losses due to stock exchange transactions.

Mr. POLE. May I just add one remark, and that is that because banks would be permitted to establish branches does not mean that it would be incumbent upon them to do so.

Mr. DUNBAR. I know it would not be incumbent, but it would be almost putting them in the position where they would have to surrender and give up like you would have to surrender and give up to bandits that accosted you.

Mr. POLE. That has not proved to be the case to any great extent.

Mr. DUNBAR. It would be almost that case, because I do not see how the banks in my district would exist if you had a branch bank there for the reasons that I have given you heretofore.

Now, I admit that branch banking in some sections of the country would be a wonderful panacea, and I also contend that if these banks that have suffered as a result of their own lack of adequate knowledge and conduct of business affairs can be made to recover and stand on their feet in the future, they will be better off, and I believe that most of these bank failures have been due to conditions existing prior to 1922; they have never been able to dispose of their frozen paper due to the depreciation in the value of farms of 50 per cent, all of which has rendered it impossible for those banks to recover their prestige, and conditions existing since that time have been such as to have forced many of them into liquidation.

Mr. POLE. Regardless of what the reasons may be, they have failed.

Mr. DUNBAR. They have failed, but the point I am making is that they failed because of conditions existing prior to 1922.

Mr. POLE. Might not those conditions prevail in the future?

Mr. DUNBAR. Yes.

Mr. POLE. Do we not want to guard against them? I do not mean to be questioning you.

Mr. DUNBAR. Do you want to guard against the banks getting into that condition as the result of their own fault?

Mr. POLE. It would be very desirable.

Mrs. PRATT. Mr. Dunbar, may I ask the comptroller a question?

Mr. DUNBAR. Certainly.

Mrs. PRATT. Mr. Pole, is it your idea to force a uniform system throughout the entire country, or to permit the present system to exist where unit banks have a sound position?

Mr. POLE. It is not my thought, Mrs. Pratt, that a bank should be forced to go into a branch banking system.

Mrs. PRATT. But my point is this: There would be perhaps a branch system formed in one section of the country, and if in another district present conditions were sound under the unit banking system, would you still feel it incumbent to go on with a uniform system, in spite of the fact that present conditions in connection with unit banks were sound?

Mr. POLE. It is not my idea that we could permit branch banking in one part of the country and not permit it in another. I do think, however, that it would be more effective in some parts of the country than in others.

Mrs. PRATT. It could be flexible?

Mr. POLE. It would automatically be flexible, because where unit banks are operating successfully and profitably there might be no inducement for them to sell out to any branch system of banking, and they might wish, as they have done in very many cases over the country, to continue as successful and profitable independent units. There are many instances where bankers will tell you that they want no better competition than that of branch banks.

Mr. DUNBAR. I think that is true, or would be true in many localities, but if you could have a branch banking system in some parts of the country, for the present at least it might be a good thing; but it would work hardship in other parts of the country.

We have talked a great deal about losses sustained by banks, about bank failures, which have been mostly State banks.

Mr. DUNBAR. We talked a great deal about bank failures, which were mainly State banks. It would be a good thing to have all banks, if possible, in the national banks system? Do you think that would be a good thing for the country? I might say that I do.

Mr. POLE. I think the national system, inasmuch as it is the only system through which the Government can enforce its policies, should be the predominating system. I am not prepared to say that it should be the only system.

Mr. DUNBAR. These financial losses that have been sustained are not as great as people think they are, usually.

Mr. POLE. I do not know what people usually think they are. They are a very impressive set of figures.

Mr. DUNBAR. How much has been lost by the stockholders of banks by failures in the last 10 years?

Mr. POLE. By stockholders?

Mr. DUNBAR. No; by depositors.

Mr. POLE. I am not able to say that, because out of 5,640 failures, 4,800 of them have been State banks and I have no idea as to what the loss to depositors in State banks has been. I do know that it has been very heavy and I think the loss which has been entailed has been nothing short of a calamity in the communities in which the failures have occurred.

Mr. DUNBAR. It is a calamity; it is true.

The CHAIRMAN. Will you yield for a minute? I want to suspend this inquiry just for a minute in order to call up two resolutions.

(Discussion off the record.)

Mr. DUNBAR. Now, I am not going to detain you much longer, but I wish, Mr. Pole, that you would give us the amount of losses to depositors caused by failures of national banks during the last 10 years. Can you do that?

Mr. POLE. Yes, sir.

The CHAIRMAN. I think that material has already gone in.

Mr. POLE. It has.

Mr. DUNBAR. Then, you need not put it in again.

Mr. SEIBERLING. If you have legislation here which would permit branches in trade areas, you could then have a main bank out in sections where you have no banking facilities, merely rent a room and put in a few employees and give banking facilities, and also protect the State banks by providing that no branch bank could be put in where they have banking facilities, without the consent of the State bank or the other bank, which would give them an opportunity to take over the bank, if it is desirable to be done.

I wish you would explain what you have in mind about that.

Mr. POLE. I could not imagine that the opinion of a State bank would be anything but a prejudiced opinion as to whether or not another bank should be established in that community, but, on the other hand, I, as comptroller, certainly would not permit the establishment of a branch in any community where the banking facilities were ample. As I have already stated, I think it would be, in practice, that very, very few de novo branches would be established. If a branch system wanted to establish branches in a community which was already adequately served, it probably would not get permission from the comptroller to do so.

On the other hand, if it wishes to negotiate with a bank already in existence, and they were willing to buy that bank and the bank was willing to sell, there would be nothing to prevent it doing so, in which case no doubt they would be permitted to establish that bank as a branch, which would not, of course, increase or decrease the number of banking offices in that community.

Mr SEIBERLING. On the other hand, if they do not have facilities and needed them, that could be established by the way I have stated?

Mr. POLE. Yes.

Mr. SEIBERLING Without any heavy overhead or anything of that kind?

Mr. POLE. Yes.

Mr. DUNBAR. You are opposed to holding companies, so far as the Government is concerned?

Mr. POLE. As an ultimate system; yes. As a possible step toward branch banking it has many good features

Mr. DUNBAR. This step toward branch banking—the tendency would be for holding companies to develop?

Mr. POLE. If no legislation were enacted——

Mr. DUNBAR Then, legislation would have to be enacted, in order to prevent the development of holding companies? To what extent have you holding companies? You spoke about that a while ago—only as State permits them to out into adjoining territory. There is no Federal law on the subject?

Mr. POLE. There is no Federal law on the subject.

They are developed to the extent that already there are included in such holding companies 2,069 banks, which are one-twelfth of all the banks in the United States.

Mr. STEAGALL. If you will pardon me——

Mr. DUNBAR. Yes.

Mr. STEAGALL. Mr. Pole went over those figures once already.

Mr. POLE. Yes. Those banks embrace $10,500,000,000 of loans and investments, which is nearly one-sixth of all loans and investments in the United States, and the group system of banks is growing most rapidly. There are new groups being formed every week and I hear rumors from all over the country of large amounts of capital being so employed.

Mr. DUNBAR. You think branch banking would prevent the growth of group banking?

Mr. POLE. I do to a very large extent.

Mr. DUNBAR. One more subject and I am through. You said that branch banking—at least I understood you to say it—would help prevent the centralization of money in New York and other money centers and would decentralize it and distribute capital all over the country. Am I correct?

Mr. POLE. Yes.

Mr. DUNBAR. That was the contention put forward for the adoption of the Federal reserve system and that failed. Capital has been centralized more in New York since the establishment of the Federal reserve system than ever before. Now, then, how would branch banking be any different from the Federal reserve system? Would not most of our branch banks be centralized right in New York and where we had branch-banking corporations, say, in Pittsburgh and St. Louis, would they not still report right to New York as they do now?

Mr. POLE. I am not prepared to accept your premises as correct Mr. Congressman. While the banking resources of New York have tremendously increased since the establishment of the Federal reserve system, the resources of the other 11 Federal reserve districts have also tremendously increased, but as to whether or not New York has increased out of all proportion to the others, I am not prepared to say.

Mr. STRONG. Might I suggest that in the other districts, the Federal reserve banks are not quite as close to Wall Street, and that such close association tends to a concentration of wealth?

Mr. DUNBAR. Is it your opinion that the Federal reserve system has decentralized wealth and money?

Mr. STRONG. It certainly has not. It has centralized money every place where there is a Federal reserve bank.

Mr. DUNBAR. It has centralized it every place there is a Federal reserve bank, but, in your opinion——

Mr. STRONG. The big centralization has been in New York, because the Federal Reserve Bank of New York City is close to Wall Street—I mean in the same city.

Mr. STEAGALL. I am wondering about this: If the branch banking plan gives us a system of banks strong enough to compete with the strong monopoly tending banks, what need have we for the Federal reserve system?

Mr. POLE. The large banks now are heavy borrowers at certain periods and would no doubt continue to use the facilities of the Federal reserve banks.

Mr. STEAGALL. You do not think that would undermine or destroy the Federal reserve system—the elimination of the small unit bank?

Mr. POLE. I think that it is quite possible that under the present system, which has grown out of group banking, some small unit banks might leave the system. Already some groups have been formed, which are operating outside of the Federal reserve system.

Mr. STEAGALL. You think that evil is to be feared in the present situation?

Mr. POLE. I do not think an important branch bank would undertake to operate outside the Federal reserve system.

Mr. DUNBAR. I have nothing more, Mr. Chairman.

The CHAIRMAN. Mr. Strong.

Mr. STRONG. Mr. Comptroller, while the chairman has gone over very carefully one subject which I wanted to discuss, there is a matter I want to take up further with you and that is the examination of national banks. The information I want to get is this: The bank examiners are not paid from the Government Treasury, are they?

Mr. POLE. The banks, Mr. Strong, are assessed for the cost of the examination.

Mr. STRONG. Who sets the limit on the salaries for the examiners?

Mr. POLE. The salaries of the examiners are fixed by the Comptroller of the Currency, with the approval of the Federal Reserve Board.

Mr. STRONG. In the course of your examination by the chairman, you stated that our bank examiner department is now practically a training school; that you take them before they are experienced and that after they have been with you a certain time and become experienced, some big bank comes along and takes them away from the service.

