

# **MONEY TRUST INVESTIGATION**

---

---

## **INVESTIGATION**

**OF**

## **FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES**

**UNDER**

**HOUSE RESOLUTIONS NOS. 429 AND 504**

**BEFORE A**

**SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY**

---

**PART 4**

---

**WASHINGTON  
GOVERNMENT PRINTING OFFICE**

**1913**

**SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY,**

**HOUSE OF REPRESENTATIVES.**

ARSÈNE P. PUJO, Louisiana, *Chairman.*

**WILLIAM G. BROWN**, West Virginia.

**GEORGE A. NEELEY**, Kansas.

**ROBERT L. DOUGHTON**, North Carolina.

**HENRY McMORRAN**, Michigan.

**HUBERT D. STEPHENS**, Mississippi.

**EVERIS A. HAYES**, California.

**JAMES A. DAUGHERTY**, Missouri.

**FRANK E. GUERNSEY**, Maine.

**JAMES F. BYRNES**, South Carolina.

**WILLIAM H. HEALD**, Delaware.

**R. W. FONTENOT**, *Clerk.*

**A. M. McDERMOTT**, *Assistant Clerk.*

# MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE  
COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*New York, N. Y., Tuesday, June 11, 1912.*

The subcommittee met at 11 o'clock a. m. in room 328, Custom-house Building.

Present: Messrs. Pujo (chairman), Brown, Stephens, Daugherty, Byrnes, Neeley, Guernsey, and Heald.

Present also: Samuel Untermyer, Esq., of New York City, and Edgar H. Farrar, Esq., of New Orleans, La., counsel for the committee.

Mr. UNTERMYER. Mr. Chairman, pending the arrival of Mr. Vanderbilt and Mr. Hepburn, I would like to call Mr. Levy, who is here.

The CHAIRMAN. Very well.

## TESTIMONY OF CHARLES E. LEVY.

The witness was sworn by the chairman.

Mr. UNTERMYER. Do you reside in the city of New York?

Mr. LEVY. Yes.

Mr. UNTERMYER. Where is your place of business?

Mr. LEVY. In the Cotton Exchange Building.

Mr. UNTERMYER. In 1907 were you a director of the Oriental Bank?

Mr. LEVY. Yes.

Mr. UNTERMYER. How long had you been a director?

Mr. LEVY. Since about 1902.

Mr. UNTERMYER. Were you a member of the executive committee?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. Have you heard the testimony of Mr. Erskine Hewitt, Mr. Charles H. Beekman, and Mr. Jones?

Mr. LEVY. Yes.

Mr. UNTERMYER. Do you recall the occurrences of October, 1907, relating to the dealings with the clearing-house committee?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. These gentlemen testified that you were one of the committee of directors of the Oriental Bank that called on the clearing-house committee, I think in October, 1907. Do you remember the occasion of that call?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. Who were with you?

Mr. LEVY. Mr. Hugh Kelly, Mr. Beekman, and Mr. Hewitt.

Mr. UNTERMYER. Can you fix the date of that visit?

Mr. LEVY. I think it was in the latter part of November, just after Mr. JONES was taken ill.

Mr. UNTERMYER. Who was present and where was this visit?

Mr. LEVY. This visit was at the clearing house.

Mr. UNTERMYER. And what members of the committee were present?

Mr. LEVY. I do not remember what members of the clearing house were present, but the conversation between the committee of the Oriental Bank and the clearing house was directed almost exclusively with Mr. Hepburn.

Mr. UNTERMYER. Mr. Hepburn was the spokesman for the clearing-house committee?

Mr. LEVY. Yes.

Mr. UNTERMYER. But your associates, or some of them, were present?

Mr. LEVY. Yes; and I think subsequently they retired and he was left alone with us.

Mr. UNTERMYER. Will you be good enough to tell us what took place at that meeting, as fully as you can?

Mr. LEVY. The committee of the Oriental called at the clearing house to try and prevent the clearing house from forcing the resignation of Mr. Jones as president of the Oriental Bank.