Mr. POLE. That is quite often the case.

Mr. STRONG. Why are you not justified in paying salaries sufficiently large to hold good and experienced men in the service, as long as the banks that do take them away from you have to pay the expense anyway; why not pay them enough to hold them—those best qualified to examine banks?

Mr. POLE. The position of bank examiner, Mr. Strong, is a difficult one. He has to be away from home a great deal and has to travel a great deal. It is not, in itself, a very attractive life.

Mr. STRONG. What is the average salary that you pay?

Mr. POLE. I am furnishing a complete list of that.

Mr. STRONG. Well, about what?

Mr. POLE. $5,000.

Mr. STRONG. Well, why not pay a salary sufficient to these men so that they will stay in the service, regardless of the inconvenience?

Mr. POLE. I doubt if you could offer them enough money for that, Mr. Strong.

Mr. STRONG. Did you ever try it?

Mr. POLE. The service could be undoubtedly improved by offering better salaries.

Mr. STRONG. Have you ever tried it?

Mr. POLE. Yes; salaries have been considerably increased during the last few years.

Mr. STRONG. But have you tried to keep men from going out into private life, by increasing their salaries?

Mr. POLE. Oh, yes.

The CHAIRMAN. Will you yield to me a moment?

Mr. STRONG. Yes.

The CHAIRMAN. I will say that in my conversation with some of these splendid men that I happen to know, I have observed a spirit of loyalty to duty, a spirit of craftsmanship, so to speak, where many of these men stay as national-bank examiners because of the pride they have in their work and because of a realization of the importance of it, and that they were rendering a real service, and it is my belief that they would stay in the positions at a lower salary oftentimes than what banks would pay them, because of their pride in their work. They realize the high quality of their work.

It is my observation that you would not have to meet the high salaries paid by banks in that respect, if a moderate salary were paid these men doing this important work.

Mr. FORT. Is not that true through all the technical branches of the Government service?

The CHAIRMAN. I think it is true, especially in the Department of Agriculture. It is true undoubtedly all through the Government service, that men do not have to be attracted by the salaries they receive in the Government, and many of them are doing their work at particularly small salaries. I know several men in the Agricultural Department who could go out in general work and draw $25,000 a year, who are now drawing $5,000 a year or less in the department.

I think there are many of those men under Mr. Pole who feel the same way about it.

Mr. STRONG. The point I was trying to bring out was this: These bank examiners are the guardians of the funds of the people. Their examinations protect the people who have the deposits in the banks—a tremendous fund and a tremendous trust—and yet you say that when a man gets very proficient, some private bank takes him away from you and yet you say that the banks themselves that eventually pay the larger salaries to your examiners to get them away from you, are under obligation to pay the cost of the examinations, and, necessarily, would have to pay the larger salaries you might have paid them to keep them in the service. Therefore, why would it not be the proper policy for you to pay salaries sufficient to hold these men, especially when they go out into private life, they go to the same banks or other banks, which are assessed for the expense of these examinations. Why not pay salaries sufficient to retain these men in the service?

Mr. POLE. There is a consideration there that requires some thought. The banks, under the law, are assessed in accordance with their total resources. In the case of large banks, of course, they can easily pay whatever the costs may be. In the case of small banks, the present examination fee, is quite an amount for a small bank to pay.

Mr. STRONG. Don't you think they should pay it in order to give the public protection?

Mr. POLE. The earnings of small banks are so limited that any increased expense would have to be taken into consideration as involving an additional burden.

Mr. FORT As a matter of fact, the Government only allows a salary of $9,000 to the Assistant Secretary of the Treasury, who is over the comptroller, who is over the examiners. You can not start by raising any one point without first rehabilitating the Government service and raising the officers still higher.

Mr. STRONG. If he has power to assess banks to pay for examinations, he can pay sufficient salaries to keep efficient and experienced examiners Their services to the public is very, very great and they have a very great responsibility.

Mr. POLE. There are a great many practical difficulties. In a general increase of salaries of examiners, for the purpose of making their positions more attractive, so that the examiners will stay in the service, the increase would have to be general, and, in order to save for the service, perhaps, six men, you would have to increase the salaries proportionately of perhaps 12 or 15 or 20 men.

Mr STRONG Why would you have to do that?

Mr POLE. Because you have to make the scale generally uniform.

Mr. STRONG Is there any law that requires that?

Mr. POLE. No; but it is a matter of practice.

Mr. STRONG. But as a matter of good business—you do it in business?

Mr. POLE. I think that would involve a great deal of dissatisfaction if you should raise the salary of one man who has been in the service three years, four or five thousand dollars a year, and do not raise the salary of another man at all who has been in the service perhaps the same time. The question would be that of efficiency——

Mr. STRONG. Certainly.

Mr. POLE And that is very largely a matter of opinion.

Mr Strong. It ought not to be a matter of opinion.

Mr. Pole It is not an easy question to settle.

Mr. Strong It is exactly what you would do in private life If you have an efficient man who has been with you 3 years and an inefficient man who has been with you 10 years, you would raise the salary of the efficient man and put him in the position of trust.

Mr Pole We endeavor to do that

Mr Strong. I think it would be a bad policy to say that you have to raise all of them because you want to keep a few outstanding men

Mr Pole. My feeling is that if you were to pick out 100 men and raise their salaries to the point of being able to compete with commercial banks from which they might have offers of perhaps double what they are now getting—and which offers are frequently made—it would cause a great deal of disturbance in the service. I think your idea is perfectly sound, but I think it would have to be worked up to the point you aim at gradually

That is being done; salaries have been quite markedly increased during the last few years.

Mr Strong. Who has charge of the regulation of the salaries—yourself or the chief examiners?

Mr Pole Myself, with the recommendation, usually, of the chief examiner who knows the man best

Mr Strong. Naturally he would hesitate to advance some one or two men over his fellows, but it seems to me that the interest of the public in this matter is so very, very great, that it ought not to be the policy to let good examiners and good men go out of the service because of offers of large salaries by commercial banks, who would have to pay their salaries if they were kept in the service

What salaries are paid to chief examiners in the different districts?

Mr. Pole. I will furnish that information.

Mr. Strong. You do not know?

Mr. Pole. Yes.

Mr. Strong. Why not state them?

Mr. Pole Mr. Reeves, of New York, gets $20,000 a year

In District No 1, the salary of the chief examiner is $13,000

In District No 3, it is $15,000

In District No 4, it is $10,000

In District No. 5, it is $10,000

In District No 6, it is $12,000.

In District No. 7, it is $12,000.

In District No. 8, it is $15,000.

In District No. 9, it is $11,000.

In District No. 10, it is $15,000.

In District No. 11, it is $13,000.

In District No. 12, it is $15,000.

Mr. Fort. Will you let me ask the comptroller one question?

Mr. Strong Certainly.

Mr. Fort. What is the salary of the Comptroller of the Currency?

Mr. Pole. $12,000.

Mr. Strong. Then, your chief examiners are paid considerably more than yourself and other men in the Treasury Department and in your own department?

Mr. Pole. A great many of them are paid more than I am, Mr. Congressman. I am not so well posted on the salaries of other departments.

Mr. Strong. Do the chief examiners examine banks themselves?

Mr. Pole. To make a complete physical examination of a bank, I would say not often. They are invariably on hand wherever there is a bad situation—they cooperate with the board in shaping policies and remedying undesirable situations.

Mr. Strong. What is the highest salary paid a bank examiner?

Mr. Goldsborough. Mr. Strong, is it not your idea to prevent these bank failures that exist in the unit system by providing a better system of examination?

Mr. Strong. Certainly. That is why I am asking these questions. What is the highest salary paid to bank examiners outside of the chief examiners?

Mr. Pole. My recollection is that the highest salary paid is $9,500.

Mr. Strong. What excuse is there for paying $21,000 to a chief examiner, considerably more than you receive, and only up to $9,500 to the man who stands between the banks and the people's interest?

Mr. Pole. It is $20,000 in New York.

Mr. Strong. Well, $20,000.

Mr. Pole. The chief examiner in New York has a very responsible position.

Mr. Strong. What is it?

Mr. Pole. He is in contact with all the national banks in New York. He consults with them on questions of policies and has supervision of the examinations of the entire second Federal reserve district and must be a man of wide experience and possess qualifications which fit him for that important position.

Mr. Strong. Do you think he is in a more important position than the Comptroller of the Currency, who has control of the whole system?

Mr. Pole. Modesty prevents my answering that question.

Mr. Strong. Also the Secretary of the Treasury, a Cabinet officer? It seems to me the salaries in the comptroller's office, as far as the examiners are concerned, could be revised in the interest of the people.

The chief examiners are paid very high salaries while the examiners, who stand between the banks and the depositors, are not being paid enough.

Mr. Fort. That is the exact policy the gentleman urged a moment ago—the policy the banks follow. The chief executive would get a higher salary than the man out on the road in the work. You suggested that we should pay salaries high enough to hold the men. In outside employment, the executive in charge would be getting a greater salary——

Mr. Strong. But here is a figurehead that gets $20,000 and the man who does the work gets $9,500 and less.

Mr. Pole. He is an executive and not a figurehead.

Mr. Strong. But he does not do the work that protects the people. He confers with the banks.

Mr. Pole. No; and I would not say that the president of the United States Steel Corporation goes out and makes steel. He is a very important executive nevertheless.

Mr. STRONG. He is not in your department?
Mr. POLE. No.
Mr. FORT. I agree——
Mr. STRONG. I decline to yield, Mr. Chairman. I do not want to get into an argument over that.
One of the principal reasons for your statement in favor of branch banking—the setting up of branch banking systems—is that there have been so many failures in the last nine years.
Mr. POLE. That is the principal reason—to offer something that will remedy that situation.
Mr. STRONG. Why did you take the last nine years for an example?
Mr. POLE. Because the failures have been increasing in numbers during the last nine years
Mr. STRONG. Why not include nine years before that?
Mr. POLE. I thought nine years was far enough to go back. The war has been over for 9 years—10 years—and it seems to me that most businesses have been reestablished on a normal basis, but banking has lagged behind and instead of getting better in the rural communities, is getting worse and worse while every other business is prospering.
Mr. STRONG. What percentage of failures are due to inefficient examinations, because you can not pay proper salaries?
Mr. POLE. Very few of them.
Mr. STRONG. Then, that is not the reason they fail?
Mr. POLE. No, sir; I would not say so.
Mr. STRONG. Will you put into the record, at this point, the number of bank failures prior to the nine years you have used in your first statement?
Mr. POLE. The number?
Mr. STRONG. Yes.
Mr. POLE. I am already furnishing that for the record. Would you like to have this reinserted?
Mr. STRONG. No; you need not encumber the record.
Mr. POLE. My information will cover the number of bank failures for every year since 1904.
Mr. STRONG. Is it not a fact that the reason we have had so many bank failures in agricultural States in the last nine years is really due to the deflation that followed the war?
Mr. POLE. That has accentuated it.
Mr. STRONG. That has been principally the cause in the agricultural States?
Mr. POLE. Very largely.
Mr. STRONG. Very largely the deflation of agriculture——
Mr. POLE. The deflation of agriculture has accentuated it.
Mr. STRONG. Very largely?
Mr. POLE. To a material extent.
Mr. STRONG. You know that during the war the Government selected men to go out and urge agricultural States to produce more food, do you not, and the result of that encouragement was that the farmers extended their farming and credits, and then, when the war came to an end they were in debt from an inflation of their farming; they were in debt to the banks and those frozen credits that had been held during all these years were the causes of these failures, were they not?
Mr. POLE. To a considerable extent.

Mr. STRONG. For instance, I know a great many banks that have had to take over farms, because of loans that were extended during and after the war. They could hold them in my State for but five years when they are forced to sell them. The losses were such that failures followed.

Now, do you think it is fair to urge a condition such as that as a reason for putting out a branch bank system over the nation?

Mr. POLE. I think that a branch bank system extending to the rural communities would be decidedly helpful.

Mr. STRONG. All right. Tell us how branch banking would have handled the situation when deflation came after the war.

Mr. POLE. In one respect they would have been much more careful in the manner in which loans were made.

Mr. STRONG. Why? Would they have had better information?

Mr. POLE. They would have had better judgment, probably.

Mr. STRONG. Why would they?

Mr. POLE. Because they are men of wider banking experience. They lend money more scientifically. They perhaps lend it less on character and more on actual intrinsic values and are generally more conservative.

Mr. STRONG. You think they would not have been patriotic during the war and loaned money to help produce food?

Mr. POLE. I would not say that it is very patriotic to lend other peoples money to irresponsible borrower.

Mr. STRONG. Nobody asked you that.

Mr. POLE. What did you ask me?

Mr. STRONG. Read the question.

(The reporter read the question.)

Mr. POLE. I take it that the banker lends other people's money and if he does not lend it with judgment, he is not performing any patriotic duty.

Mr. STRONG. Then your idea is that during the time the Government was urging the farmers to increase their production and the banks to lend them money, that the branch banks would not have responded?

Mr. POLE. I could not uphold the position that the Government would ask the banks to make improvident loans.

Mr. STRONG. Now, did I ask anything like that?

Mr. LETTS. I submit that the Comptroller is answering the question.

Mr. STRONG. All right, let us have the question read and see if he is.

(The reporter read the question.)

Mr. STRONG. Now, read his answer and see what he said.

(The reporter read the answer.)

Mr. STRONG. Now, did I ask anything like that?

The CHAIRMAN. Referring to your statement that branch banks would not lend on character as security, I am reminded that during the Pujo investigation of the money trust, when Mr. J. P. Morgan was on the stand, he made the statement that character loans were regarded by him as good and sometimes the best security; that he had loaned as high as a million dollars on a man's character. That is quite in contrast with your statement.

Mr. POLE. Not at all. I can conceive of numerous instances where men would lend on character, and I think character is perhaps the most important element in granting a loan, but it must be taken in connection with other things and not solely character. A man's ability to pay must also be taken into consideration.

Mr. STRONG. Now, the point——

Mr. POLE. A man of ever such good character might have his ability to repay questioned.

Mr. STRONG The point I am trying to bring out is not that the banks made bad loans at the time they were made During the war the 4-minute men were asked to go into the picture shows and make talks and were furnished data upon which they could present the facts to people, and one of the things suggested was that the farmers of the country should produce more food, not only to feed our men in France, but also the Allies, and the bankers were urged to support them I made such speeches myself, in which I pointed out—pardon me, if I am going to make this examination, I should like to have the attention of the comptroller.

I was sent data for one speech myself in which I was asked to urge the farmers to go to the banks and buy Liberty Bonds and pay only 10 per cent in cash and 90 in debt for the balance and go to the banks myself personally and see that they did it and that was done They were also urged to produce more food, and if they needed money, to go to the banks for it; and the banks were expected to make such loans.

The banks did not make bad loans They made loans which were good at that time Then deflation came The value of land, horses and cattle and sheep and everything went down and the loans were poor.

Mr GOLDSBOROUGH Will the gentleman yield? What caused the deflation? We have heard something about that in the committee

Mr. STRONG There is a difference about that My opinion was the inflation that was permitted after the war caused it

The point I am trying to get at is this: What would these branch bankers have done under those conditions? Would they have refused to make the loans?

Mr. POLE. To answer this question as to what would have happened under a situation involving a state of facts which did not exist, would be rather venturesome.

Mr. STRONG. Nobody has asked you anything of that kind. I have stated facts and asked what would your branch banks have done during the war; would they have made these loans that afterwards became bad?

Mr. POLE. I think such branch bank systems as existed during the war did make them

Mr. STRONG. Did make them?

Mr. POLE. Yes.

Mr. STRONG And did not have any losses?

Mr. POLE. Yes; they suffered losses, but we are operating now 10 or 12 years after the time you are speaking of.

Mr. STRONG. The deflation came in 1920 and 1921. I am asking these questions now, 10 years after that. Those frozen loans have carried over?

Mr. POLE And the bank failures 10 years after the war are increasing in number.

Mr. STRONG. But the frozen loans—the examiners in the State bank departments and in your own department are urging the closing up of those frozen loans, and that is what is causing the failures now.

Mr. POLE. It is an interesting fact that there are numerous instances where banks in the same town, side by side, have operated over a long period of years, before the war and since the war, and that some banks have succeeded and others have failed, with the same conditions to contend with, same localities—a question largely of management.

Mr. STRONG. That is your opinion, but I know banks where there were two banks in the same town, both of whom took over about the same number of farms. One bank happened to be in position to induce someone to buy those farms. The other bank was not in that position and could not find anyone to buy them and it had to close. It was not a matter of judgment. They both loaned the same amount of money practically on the same security.

The point I want to bring home to this committee is that the increase in the losses of banks in the agricultural country is because of the deflation since the war and it is not fair to assume that your branch banking system would have remedied it unless it refused to make the loans.

Mr. POLE. I think that a system of branch banking, if it had been in effect in those days, would have managed its business in such a way that had these losses occurred, it would have been large enough and strong enough to have been able to absorb them, whereas the small bank is on such a narrow earning basis that if an unusual loss is sustained it can not stand it.

Mr. STRONG. Do you think if the owners of these branch banks in the rural communities found they would have these large losses they would have put up the money and taken the losses?

Mr. POLE. I do not think so—or the unit banks either.

Mr. STRONG. Is it not one argument in favor of branch banking that the parent banks, buying the branch bank, will retain the local management that understands the people in the community and their credits?

Mr. POLE. That is often the practice.

Mr. STRONG. Then, you would have had the same men at the heads of the banks if you had had branch banking?

Mr. POLE. You would have had the same man, but the policies of that branch would have been directed by experts at the head office.

Mr. STRONG. Well, the experts would not have known what value the securities had; they would have had to depend on the local management.

Mr. POLE. To some extent.

Mr. STRONG. Certainly.

Mr. LETTS. But that would be a matter of applying a policy.

Mr. STRONG. The applying of the policy at that time would have been to make the loan or not. At that time the security was good. We had, after the war, a gentleman lay down on this table loans from a western bank made to a sheep raiser. The sheep at the time the loan was made were worth about $9.50, and he loaned $3.50, and we had him lay down alongside that loan the account of what those sheep sold for in Chicago after the transportation cost and commissions were paid and it was about 35 cents a head. No one could have foretold a loss of that kind. Now, what would the branch bank have done in that circumstance?

Mr. POLE. If that loan had been made by a large branch bank, it would have been able to have absorbed such losses, whereas had he borrowed the money from a small bank, it might not have been able to do so.

Mr. STRONG. That gentleman was here and he told us in executive session that if that kind of testimony got out it would break 47 banks with which he was connected in the Northwest. He was making a plea that we use our influence to urge that the loans be not called.

I should like to put into the record the fact that 35 cattlemen from Kansas came to this Capitol headed by Governor Stubbs, asking for an arrangement to prevent the calling of cattle loans, and the Secretary of Treasury helped to raise $100,000,000 to be deposited in Chicago to relieve the situation, yet the loans at the time they were made by the banks were considered good. It was simply the aftermath of the war and the deflation that caused the failures.

And such failures are not fair argument that our system of unit banks is unsound and we ought to have a branch banking system?

Mr. FORT. As I understood the comptroller's argument as to the greater soundness of branch banking, as he urges it—and the gentleman from Kansas knows I am not committed to it—it was that branch banking would produce a greater diversification of loans, because the same bank would be making both city and country loans and could therefore stand losses in one line of business without affecting its solvency.

Mr. STRONG. That might apply to your country, but not to an agricultural district, where all business depends on agriculture.

Mr. FORT. Would it not apply to a Kansas City bank with branches out in Kansas, with both types of loans?

Mr. STRONG. I am pointing out that the banks would not have made the loans and in that way have embarrassed the country, or they would have made them and suffered the same losses. Whether they could have made them and met the losses, I do not know.