Mr. UNTERMYER. What had been done or said about forcing the resignation of Mr. Jones?

Mr. LEVY. That morning Mr. Day, who was vice president of the Oriental Bank, had gone around to the clearing house to get clearing-house certificates, and he returned and stated that the clearing house wanted Mr. Jones's resignation; and we immediately called a meeting of the board of directors, and the matter was discussed, and the board of directors thought it unwise that his resignation should be asked for at that time, and this committee was formed——

Mr. UNTERMYER. On what ground?

Mr. LEVY. On the ground that they thought that his resignation at that time would create a suspicion in the minds of the public and be detrimental to the bank.

Mr. UNTERMYER. Cause a run?

Mr. LEVY. Yes.

Mr. UNTERMYER. Mr. Jones was then, you say, lying ill?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. And he was unconscious at the time, was he—he was said to be?

Mr. LEVY. He was said to be; yes, sir.

Mr. UNTERMYER. Now, go on and tell us what took place on this occasion when you called down at the clearing house to endeavor to get them to revoke their demand that Mr. Jones be required to retire?

Mr. LEVY. The committee called at the clearing house, and Mr. Kelly presented the views of the board of directors of the Oriental to Mr. Hepburn, and Mr. Hepburn said that inasmuch as Mr. Jones was under fire, the newspapers having published various articles about him, and there was some report that he was going to be indicted, the clearing house did not want anyone a president of a clearing-house bank who was under fire, and therefore insisted upon some one else being made president of the Oriental Bank. Mr. Kelly asked Mr. Hepburn who he thought would be advisable. He said some business man of high standing, well known to the community, and he answered that he knew of no one who was better suited for the position than Mr. Kelly himself.

Mr. UNTERMYER. Yes.

Mr. LEVY. And Mr. Kelly said that he did not wish to be president of a bank unless he had an assurance that the clearing house would stand back of him.

Mr. UNTERMYER. Yes.

Mr. LEVY. Because he had a reputation at stake. Mr. Hepburn said, "Mr. Kelly, if you will accept the presidency of the bank, why, the clearing house will stand back of you."

Mr. UNTERMYER. Did Mr. Kelly say anything about being a three-day president, or refer to some other incident?

Mr. LEVY. I do not think he said it just at that time, in our presence, because he took Mr. Hepburn aside afterwards, right after that, and spoke to him confidentially.

Mr. UNTERMYER. You mean Mr. Hepburn took Mr. Kelly aside?

Mr. LEVY. Yes, and they spoke together confidentially, and then we left the clearing house and went back to the bank, and I think it was the same afternoon that the directors met, and the resignation of Mr. Jones was accepted, and Mr. Kelly was elected president, and his election was published in the papers.

Mr. UNTERMYER. What was said, if anything, by Mr. Hepburn about the clearing house standing behind the bank until the last ditch?

Mr. LEVY. I do not remember whether those exact words were used, but he gave us assurance that if Mr. Kelley would accept the presidency, the clearing house would stand behind him.

Mr. UNTERMYER. Was anything said as to all the clearing-house banks standing together?

Mr. LEVY. I do not remember of any such thing.

Mr. UNTERMYER. What did Mr. Kelly say when Mr. Hepburn said that if he would take the presidency the clearing house would stand behind the bank?

Mr. LEVY. He said on those conditions he would accept it, as he felt he owed it as a duty to the stockholders and depositors he represented.

Mr. UNTERMYER. Then, you say you all went back and elected Mr. Kelly?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. Did you make any subsequent visits to the clearing house?

Mr. LEVY. No, sir.

Mr. UNTERMYER. You were not with these gentlemen on the occasions to which they have testified?

Mr. LEVY. No, sir.

Mr. UNTERMYER. I think that is all. I will ask you this: Did you, as a member of the executive committee, have a personal knowledge of the condition of the bank at that time?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. Did you then know as to its solvency?

Mr. LEVY. Yes.

Mr. UNTERMYER. What did you do as to that?

Mr. LEVY. I know that at that time we charged off between four hundred and five hundred thousand dollars, and still the book value of the bank was something over \$200 per share.

Mr. UNTERMYER. The book value of the stock, you mean?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. Were those facts gone over with Mr. Hepburn on the occasion to which you refer?

Mr. LEVY. No, sir.

Mr. UNTERMYER. Do you recall the occasion of the bank being examined?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. When was that?

Mr. LEVY. That was in October; the latter part of October, 1907.

Mr. UNTERMYER. And were you present at that time?

Mr. LEVY. No, sir; I was not.

Mr. UNTERMYER. That was an examination made by whom?

Mr. LEVY. By the clearing-house committee.

Mr. UNTERMYER. It was after that examination that this statement was made by Mr. Hepburn that they would stand behind the bank, was it?

Mr. LEVY. Yes, sir.

Mr. UNTERMYER. If Mr. Kelly would take the place?

Mr. LEVY. Yes.

Mr. UNTERMYER. That is all.

Witness excused.

Mr. UNTERMYER. Mr. Chairman, when Mr. Jones was upon the stand he was asked, and promised, to furnish us a statement of the condition of the Oriental Bank as of January 30, 1908, and as of March 30, 1912, and when he went back to his office he furnished this statement, which we would like to put in the record.

The CHAIRMAN. It may be marked as an exhibit and included in the record.

The paper referred to was marked "Exhibit 23, June 11, 1912," and is as follows:

*Oriental Bank.*

	Jan. 30, 1908.	Mar. 30, 1912.	Decrease.
<b>ASSETS.</b>			
Demand loans.....	\$2,575,168.68	\$202,839.50	\$2,372,329.18
Bills discounted.....	3,862,427.87	270,835.18	3,591,592.69
Suspense account.....	318,030.89	12,398.43	305,632.46
Stocks and bonds.....	420,436.95	766,580.20	1,346,143.25
Real estate.....	152,334.00		152,334.00
Due from banks.....	368,722.56	53,948.01	314,774.55
Overdrafts.....	53,532.19	208.21	53,323.98
Cash items.....	213,557.37		213,557.37
Sundry items.....	48,781.21	1,041.61	47,739.60
Darlington & Jenkins.....	9,615.64		9,615.64
			7,060,899.47
Brownsville property disbursements.....			346,143.25
	8,022,607.36	1,307,851.14	6,614,756.22
<b>LIABILITIES.</b>			
Due depositors.....	2,852,345.67	7,529.60	2,844,816.07
Due to banks.....	1,679,710.58		1,679,710.58
Clearing-house loan.....	1,751,351.28		1,751,351.28
Certified checks.....	56,023.64	3,405.09	52,618.55
Certificates of deposit.....	91,848.16	31.11	91,817.05
Cashier's checks.....	53,965.05	471.41	53,493.64
Paying teller's checks.....	1,460.92		1,460.92
Unpaid dividends.....	13.75		13.75
Rediscounts.....		97,175.00	197,175.00
Bills payable.....		98,000.00	198,000.00
Capital stock.....	750,000.00	750,000.00	
Surplus.....	780,888.31	351,238.93	429,649.38
			6,909,931.22
			195,175.00
	8,022,607.36	1,307,851.14	6,714,756.22

<sup>1</sup> Increase.

*Oriental Bank, Mar. 30, 1912.*

<b>Assets:</b>	
Loans and discounts.....	\$486, 073. 11
Stocks and bonds.....	766, 580. 20
Overdrafts.....	208. 21
Due from banks.....	53, 948. 01
Cash items.....	1, 041. 61
	<hr/>
	1, 307, 851. 14
	<hr/>
<b>Liabilities:</b>	
Capital stock.....	750, 000. 00
Surplus.....	351, 238. 93
Due depositors.....	7, 529. 60
Bills payable.....	98, 000. 00
Rediscounts.....	97, 175. 00
Certified checks.....	3, 405. 09
Cashier's checks.....	471. 41
Certificates of deposit.....	31. 11
	<hr/>
	1, 307, 851. 14

Further collections since March 30 have reduced indebtedness to about \$130,000.