Mrs. PRATT. Is it not true, Mr. Strong, that some of the losses which some of the farmers sustained, were due more or less to speculation on their part? Were they not relying on the food prices that prevailed during the war and instead of merely using the land they had to produce food, did they not go out and buy more land with the possible presumption that they were going, thereby, to make more money?

Mr. STRONG. That is undoubtedly true in individual cases.

Mrs. PRATT. They pyramided, so to speak, and the losses were, largely, speculative?

Mr. STRONG. Some were, no doubt. Up in Iowa I think they indulged in that kind of speculation, but in general, in Kansas, they did not. In my State they cultivated more land more intensively, and went into debt to get the machinery with which to do it.

Mr. LETTS. I admit there was more or less of that in Iowa, but it was done with the concurrence of the banker in a great many instances, and, as I stated for the record a few days ago, some of our bankers not only put the second mortgages into their own little banks but sometimes the thirds. They sometimes sent the first and the only good one to some insurance company and oftentimes, as I stated before, it was found that the first and the second mortgages did not supply enough money to buy an additional piece of land, and it became necessary to have a purchaser take out some additional insurance upon which the banker was getting a commission Altogether it was not only a spirit of speculation which existed in the farmer, but one which existed in the banker as well.

Mr STRONG. Certainly

Mr. LETTS. In a great many instances.

Mr. SEIBERLING. You do not mean to say that the depreciation in farm lands on account of the deflation after the war, was any greater than the depreciation in industry?

Mr. STRONG. The deflation in agricultural, products was greater.

Mr. SEIBERLING. I do not think so.

Mr. STRONG. Two million farmers lost their farms, but a great many more lost their entire working capital.

Mr. SEIBERLING. In our cities, within 30 days, the raw materials and products on hand depreciated 50 per cent, more than $100,000,000, in the plants in our community.

Mr. STRONG. I remember that we passed a bill before this committee, putting in the step rate interest plan and it was represented that it was done to check the inflation in New York, but they did not put it into effect in New York City—but in Kansas I appreciate the whole country was deflated, but agriculture suffered most because they were left in debt, with the prices of their products below the cost of production

I know losses to occur from instances of that kind that the bankers could not have controlled; great financiers could not have controlled—no one could control. A lot of money was lost in the stock market recently. That can not be charged to the impotence and inability of the men who lost the money.

I am holding that our bankers in our agricultural districts are not incompetent to run banks. They are the same men who would be used, under a branch banking system, to run the banks as managers. These banks failed because of the effort during the war to increase production and the deflation that followed, and it is not fair to make that an argument for branch banking.

Mr. LETTS. May I add to what I said a moment ago, by making further reference to the matter of deflation in the agricultural regions; we had been accustomed, year after year, to have supplied all the money necessary at harvest time to move the crops and to enable the farmers to carry their young animals over the winter and fatten them and send them into the market when they were prime and would bring the highest prices and furnish the best products to the consuming public. The year of the deflation, for some reason or other, from some policy perhaps the loans were called; instead of supplying the credit to which we were accustomed, the existing loans were called and the farmers were required to gather up everything they had on their farms and sell it in order to meet the demands, even to the point of driving young animals—pigs, lambs and calves—off their farms so that the year following they did not have the necessary animals on their farms to go ahead in the normal way in the breeding and raising of stock.

Mr. STRONG. And was it not the custom of those farmers to give a mortgage on the farm to the bank in order to carry over those conditions, and when they gave up the farms to the banks and the banks became vested with the title, they were entitled, under the law, to hold them only five years before disposing of them, and it was being forced to dispose of a lot of those farms that broke the banks?

Mr. LETTS. I hope, out of these hearings will come some sort of understanding that will develop a banking policy under which, at no time in the future, can it ever happen that loans will be called at harvest time, and when it will require men to dispose of their young animals and deplete the farms and bring on ruin as it did a few years ago.

Mr. STRONG. In regard to the monopoly of money and credits that will ensue from a national branch-banking system, you are proposing in each of the 12 districts—I presume these are the Federal reserve districts or like districts—I understand you call them trade areas; you will set up 12 trade areas in the United States and confine branch banking to each one of those areas.

Mr. POLE. That is not my suggestion.

Mr. STRONG. Well, what is it?

Mr. POLE. That branch banking should be extended to within the trade area, but as to the extent of that trade area I have not suggested, but have said that in the most extreme case it should not be permitted to extend beyond the Federal reserve district lines

Mr. STRONG. Who would grant that permission?

Mr. POLE. Congress.

Mr. STRONG. Then your idea is that in each one of the 12 trade areas, as determined by Congress, should be set up a branch banking system that should not be allowed to run out to another trade area

Mr. POLE There might be, in some instances, a Federal reserve district consisting of a trade area In other Federal reserve districts the entire district may more than cover the situation and it might be necessary to set up three or four areas.

Mr. STRONG. I thought you said you would confine it to 12 trade areas.

Mr. POLE. I made no such suggestion as that.

Mr. STRONG. Who would determine whether they could extend outside of the trade areas?

Mr POLE The law would cover the extent to which branch banking might be extended

Mr STRONG What is the objection to extending them from one trade area to another.

Mr POLE. I should like to see the trade areas limited to the point where each important center would develop its own branch system and in an orderly manner without permitting any bank to cover the entire country with branches, even if it were so disposed.

Mr. STRONG. Then you would only have branch banking groups in each trade area?

Mr POLE Radiating from a central point.

Mr. STRONG How would you prevent holding companies from getting control of all these trade area branch banks?

Mr. POLE. The probabilities are that the holding companies would disappear if they were given the greater advantage of being permitted to operate branches instead of members of a group.

Mr STRONG You think it would have a greater advantage?

Mr POLE. I think the operating advantage would be sufficient to——

Mr STRONG. What do you mean by "greater advantage"?

Mr POLE. I said "operating advantages."

Mr. STRONG. Yes. Well, what do you mean by that?

Mr. POLE. Under the present system a unit bank has to keep an entire board of directors and full set of officers.

Mr. STRONG. I am talking about the danger of group banking or a holding company getting possession of all the trade areas and you say that you hope to build up strong enough branch banks in each of the trade areas, so that there would be no incentive for that.

Mr. POLE. I do not quite understand your question. I think that it was the suggestion there should be some regulation as to how far groups should be permitted to consolidate or branch banking systems should be permitted to consolidate.

Mr. STRONG. Why?

Mr. POLE. So that their operations could be confined to their own trade areas and not extend all over the country.

Mr. STRONG. What is the objection to extending all over the country?

Mr. POLE. I do not think anybody is advocating nationwide branch banking for the moment. It is looking entirely too far ahead.

Mr. STRONG. When we passed the McFadden bill, the Comptroller of the Currency thought it would be sufficient to limit the branches to the city in which the parent bank was located. Now the Comptroller of the Currency says we should establish 12 trade areas.

Mr. POLE. You keep referring to 12 areas. I did not limit it to 12 trade areas.

Mr. STRONG. Now you believe in extending the branch banking to cover the different trade areas?

Mr. POLE. Yes.

Mr. STRONG. Now, would not the same desirability of enlarging the system apply if somebody would urge that it should be made nation-wide branch banking?

Mr. POLE. I would not be in favor of that. It is on entirely too large a scale and would present operating difficulties which I do not know whether the supervising authorities would be in a position to cope with.

Mr. STRONG. When we discussed the McFadden bill we had a great deal to say about getting the nose of the camel under the tent as far as branch banking was concerned and some of us thought it could be limited, if it was an evil, and it was generally admitted that it was an evil—be limited to the city in which the parent bank was located. They said that the State banks in the larger centers were putting in branches, which embarrassed the national banks, but if the national banks were permitted to have branches in the cities where the parent banks are located, that would meet the situation. Now, your suggestion is that we extend the range of branch banking to trade areas and it seems to me that the same argument will eventually lead us into favoring an extension of branch banking so that it will be nation-wide. What would be the objection to nation-wide branch banking?

Mr. POLE. If nation-wide branch banking were permitted by Congress it might create a condition where large banks might establish branches all over the country without respect to the natural flow of trade to any central community, in addition to which the operating difficulties would be so great that the supervisory authorities will have trouble in coping with it.

Mr. STRONG. You have no fear of a money and credit monopoly if you had nation-wide branch banking?

Mr. POLE. I am so far from thinking that nation-wide branch banking would ever be permitted, that I have not given a great deal of thought to what might happen under such a system.

Mr. STRONG. Would not that be one danger if we had nation-wide branch banking?

Mr. POLE. I say I have not given a great deal of thought to such a contingency as nation-wide branch banking. I do not think it will happen for years to come.

Mr. STRONG. Chain banking is extending and becoming nation wide?

Mr. POLE. I am not advocating it.

Mr. STRONG. I thought you said a moment ago that as a step to branch banking it might be advisable.

Mr. POLE. I said that group banks might have some characteristics which are desirable as a step toward branch banking, but not as an ultimate system.

Mr. STRONG. How do you regard chain banking?

Mr. POLE. I am not in favor of chain banking.

Mr. STRONG. You are only in favor of group banking as an ultimate step toward branch banking?

Mr. POLE. I said it might possibly make the inauguration of branch banking more orderly.

Mr. STRONG. When you cover a trade area with branches, would there not be the tendency toward a monopoly in that trade area of money and credits?

Mr. POLE. I do not see why there should be any greater monopoly in a trade area than there is in banking now. If branch banking were permitted, the big banks in any metropolitan center would take advantage of such an opportunity and would be just as much in competition with each other as they are to-day.

Mr. STRONG. Do you think there is much competition in banking in the northern part of California to-day?

Mr. POLE. Yes.

Mr. STRONG. You think there is much competition between the independent banks and the Bank of Italy?

Mr. POLE. I think they are competitors; yes.

Mr. STRONG. Has it not been the history of the Bank of Italy that it has absorbed whatever bank it wanted and forced that absorption?

Mr. POLE. There are numerous towns in California where the Bank of Italy operates side by side with a unit bank.

Mr. STRONG. But they generally force the unit bank to sell out to them if they want it?

Mr. POLE. I say there are plenty of instances where they operate side by side and do not force them to sell out.