Mr. UNTERMYER (continuing). It appears that on January 30, 1908, according to this statement, the stock had a value of over \$200 per share and that on March 30, 1912, based on the remaining assets of the bank, the stock still had a value of \$1,101,238.93, which would be something over \$150 per share, in addition to the 37½ per cent that had been paid as a dividend, and after charging out the four hundred and odd thousand dollars said to be paid for liquidating.

Mr. HEALD. Does it show any liabilities?

Mr. UNTERMYER. It shows liabilities, March 30, 1912, \$130,000, as against stocks and bonds, \$766,000; bills discounted, \$270,000; demand loans, \$202,000; due from other banks, \$53,000. These seem to be apparently the liquid assets as against rediscounts and bills payable—items of indebtedness.

**TESTIMONY OF FRANK A. VANDERLIP.**

The witness was sworn by the chairman.

Mr. UNTERMYER. The committee is at the moment investigating the branch of the inquiry relating to the clearing-house association and their relation to the financial system, so any questions that will be asked you at this time will have relation only to that particular subject, the idea being to take up these subjects seriatim, and any further inquiry, on any other branch of the subject, will be delayed until later.

You are the president of the City Bank, are you not?

Mr. VANDERLIP. President of the National City Bank, yes.

Mr. UNTERMYER. And you have been president of the National City Bank for how long?

Mr. VANDERLIP. For four years.

Mr. UNTERMYER. Prior to that were you the vice president of the bank?

Mr. VANDERLIP. Yes, sir.

Mr. UNTERMYER. From what time?

Mr. VANDERLIP. July, 1901.

Mr. UNTERMYER. Were you in the banking business in 1899, when the resolutions or rules and regulations of the clearing house were passed relating to the collection of out-of-town checks?

Mr. VANDERLIP. I was Assistant Secretary of the Treasury at that time.

Mr. UNTERMYER. Had you previously been in the banking business?

Mr. VANDERLIP. Not actively. I had been an organizer of some banks, but had not been an officer.

Mr. UNTERMYER. So that your acquaintance with this regulation and with its operation and effect dated only from the time you went with the City Bank?

Mr. VANDERLIP. Quite so.

Mr. UNTERMYER. In 1901?

Mr. VANDERLIP. Yes, sir.

Mr. UNTERMYER. Then you can not give us any information, can you, as to what the condition was among the banks of the city of New York with respect to the collection of out-of-town checks before that resolution and regulation was passed?

Mr. VANDERLIP. I have no personal knowledge of that situation.

Mr. UNTERMYER. Then you can not tell us whether, whilst the banks were left independent to regulate their own rates of collection and their own affairs with their customers, there was any money made or lost on the business?

Mr. VANDERLIP. I have never investigated the subject.

Mr. UNTERMYER. Do you know or can you give us any idea as to what would be the effect upon the action of the national banks of New York City of the abrogation of this rule of the clearing house, so that each bank would thereafter be permitted to use its own judgment and act independently with its customers in making arrangements for the collection of out-of-town checks?

Mr. VANDERLIP. No; I do not think I could predicate what would be the situation then.

Mr. UNTERMYER. You have no data, by way of experience as to what the situation previously was, that would guide you?

Mr. VANDERLIP. None whatever.

Mr. UNTERMYER. Have you read the constitution of the clearing-house association?

Mr. VANDERLIP. Not fully, I think.

Mr. UNTERMYER. Do you know the purpose of its creation?

Mr. VANDERLIP. I do.

Mr. UNTERMYER. What was the purpose of its creation?

Mr. VANDERLIP. Clearing the checks.

Mr. UNTERMYER. To have a central point at which members could exchange their debit and credit accounts in the way of checks?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And to do that daily?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. In your judgment is not that the sole legitimate function of a clearing-house association?

Mr. VANDERLIP. By no manner of means. I would say that every panic experience has given a great illustration of that fact.

Mr. UNTERMYER. What justification do you assert for using the clearing-house association in order to promulgate a rule that binds

the banks that are members of it in their relations between themselves and their customers with respect to the minimum rates for the collection of out-of-town checks under penalty of expulsion from the privileges of the clearing-house association?

Mr. VANDERLIP. I would presume that the members of the clearing house feel that if they mutually agree upon a course of action that is desirable, and unanimously agree upon that, that would be the basis for taking such action.

Mr. UNTERMYER. Is that the only explanation you care to make?

Mr. VANDERLIP. That is all that occurs to me at the moment.

Mr. UNTERMYER. Suppose, then, that the members of the clearing-house association should come to the conclusion that they would like to tax the merchants of the country 1 per cent on the face amount of every check for collecting it; would you consider that they were justified in doing that?

Mr. VANDERLIP. If the clearing house did that, I would believe that on the face of it there was some good reason for it.

Mr. UNTERMYER. Whatever they did you would feel must be justified?

Mr. VANDERLIP. From such experience as I have had with the clearing house I would feel that there was justification for the act of the clearing house; yes, sir.

Mr. UNTERMYER. Then, from your point of view, it is one of those institutions that can do no wrong?

Mr. VANDERLIP. Oh, no. It is one of those institutions that has done a great deal of right, however.

Mr. UNTERMYER. And, therefore, whatever it might do, so far as concerned adding to the profits of the banks at the expense of the merchants and people of the country, you would feel must be right?

Mr. VANDERLIP. Not necessarily.

Mr. UNTERMYER. I so understood it. You are aware, are you not, that some of the clearing-house associations of the country have promulgated uniform regulations, binding on their members, fixing from time to time a uniform rate of interest on deposits?

Mr. VANDERLIP. I have never heard of such action.

Mr. UNTERMYER. Have you read Mr. Cannon's book on the clearing house?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. It has appeared here in evidence, from illustrations given by Mr. Cannon in his book on clearing houses, that there have been such arrangements. That you would consider wrong, would you?

Mr. VANDERLIP. I certainly would.

Mr. UNTERMYER. The clearing house has as much power to do that as it has to regulate the rates that the banks charge to their customers on the collection of dividend checks, has it not?

Mr. VANDERLIP. I should think not.

Mr. UNTERMYER. How is one of those functions any more foreign to the original purpose of merely exchanging debit and credit accounts at the clearing house than the other?

Mr. VANDERLIP. They do not seem to me parallel.

Mr. UNTERMYER. But how is one any more foreign than the other? Explain it, but not by mere assertion. Give us some reason or argument.

Mr. VANDERLIP. The rate that is paid for the collection of checks and the rate that is asked from borrowers I should say are not at all parallel.

Mr. UNTERMYER. That, again, is an assertion; but I would like to know some argument on which you base that statement. Let us see for a moment. The clearing house has nothing to do with the collection of out of town checks, has it, as such?

Mr. VANDERLIP. Not directly through the operations of the clearing house, no.

Mr. UNTERMYER. It has not anything to do with the collection of out-of-town checks, directly or indirectly, has it?

Mr. VANDERLIP. No; I think not.

Mr. UNTERMYER. It is just as foreign to the business of the clearing house as would be the fixing of interest rates on deposits, is it not?

Mr. VANDERLIP. It does not seem so to me.

Mr. UNTERMYER. The only checks that are cleared by the clearing house are checks as between members of the association itself, are they not?

Mr. VANDERLIP. Yes; and nonmembers through members.

Mr. UNTERMYER. When I refer to members, of course I include what we call nonmembers who clear through members. But the operations of the clearing-house association are confined, are they not, to the exchange of debit and credit accounts and the clearances of checks between members and so-called nonmembers?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. What are its other operations?

Mr. VANDERLIP. It is a warehouse for money.

Mr. UNTERMYER. I had forgotten that. It also assumes a sort of subtreasury power, does it not?