Mr. STRONG. They may have an agreement. Is it not a fact that the Bank of Italy have forced banks to sell out to them in numerous instances?

Mr. POLE. I am not informed of that.

Mr. STRONG. There have been instances of that right in Washington, have there not?

Mr. POLE. Not that I know of.

Mr. STRONG. Let me call your attention to the fact that a man by the name of Savage, one of the old and experienced bankers, had a bank at Columbia Road and Eighteenth Street, and one of the banks in Washington put in a branch within half a block of him, and being unable to buy or force him out of business, purchased the land at the back of his bank and announced they would build an immense bank overtowering his bank and finally forced him to sell out against his will. That is true, is it not?

Mr. Pole. I do not know about those facts.

The Chairman. Will you yield to me?

Mr. Strong. Yes.

The Chairman. You spoke a moment ago to the effect that you were not in favor of chain banking. Will you state your reasons why?

Mr. Pole. I have already defined a chain bank. The particular danger is that if a member of a chain fails, it drags with it the entire chain.

The Chairman. Under those circumstances, then, in view of that statement, should we permit membership in the Federal reserve system of chain banking, where it is operated by a bank in the Federal reserve system?

Mr. Pole. That would be a matter, I think, Mr. Chairman, for the Federal Reserve Board to cover, would it not?

The Chairman. Well, you are ex officio a member of the Federal Reserve Board.

Mr. Pole. But I am not authorized to speak for the board.

The Chairman. You are in charge of examinations of all national banks and many national banks are now owned and operated by chains. These banks are being operated under your supervision and you have already expressed the difficulties which you encounter in the examination of these banks where they are intermingled with other companies and control and you have said that you should have authority to examine these affiliated companies. I think, under the circumstances, you are the proper one to answer that question.

Mr. Pole. Chain systems of banking are frequently composed of both State and national banks. The national banks are, perforce, members of the Federal reserve system and as to whether or not it should be denied such affiliation because its stock is owned by an individual or group of individuals, is a question which I would not be prepared to answer now. The question would seem to involve, possibly, the expulsion of a national bank from the system because it was a member of a chain.

The Chairman. Well, if a national bank was violating methods in its operation which tended to endanger the security and perhaps cause the failure of that bank would you not as comptroller, feel justified in taking drastic action?

Mr. Pole. I would not say chain banking is operating in any sense illegally. The law permits it.

The Chairman. You just said its existence is a dangerous situation.

Mr. Pole. Did I say that?

The Chairman. The reason I am asking these questions is that this question of chain banking has been considered in this country for many years, and in some instances, it has succeeded, where it was in strong hands, and in other instances, where it was in weak hands, it has failed, and caused great suffering and disaster.

Mr Pole. Yes.

The Chairman. There are a great number of chain banks in operation to-day. It is very difficult to know whether they are strong hands or in weak hands. I have no doubt there are some in the hands of people who are not as capable as they should be in operating such institutions. Exploitation may be taking place but national banks are involved in those chains. I think it raises a very serious question in regard to the future conduct of banking in the United States, as to whether we are going to permit our national banks to be tied up in chain banking and I would like to know your frank opinion in regard to it.

Mr. Pole. Personally, I am not in favor of it.

The Chairman. Well, one way to prohibit it would be to deny the national banks that are parts of chains the right to continue as members of the Federal reserve system. Don't you think, if the continuation of such a system endangers national banks, that drastic action should be taken?

Mr. Pole. I should like to see some legislation which would prohibit the operation of chain banks.

The Chairman. Do you know of any legislation that could be enacted that would be more effective than to forbid them membership in the Federal reserve system?

Mr. Pole. That, of course, would not prevent a chain of banks from operating outside of the system.

The Chairman. But it would protect the national banking system.

Mr. Pole. Yes.

Mr. Fort. May I ask a question right following your line, Mr. Chairman?

The Chairman. Yes.

Mr. Fort. Mr. Pole, don't you feel that if we recognize definite abuses anywhere in the system we should proceed to correct them even though that involved unscrambling some things that have already happened?

Mr. Pole. I do.

Mr. Fort. And following up Mr. McFadden's question further, have we not, in addition to the power of debarring from the Federal reserve system, a still more potent weapon, the right to prohibit any bank to clear checks that violate our theory of sound banking?

Mr. Pole. I imagine that would be possible.

Mr. Strong. In view of the fact it is common knowledge that wherever chain banking or group banking or branch banking is permitted, it is spreading very rapidly, do you not believe that if your system of establishing branch banking in trade areas is permitted, that eventually, inside of those trade areas will be only one or perhaps two groups of branch banks?

Mr. Pole. Legislation might be enacted to prohibit two free consolidations of banks, eliminating competition thereby.

Mr. Strong. Then you believe it would be dangerous if but one or two groups of branch banks were established in the country?

Mr. Pole. I am not in favor of a banking monopoly. I would like to see a continuation of banking competition.

Mr. Strong. How are you going to prevent it under your system?

Mr. Pole. My system?

Mr. Strong. Under the system you propose, I mean.

Mr. Pole. I think that that might be taken into consideration by Congress through legislation preventing consolidations of such groups.

Mr. Strong. But there would be no groups established until after we created a trade area. For instance, in California, will we say we will tear down the Bank of Italy's branch banks and reduce them.

Mr. Pole. I do not think the law would be retroactive.

Mr. Strong. Do you think there could be any hope of building up another group that could compete with the Bank of Italy?

Mr. Pole. There is more than one group that competes with the Bank of Italy in California.

Mr. Strong. I understand they had an understanding between the group in Los Angeles and the group in San Francisco, under which the Bank of Italy would take the northern part of the State and the group in Los Angeles would take the southern part of the State, but when I was out there some time ago, there was a great deal of excitement when the Bank of Italy bought a bank in Los Angeles in alleged violation of the agreement.

Mr. Pole. I know nothing of such an agreement, but outside of the Los Angeles group there is a very strong competition out of San Francisco itself.

Mr. Strong. There are a few strong banks, of course.

Mr. Pole. I am talking about a single very important branch banking system.

Mr. Strong. How many branches have they?

Mr. Pole. They are in keen competition with the Bank of Italy, as far as I am informed, with considerably more than 100 branches.

Mr. Strong. Do they extend out into the rural districts?

Mr. Pole. Yes.

Mr. Strong. Outside of the towns adjacent to San Francisco?

Mr. Pole. Yes.

Mr. Strong. Then, your idea is that there would be competition between branch banks in the trade areas?

Mr. Pole. My idea is that I would see to it that there was competition by preventing too free consolidations of groups and large banks having branches.

Mr. Strong. If you think it necessary to give them the extent of territory that a trade area would make, it would necessitate having a very large number of branches?

Mr. Pole. That is true.

Mr. Strong. All right, now. You mean you would say to one branch banker, "You must have a branch in this town, but the other branch bank group can not?"

Mr. Pole. Not at all.

Mr. Strong. How would you prevent a final working out of a monopoly?

Mr. Pole. I doubt, in the first place, whether that would be very much to be feared, because I think that there would be sufficient opportunity in the banking business for certainly more than one bank and the chances are there would be sufficient opportunity for a number of banks in a large town, as there is now and the mere fact that the banks were given the privilege of branches would not diminish the number of important units in metropolitan centers.

The Chairman. Suppose the First National Bank of New York the Chase National Bank of New York and the National City Bank of New York should decide to merge or consolidate: Could that be done without your permission?

Mr. Pole. It could not.

The CHAIRMAN. What would be your attitude, for instance, following up that hypothetical situation, and the question Mr. Strong has asked you, if, say, those three banks should want to consolidate? Would you approve or disapprove?

Mr. POLE. I would not express any opinion on that now. When we have a request for consolidation we look into all the facts and circumstances and our decision is determined upon our findings.

Mrs. PRATT. May I just ask one question in connection with Mr. Fort's questions?

The CHAIRMAN. Yes.

Mrs. PRATT. How can you debar a national bank from the Federal reserve system just because it is a member of a chain banking group if it complies with the regulations, because, of necessity, it is no longer a national bank if it is not a member of the Federal reserve system?

Mr. POLE. That is correct.

Mrs. PRATT. How would you proceed?

Mr. POLE. There is no way under the present law. A national bank is, perforce, a member of the Federal reserve system.

Mrs. PRATT. You can not debar them unless you find something wrong with the particular bank?

Mr. POLE. You could not even then, as long as it held its national charter.

Mrs. PRATT. Unless it ceases to be a national bank——

Mr. POLE. It would remain a member of the Federal reserve system. If it ceased to be a national bank it would become a question of whether or not it would be eligible or wish to come in as a State member.

Mr. FORT. It could be done by an amendment of the law.

Mr. LETTS. How could you accomplish it?

Mrs. PRATT. You would have no jurisdiction over a chain bank unless it be a member of the present Federal reserve system?

Mr. POLE. No.

Mrs. PRATT. And you can not differentiate between the national banks?

Mr. POLE. No.

Mrs. PRATT. A national bank would cease to be a member of the chain system if it is not a member of the Federal reserve system?

Mr. POLE. Yes.

Mrs. PRATT. And that could not be changed without changing the law?

Mr. POLE. No.

The CHAIRMAN. While it is 1 o'clock, the House has adjourned, and I am informed by Mr. Strong that he can finish within a few minutes. I think we had better let Mr. Strong proceed.

Mr. BUSBY. Before Mr. Strong proceeds, may I ask a question?

Mr. STRONG. Go ahead.

Mr. BUSBY. Do you know of any national banks whose stock is held or a majority of whose stock is held or controlled by a holding corporation?

Mr. POLE. Yes.

Mr. STRONG. As I understand it, your position would be that as comptroller, you would seek to restrict branches in the trade areas from forming a monopoly through competing with and forcing independent banks to sell out to them?

Mr. POLE. I do not know of any way in which a bank can be forced to dispose of its stock. It would not require any legislation for that. I can not conceive of any Comptroller of the Currency authorizing the establishment of a branch in a town or a community where independent banking was supplying all the banking needs of such a community.

Mr. STRONG. Well, they allowed a branch bank to be placed on Eighteenth Street within a few hundred feet of a bank that was satisfactory to the people there.

Mr. POLE. Of course there is a lot of difference between what I intended to convey to the committee when I spoke of branch banking in the rural communities, and what you speak of, which is city branch banking. In the city branches are more in the nature of a convenience to the bank's clients and has no reference to the safety of a small bank.

Mr. STRONG. That is true. Of course I am opposed to branch banking because I fear a monopoly of money and credit. Especially do I think such monopoly will work against the agricultural States, and if permitted, I think it will finally dominate and control the Government, just as the Second United States Bank did when it forced a bill for the renewal of its charter through Congress by loaning money to Members of Congress and to the newspapers, and would have succeeded but for the veto by Andrew Jackson. I am afraid of any monopoly built up by group or chain or branch banking. I believe it would have more power than the Government.

Mr. POLE. Has there been a monopoly of banking in countries where branch banking is in effect?

Mr. STRONG. I have been told that there is. I was in Canada once when a gentleman, who was in the manufacturing business, told me that they had forced his private bank out of existence through a branch bank and then declined to extend credit to him. That was a monopoly in that town; so much so that he sold his business. He was forced not only to sell his interest in the bank, but his interest in the manufacturing concern, because his competitor was interested in the branch bank.

Mr. POLE. In a very large number of towns in Canada there are not only two branch banks, but three and four competing keenly with each other.

Mr. STRONG. That may be, but here we have unit banks and then a branch banking group comes in and forces those unit banks out of existence in order to get control of the banking in that community. That was done in the building up of branch banks in California by the Bank of Italy. I had a banker out there tell me he had a bank that he operated a great many years and raised a boy and sent him to school with the purpose of having him succeed him and there came an offer to buy from the Bank of Italy and he refused. They then said they would put a bank building alongside him and they went so far as to buy a lot near him and still he refused. Then one day some men walked in and said, "We have purchased the accounts of your customers and we want the money right now." Being unable to comply, he sold his bank. I can not say whether that is true, but the man was vouched for by his friends as a thoroughly reliable man. I am pointing out a condition that might arise.

How will you prevent a final monopoly of banking in trade areas where you permit branch banking? Will the comptroller step in and forbid that kind of business?

Mr. POLE. Why should there not be legislation on that point?

Mr. STRONG. Without legislation——

Mr. POLE. I think it would be extremely undesirable if any single bank were permitted to monopolize the banking business of any area or section of the country. I am perfectly in accord with your idea.

Mr. STRONG. We had a law restricting the branch banking to the city where the parent bank was located. Unable to violate that law they started group banking systems and they are doing indirectly what the law prevented their doing directly.

Mr. POLE. Not under the national law. They are being formed under State laws.

Mr. STRONG. But you can not pass laws which will provide in every case where a branch bank shall or shall not be established.

Mr. POLE. If you will leave that to the discretion of the comptroller, as far as I can speak for myself, there would be no monoply. It might be, Mr. Strong, that in giving consideration to this question, you might say that the discretion should be in the comptroller and possible with some other officials, with the idea of carrying out a national policy governing the consolidation of banks and preventing monopoly in banking.

Mr. STRONG. From your testimony I am quite willing to believe that if you were the comptroller you would try to prevent the establishment of a monopoly in branch banking. I believe you would, but how about the next comptroller?

Mr. POLE. He might have a different view?

Mr. STRONG. He might believe a monopoly would be the right thing.

Mr. POLE. That is true.

Mr. STRONG. A comptroller, for instance, came before this committee several years ago and made a positive statement against branch banking and yet you now come before us and favor it.

Mr. POLE. Yes.

Mr. STRONG. Suppose these trade areas would be established, in which branch banking would be permitted, and they would finally dominate the banking interests in that district—would there be any use of the Federal reserve system after they so controlled?

Mr. POLE. Oh, there is no question in my mind but there will always be use for the Federal reserve system.

Mr. STRONG. Would not they dominate and control the Federal reserve bank in their trade areas?

Mr. POLE. Undoubtedly to an extent.

Mr. STRONG. Then, they would virtually, in fact, be the Federal reserve system?

Mr. POLE. I am filing a brief, if you recall, on that very question, as to the possibilities or probabilities of members of a chain being able to elect directors of the Federal reserve bank of its district, which will cover that.

Mr. STRONG. And there would be that possibility?

Mr. POLE. It might be theoretically possible, but, as a matter of practice, quite unlikely that it would happen.

Mr. SEIBERLING. The comptroller referred a few moments ago to countries having branch banking. I wonder if you could tell us the countries having nation-wide branch banking.

Mr. POLE. England and Canada are two of them.

Mr. STRONG. I believe I have no other questions. I will put into the record at this point, as I have suggested to the chairman, the statement of former Comptroller Dawes, made to this committee, in opposition to branch banking.

(The statement referred to is as follows:)

You have invited me to express my views to your committee doubtless for the reason that as Comptroller of the Currency I have general supervision over the national banks. I wish to state clearly at the outset that the statements which follow are made by me solely upon my responsibility as Comptroller of the Currency. They are not intended in any way to represent the views of the Federal Reserve Board of which I am a member ex officio.

With your permission I shall confine my discussion primarily to the subject of branch banking—the outstanding problem in our banking system to-day. On the side of the National Government this question is simultaneously before the Federal Reserve Board and the comptroller; before the board in the matter of the extension of branch banking by the State member banks in certain States, and before the comptroller as a question of preserving the integrity of the national banking system in those States. Since the national banks constitute the backbone of the Federal reserve system, it becomes necessary therefore for me as comptroller, in this discussion, to refer to the situation before the Federal Reserve Board.

The organization of the Federal reserve system was possible because of the power of the National Government to enforce the cooperation of the national banks. At its inception it was primarily an instrumentality of coordination, imposed upon the existing national system. At the present time, of the 31,000 banks in the United States 9,916 are members of the Federal reserve system, and of the members of the Federal reserve system 8,292 are national banks. The assets of the national banks as of June 30, 1923, were $21,511,766,000, as compared with the assets of the State member banks amounting to $12,293,124,000.

The national bank act does not permit national banks to engage in the exercise of general banking functions beyond the limits of the municipalities in which they are located. They can not, therefore, enter the general field of branch banking.

These elementary facts are stated in order to bring out the obligation of the Federal reserve system to the national banks, and the extent to which the Federal reserve system is dependent upon the national banking system. Except for the national banks the Federal reserve system could not have been organized, and if a conditions is permitted to develop which should seriously and permanently cripple the national banking system it would be a direct and possibly fatal blow to the Federal reserve system.

The development of the American banking system has been an evolutionary process, and the preeminent strength which it possesses in world finance at the present time is in large measure due to the fact that it took its form in a gradual and orderly way, meeting by practical adjustment conditions as they developed. It is distinctly not an adaption of any foreign system nor is it a structure conceived and built by any individual or group of individuals at a given time involving the rigid enforcement of a ready-made theoretical plan. Under our system of banking, the most stable and most rapid economic development that the world has ever seen has taken place.

From time to time efforts have been made to substitute for the old machinery a system which might seem to be theoretically and technically more perfect. The frontal attacks of the proponents of foreign banking systems have invariably broken down without, in any substantial manner, permanently modifying or affecting the general principles of American banking. The genius of the American people for independence in matters of local self-government is thoroughly ingrained and will never succumb in any clean-cut issue where the choice rests between centralized control and personal and community independence.

At the present time no direct or open attack is being made on these traditional principles. The danger which confronts our present banking system lies in an insidious and gradual undermining influence which is not so much the outgrowth of a conscious effort to introduce a new system as it is the result of a natural desire to secure temporary benefits for particular individuals and banking institutions without consideration being given as to the ultimate effects on the highly complicated and efficient machinery of American finance and exchange. It is peculiarly a time when these indefinite tendencies should be precipitated into their essential elements.

If a new system and theory of banking is in progress it should be determined whether or not it is a desirable system, and if a desirable system it should be encouraged, fostered and put into effect as rapidly as possible. If it is not a desirable system that fact should be developed and steps should be taken now to eradicate it before a condition has developed which would involve a great national disturbance and injustice to individuals and communities.

The above remarks are intended to apply to the general subject of branch banking. By branch banking I mean an association of banking houses operating in one or more cities or towns but all under the discretionary control of the board of directors of a parent bank and upon the capital of such parent bank.

Unless the State member banks enter into branch banking there is, in my judgment, no material divergence of interests between the State and national banks. If, however, State member banks engage in unlimited branch banking it will mean the eventual destruction of the national-banking system and the substitution for it, and eventually for the Federal reserve system, of a privately owned and highly centralized financial control of the banking machinery of the United States.

It is this belief which impels me to discuss at some length present tendencies in branch banking, and if the interest of your committee is largely centered on the status of nonmember banks it is proper to say that these nonmember banks are almost entirely independent unit banks and any substitution for the present system would have as vital an effect on their future as it would have upon the member banks and on the old independent unit banking operations of the national-banking system.

In support of the general contention that the principle of branch banking has been carried to such an extent as to constitute a definite trend in certain localities the following facts are submitted:

Branch banking is permitted with various modifications in the following 18 States: Arizona, California, Delaware, Georgia, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New York, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, and Virginia.

The laws of some of these States restrict the establishment of branches to the city or county of the location of the parent bank, while others permit branches to be established in any part of the State. In California, for example, 82 of the State banks are operating a total of about 475 branches. In that State, one bank operates 28 branches, one bank 19 branches, another about 71 branches in 48 different cities, another about 72 branches. Four banks in California operate a total of 190 out of the 475 branch banks in the State. In the State of Massachusetts, chiefly in the vicinity of Boston, State banks and trust companies are operating several hundred branches. In the State of Michigan upward of 300 branches of State banks are in operation. In the city of Detroit 14 banks are operating about 200 branches and there are in Detroit only three national banks left in operation. In the State of New York about 251 State banks are operating branches. In the United States to-day it is reported that 517 State banking institutions have in operation 1,675 branches.