Mr. VANDERLIP. I did not say it assumed a subtreasury power. It is a warehouse for money.

Mr. UNTERMYER. If you had said so, I should not have asked you, Mr. Vanderlip. I am asking you whether it does not also assume a subtreasury power, because you have not said so.

Mr. VANDERLIP. No; I do not think it does.

Mr. UNTERMYER. Let us see if it does not. A bank with gold coin or legal tender or silver certificates can deposit them in the vaults of the clearing-house association and get clearing-house certificates, or it can deposit this coin or money in the subtreasury and get legal tender, can it not?

Mr. VANDERLIP. No; not necessarily, as to the latter part of your question.

Mr. UNTERMYER. Let us see if it can not.

Mr. VANDERLIP. Can it deposit silver certificates and get legal tender?

Mr. UNTERMYER. No; but it can deposit silver and get silver certificates, can it not?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And can it deposit silver certificates in the subtreasury?

Mr. VANDERLIP. It can deposit silver certificates in the subtreasury.

Mr. UNTERMYER. And get what for them?

Mr. VANDERLIP. Silver certificates or silver.

Mr. UNTERMYER. It can deposit gold coin or legal tender in the subtreasury, can it not?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And get what for it?

Mr. VANDERLIP. If it deposits gold coin it can get gold certificates.

Mr. UNTERMYER. When it deposits gold coin in the clearing-house association subtreasury, we will call it, or vaults, what does it get from the clearing house?

Mr. VANDERLIP. It gets a warehouse receipt from the clearing house for the money deposited there.

Mr. UNTERMYER. It gets something more than that, does it not?

Mr. VANDERLIP. I think not.

Mr. UNTERMYER. It gets a certificate showing the deposit of that money, does it not?

Mr. VANDERLIP. Yes; a warehouse receipt for it.

Mr. UNTERMYER. That passes current among all the members of the clearing-house association in lieu of money, does it not?

Mr. VANDERLIP. In the payment of balances; yes.

Mr. UNTERMYER. Among all the members of the association?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. It is just as good as money between them?

Mr. VANDERLIP. For the one purpose of paying clearing-house balances.

Mr. UNTERMYER. To pay their debts?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Instead of paying their debts to one another in cash or gold coin they can pay them in those certificates?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And every member of the clearing-house association is bound to take them, is he not?

Mr. VANDERLIP. I am not certain as to that. They certainly do take them.

Mr. UNTERMYER. Do you mean to say that under the rules of the association he is not bound to take them?

Mr. VANDERLIP. I am not aware. I never examined the question.

Mr. UNTERMYER. Still, there has never been any question of the members taking them?

Mr. VANDERLIP. I never heard of any question; and, as a practical matter, they do take them.

Mr. UNTERMYER. And the same is true, is it not, of the deposit of legal tender or silver certificates—that is, that they get certificates of a like kind which also pass current between the members?

Mr. VANDERLIP. Yes, sir.

Mr. UNTERMYER. If those certificates that are issued by the clearing house association on the deposit of gold coin, or legal tender, or silver certificates, were unlimited in their circulation, and not limited merely to the members, you admit, do you not, as a man of large experience in the Treasury Department, that they would be subject to the circulation tax of 10 per cent?

Mr. VANDERLIP. Undoubtedly.

Mr. UNTERMYER. Which was intended to prohibit the issue of circulation?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And it is your opinion, is it, that in spite of that limitation upon the circulation of those certificates, your association has the right to issue them without paying that circulation tax?

Mr. VANDERLIP. For the purposes for which they are used. I never heard it challenged.

Mr. UNTERMYER. Have you ever presented the question to the Government authorities?

Mr. VANDERLIP. I never had any occasion to.

Mr. UNTERMYER. Have you ever done so?

Mr. VANDERLIP. I never had occasion to. The Government authorities have knowledge of it, and I presume acquiesce in it.

Mr. UNTERMYER. On what do you base your assumption that they acquiesce in it?

Mr. VANDERLIP. Because they never questioned it, so far as I am aware.