The figures used above are not intended to be authoritative or complete, and are used only for the purpose of illustration. They are, I believe, sufficient to indicate that the issue has long since passed the theoretical stage and has reached the status of a practical condition.

Granting that a State legislature may properly enact legislation permitting the local State banks to engage in branch banking, the larger questions remain, first, as to the effect of such legislation upon the national banks operating in such States under the national bank act as administered by the Comptroller of the Currency, and, second, the effect upon the Federal reserve system of admitting to or retaining in membership such State banks engaged in branch banking.

In view of the facts stated above I may safely say that branch banking already exists in the United States, and that it is distinctly a practical and not a theoretical issue.

The discussion of branch banking seems naturally to divide itself into three main questions:

First. Is a reserve system, either governmentally or privately controlled, necessary?

Second. Can the present Federal reserve system survive the imposition upon it of large and powerful chains of branch banks which, in practice as well as in theory, are privately owned and privately controlled reserve systems?

Third. Can a general system of branch banks exist simultaneously with a system of independent unit banks?

If it should be concluded, in the consideration of these questions, that the Federal reserve system is necessary and that it can not survive the strain upon it of systems of branch banks, and that branch banks will mean the elimination of independent banks, it will then, I believe, be a logical and necessary conclusion that the issue is a clean-cut one as to whether the country prefers a system of privately owned branch banks or a reserve system under Federal control.

As to the first question, namely, the necessity for a reserve system, it seems hardly necessary, in view of the record of the existing organization, to enter into any extended arguments, but it would, perhaps, be well to state some of the basic considerations on account of which it was given its present form. The principle of a central bank has been a controversial one for over a century. In deference to the widespread and thoroughly American distrust of the centralization involved in a single Government bank 12 banks were established in different sections of the country in order to secure the closest possible contact with the local member banks and a thorough understanding and adaptability to community conditions. Through the operations of the 12 individual units a proper sympathy with an understanding of local conditions and needs is secured, while at the same time, through the Federal Reserve Board, a liaison between the districts is secured and the detachment necessary for a proper compromise between local interest and national policy. Through the Federal reserve system the transfer of funds from points of surplus to points of deficit is accomplished with the primary purpose of promoting the best interests of the whole country and not with a view to enabling individuals or sections to reap a financial advantage at the expense of others. If it were assumed that the instrumentality for the transfer of funds could be provided by a private reserve system, such as a branch banking institution, it could hardly be fairly contended that the controlling influence would be other than profit. Necessarily, in adjustments of this kind the interests of a branch bank or individuals must be private profit and not public welfare.

The whole Federal Reserve System bears a very striking analogy to the general principles which underlie the American Government, being founded upon a system of checks and balances calculated to preserve local independence under centralized and coordinating control. It would be so distinctly a step backward and so manifestly a dangerous proceeding to destroy the regulated cooperation of banking facilities that it seems to me entirely unnecessary to discuss further the necessity for some sort of a reserve system, and the issue is, should it be done by governmental coordination or private centralization?

The second point referred to, as to the ability of the Federal reserve banks to survive the imposition upon the system of large privately controlled reserve systems, is a practical one which at the present moment faces the Federal Reserve Board. The question as to the duties and rights of the board to interfere in the extension of a system which, in the opinion of many might contain the seeds of a development which will mean the eventual destruction of the Federal reserve system, is by no means a simple one, either legally or from the standpoint of policy. The board, however, clearly has the moral and legal right to refuse admission to the system of any institution which either because of its financial condition or the method of its operation is unsound, and it has the same right to deny the privileges of the Federal reserve system to a member bank under similar conditions. It is reasonable to assume that a bank, for administrative purposes, might safely control 10 branches; but the same bank under American conditions might not, in safety to its depositors and general creditors, operate a thousand branches. If the Federal reserve system takes a neutral position on the general issue of branch banking and refuses to sanction the admission to the system or request the withdrawal of banks which are operating more than a safe number of branches, they will be faced continually with decisions of a highly controversial nature and which are not susceptible of reduction to elemental formulæ. The local situation, the personal equation, the temporary financial conditions, and a thousand and one conflicting influences will have to be balanced and considered in every application for a branch. However wise their decisions the board will, of necessity, frequently appear to be arbitrary and improperly partisan. The publication of their reasons for action in particular cases would frequently be productive of injustice to the individual applicant and disturbance to the financial community. If the reasons for decision in these matters were not made public, in my opinion, the system would be subjected to such attacks and insinuations as would eventually seriously impair its standing and be destructive of its dignity and influence. In order to avoid these consequences the board has it in its power to adopt a general policy of clarification and control.

The elementary considerations which I have stated above and purpose to elaborate further seems to me to justify a decision on the part of the authorities to limit definitely the extent to which member banks may indulge in the establishment of branch banks.

As a practical consideration, aside from the broader aspects of the case, it must be constantly borne in mind that the Federal reserve system can only be successfully maintained if the administrative authorities have an adequate knowledge of the conditions of the member banks. This necessitates examination, which, in the case of the national banks, is provided by the Comptroller of the Currency. National banks can not engage in banking beyond the limits of the city in which the institution is located. In the examination of State banks the Federal reserve system is compelled to rely on its own examiners and such incidental and voluntary assistance as it can secure from the various State officials.

The examination of an institution with branches and subsidiaries is a very difficult one. The interdepartmental relationships vastly complicate it. It is more difficult to examine 10 institutions of a given size which are associated in a branch banking system than it would be to examine 10 independent institutions, as all of the transactions between the different branches have to be investigated, and eliminations and adjustments made to produce a composite picture and prevent the improper manipulation or shifting of assets. This can not be done satisfactorily wtihout a simultaneous examination of parent band and each one of the branches. This may be construed as an ex parte statement, but it bears the weight not alone of my individual opinion but of the employees of the comptroller's office who have been engaged in the examination of banks for many years. Bank examination involves very much more than a mere scrutiny of figures. Questions of moral character, of local reputation, of valuations of securities, of conformity to laws and rulings—these and many other elements enter into a proper examination. In the case of the examination of a very large bank, say with 75 to 100 branches, it would be impossible to mobilize a force of examiners of the ability to make an intelligent analysis of the situation in each individual community even if it is to be assumed that the character of the banker is not a factor in the condition of the institution.

The last stated considerations are incidental as compared with the more important one which involves the ability of the Federal reserve bank to meet the mobilization demands of an association of institutions under the control of a single interest having the power to concentrate the requirements of all of the separate institutions into one demand. This demand might be made practically without notice in a period of stress, on account of necessity or with a desire to produce a certain condition in the community which might be opposed to the general interest but favorable to that of the particular institution. To say that if a large proportion of the banking interests of a State are centralized in the hands of five or six or a dozen branch banking institutions and that these institutions will not combine, either as a result of direct conferences or agreement or of mutuality of interests, is to ignore the fundamental basis of human action. If any lessons are to be drawn from the development of large industrial enterprises in the United States it is that the principle of centralization, when once inaugurated, will proceed, unless interfered with by governmental action, to a point of complete concentration in an individual, or a group dominated by an individual. Should a situation of this kind develop in any Federal reserve district the Federal reserve bank would either be eliminated as a factor in the financial community or be virtually under the control of such a group.

As to the question of whether or not it is possible for independent unit banking systems to exist and operate in conjunction with a branch banking system, very definite conclusions may be drawn from the results of the operations of branch banking systems in other countries.

Branch banking is in vogue in England, Scotland, Ireland, Canada, Australia, New Zealand, France, and other parts of continental Europe. I understand it is also in operation in the Latin-American countries. According to figures published in the bulletin of the American Institute of Banking for July 1923, in 1842 there were in England 429 banks and in 1922 only 20 banks, of these 20 banks, 5 controlled practically all of the banking of the nation. There are about 7,900 branches in operation. In Scotland there are only about 9 banks with about 1,400 branches, and in Ireland about 9 banks with about 800 branches.

In 1885 in Canada there were 41 independent banks. Under the operation of branch banking, the number was reduced to 35 by the year 1905. I am informed that in Canada to-day there are only 14 banks, operating about 5,000 branches. There are no independent unit banks in western Canada, in fact none west of Winnipeg. Banking control through the branch system is concentrated in the cities of Montreal and Toronto.

It has been authoritatively stated that there are only 6 unit banks in New Zealand, and 20 in Australia. (See Statesman Yearbook for 1923.)

Experience in other countries definitely indicates that independent unit banks do not exist parallel with branch banks. As indicating that this is not necessarily due to conditions which exist abroad, but might not exist in the United States, the following points are adduced, which to my mind, show that there are such inherent antagonisms between the two systems that they could not, under any circumstances long operate together in the same country.

Branch banking is, in its essence, monopolistic. The financial resources of a number of communities are put under the control of a single group of individuals. Funds liquidated in one community may be used to develop other communities at the discretion of the officers of the central bank. The economic development, therefore, of a given territory under the control of a branch would depend upon the policy of the bank. The bank would have the power to retard or to encourage the development of a given community or individual enterprise. In this connection it has been well said that if the sudden creation of great branch banking systems shall result in withdrawing funds from the support of rural communities in order that they may be invested in self-liquidating commercial paper originating elsewhere, then it will be true that sound abstract banking principles will have been applied, but at a cost to the future development of the rural communities that will far outweigh any advantages that may be gained.

In a system of independent unit banks, the bank which best serves the community is the bank which is most certain to live the longest and be the most profitable to its stockholders. Since the type of man who starts a bank in a small community is essentially constructive, his natural associations and sympathies are with men of constructive type, and he extends the facilities of the bank most liberally to them. His loans take into account as a first consideration character and moral responsibility. He is naturally inclined to encourage young, aggressive, and enterprising individuals who will, in the course of time, bring business to the institution as he succeeds, and will develop commercial and industrial enterprises and be a factor in the creation of corporate and private undertakings, all of which will be feeders to the bank. As this type of individual is usually not the possessor of high-class collateral at the beginning of his career, the banker is dependent in a large measure on the character, of which he can only be sure by personal contact and acquaintance.

The distinctive accomplishment of the banking system of the United States is its contribution to enterprise and its stimulation of growth; its criterion is service. The European standard is safety first, last, and all the time.

It can well be said that the rapid economic development of America has been largely due to the policy of the pioneering unit banks which recognized this principle of service. It is inconceivable that the representative of a nonresident board of directors should be granted the authority and the discretion to make a type of loan which is based on character, knowledge of local conditions, and ultimate benefits to be realized by the community and by the banks. While it requires a high order of ability to make this class of loan, the banking history of the United States would show, in the main, a surprisingly small mortality. These loans, however, on account of their small size in individual cases, and difficulty of ascertaining their intrinsic value, do not afford a basis for discount with other banks in case of stress, and no bank could exist if it were dependent entirely upon them. If, across the street from the unit bank making this sort of loan, were the agent of a great branch banking institution, this agent would very quickly acquire the larger and from the narrow banking standpoint, the desirable business of the town. This he could do by offering lower rates of interest on loans and higher rates on deposits than local conditions would ordinarily justify, which, in the nature of the case would probably be withdrawn as soon as the independent unit banks of the town were finally eliminated. This is a process which has been pursued in the evolution of our great industrial enterprises which have had to be curbed by the action of the Sherman antitrust law and other governmental action.

The opportunities for coercion on the part of large institutions with branches scattered over a whole State are very great. This coercion might take any one of a number of forms The connection of the branch banks with out-of-town customers of the institutions of a community permits of pressure being readily brought.

Under the Federal reserve system, and through his relations with his correspondents, the competent unit banker is able to secure for the larger customers of his town facilities which are beyond the abilities of his own institution to grant. The branch banker can, in the case of every large customers, grant these facilities more directly and to that extent is rendering a special service to the community, but the ultimate result of these influences is to give the easiest obtainable and most desirable business to the branch bank, leaving the unit bank to take care of the enterprises of the town which have not already reached a condition of independence.

The expression has been used as applied to one State where branch banking exists on a large scale that the branch banks skim the cream and the unit banks are left with the skimmed milk, the result being that the unit banks have gone out of existence and the borrower who is a good moral risk but can not produce a certain form of collateral is left to depend on the good graces of a representative of a branch bank who is frequently the possessor of all the discretionary powers of the local railroad agent and no more.

One of the monopolistic influences exerted by the branch banker is the ability to secure, by the payment of higher salaries, the transfer to other points of the efficient employees of the unit banks. A general procedure in the creation of branch banking systems in one of our American States has been the absorption of local unit institutions. During the first few years the operations of these local unit institutions have, in many cases, been successful because the enterprising and pioneering talent that created the bank is still retained in an official capacity, but men of this type will not long consent to hold positions which are, in their essence, merely advisory and there is soon substituted therefore the type of employee who must be bound by rigid instructions and is capable of interpreting them in only a mechanical way. In case of an acute financial disturbance demanding immediate action it is necessary for the representative of the branch bank to refer back to the head office for instructions as to his course of action, and a delay is occasioned by red tape which frequently makes it impossible for them to help in an emergency, even when they have the desire.

The relations of the national bank to operations in branch banking have been the subject of a very widespread misunderstanding. In order that the situation might be clarified and defined, the present comptroller requested an opinion of the Attorney General which has just been handed down. A previous opinion given by Attorney General Wickersham was to the general effect that a national bank might not de novo establish a branch bank. The present opinion from the Attorney General makes it clear that none of the major or important incidental functions of a national bank may be exercised beyond the limits of the city in which the parent institution is located. This opinion also indicates that certain functions of a national bank, incident to the banking business, may be be carried on at fixed points within the city limits and outside of the four walls of the banking house. This opinion is not inconsistent with that of Attorney General Wickersham, and the practical application which will be made of it will be that certain national banks will be permitted to establish what are virtually tellers' windows in places more or less removed from the banks, but in the city limits, where they may take deposits and cash checks. The discretionary powers which are inherent in such transactions as making loans, purchasing securities, and similar activities will not be permitted to be carried on in such offices located at a distance from the parent institution.

It seems to me unnecessary at the present time to do more than make the above reference to the legal situation. The force of the opinion of the Attorney General just handed down would as a practical matter remove the national banks from the branch bank controversy since a national bank can not engage in the banking business outside of the city limits of its location and inside of the city limits it may under certain conditions perform only limited functions at a distance from the banking house.

I am of the opinion that the comptroller could not properly permit the establishment of these outside activities by a national bank, such as teller's windows, in any locality where the State laws or practices prohibit the State banks from rendering similar services.

Authorization to national banks to establish such additional offices will be of great advantage in certain localities where the State banks are already extending their services in this manner. In such cities as New York, Cleveland, Detroit, and California, the national banks will be able to reach their customers in the matter of making deposits and cashing checks in the same way that their competitors do in this single important aspect of the banking business. At the present time, in the city of Cleveland there are only three national banks, and in the city of Detroit only three. This will enable the national banking system to really eneter these two great cities, from which they have previously been excluded, perhaps not on equal terms, but at least on a living basis.

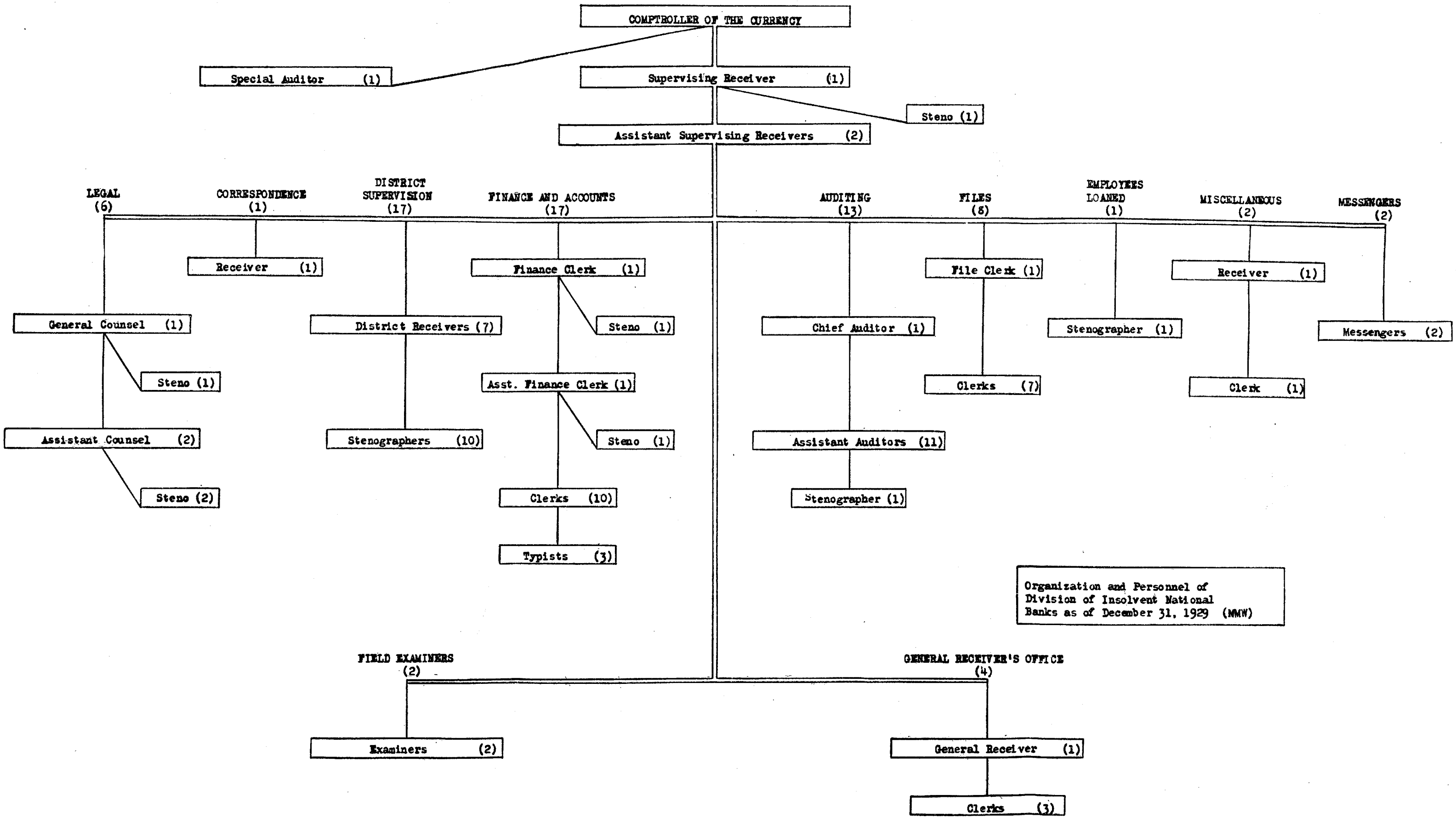
It is my opinion that the major question of branch banking is not in any way affected by this differentiation of the functions of the tellers' windows except to mitigate the handicaps that at present exist in some great cities and that it can not by any possibility be used for the extension of the principle of branch banking. The banking arrangements of any individual city are distinctly a matter for local determination. When the extension of branches passes the city lines and becomes State wide a condition such as I have previously described is created, under which the whole balance of the Federal reserve and unit banking system of a large section of the country is disturbed and the fire will, in my opinion, very quickly jump over State lines.

If the branch banking movement can not use the Federal reserve system as an instrumentality for its extension, it will probably never become a great menace, and with the national banks extended a reasonable measure of facilities for self protection within the limits of the municipalities in which they operate, the national banking system and the Federal reserve system can be maintained in their present status.

First, that the development of branch banking, unless curbed, will ban the destruction of the national banks, and thereby the destruction of the Federal reserve system and the substitution of a privately controlled reserve system for a governmental system of coordination.

Second, that if the Federal Reserve Board has not the power to refuse the admission of institutions engaged in general branch banking, and to curb the further extension of this principle by member banks, they should be given the power.

(Whereupon, at 1.45 o'clock p. m., the committee adjourned until Tuesday, March 11, 1930, at 10.30 o'clock a. m.)




Organization and Personnel of Division of Insolvent National Banks as of December 31, 1929 (MMW)

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