Mr. UNTERMYER. During the panic of 1907 you know, do you not, that there were issued all over the United States these clearing-house certificates in small denominations that passed current, not only among the numbers but generally, as money?

Mr. VANDERLIP. I know that was done in some cities. It was not done here.

Mr. UNTERMYER. It was done largely through the country, was it not?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And they were issued in denominations of one, two, and five dollars?

Mr. VANDERLIP. I believe so.

Mr. UNTERMYER. And the associations never paid any circulation tax on those certificates, so far as you know, did they?

Mr. VANDERLIP. I think they have never been asked to.

Mr. UNTERMYER. I did not ask you that. If a man owes something to the Government, he might pay it without being asked to, you see. The question was whether they had ever paid any such tax.

Mr. VANDERLIP. I have no knowledge of whether they have ever paid or not.

Mr. UNTERMYER. Returning, now, to this question of commissions on collection of out-of-town checks and the subsidiary questions we have been discussing, do you know whether or not the clearing-house associations of the country have also regulated uniform interest on loans to borrowers?

Mr. VANDERLIP. I never have heard of such an attempt.

Mr. UNTERMYER. You know that Mr. Cannon is a very eminent authority on the subject, do you not?

Mr. VANDERLIP. Undoubtedly.

Mr. UNTERMYER. And his work is considered standard, is it not, with respect to clearing houses?

Mr. VANDERLIP. It ought to be, considering his eminence.

Mr. UNTERMYER. On page 13 of his book on clearing houses he says:

Another of the special functions of a clearing house is the fixing of uniform rates of interest on deposits and, in a few instances, on loans.

Do you agree that the fixing of uniform rates of interest on deposits is a special function of a clearing house?

Mr. VANDERLIP. I should not think it was.

Mr. UNTERMYER. And the fixing of interest on loans in any instances?

Mr. VANDERLIP. I should not so regard it.

Mr. UNTERMYER. Why has not the clearing house, if it chooses to impose that regulation upon its members, just as much and just as little right to say to them that they must observe a uniform interest on loans, fixed by the clearing house, and uniform interest on deposits, fixed by the clearing house, as they have to require them to observe a uniform rate of commissions on collecting their out-of-town checks, with which the clearing house has nothing to do?

Mr. VANDERLIP. That is a matter that would be open to differences of opinion, I should think.

Mr. UNTERMYER. You see, I am asking for yours; why one is not as much a function of the clearing house, or as little a function of the clearing house, as the others?

Mr. VANDERLIP. It is very clear to my mind that it would not be the function of a clearing house to fix the rate upon loans. You will probably check me by saying this is merely the assertion of an opinion without argument to support it, and I can not say that I have prepared in my mind an argument to support a thing that has been in existence a long time, and which I have never questioned, but I have always regarded it as an entirely proper function for the clearing house to fix this rate upon the collection of checks.

Mr. UNTERMYER. Is that because you found it in existence when you came there?

Mr. VANDERLIP. I presume so.

Mr. UNTERMYER. That is it. So that, having found it there, you have not really thought much about it?

Mr. VANDERLIP. I have not really thought much about it.

Mr. UNTERMYER. But you know there are a great many things that seem right by custom that may be pointed out to be wrong?

Mr. VANDERLIP. Oh, yes.

Mr. UNTERMYER. And that is one of the functions of this committee, to see where the defects of the system are, so as to suggest legislation for remedying those defects.

Mr. VANDERLIP. I am glad to know that.

Mr. UNTERMYER. In connection with this question of rates of interest Mr. Cannon refers to the following as one of those instances:

In some associations the legality of such action is still regarded as a moot question, and hence they are reluctant to enforce such a rule. Other associations, however, have not hesitated to regulate the members on these points. As early as 1881 rates of interest were agreed upon in Buffalo, and were observed practically without friction or violation for some nine years thereafter. They were broken at last only because of their nonobservance by new banks, which at the outset refused to become members of the clearing-house organization.

Is that information news to you?

Mr. VANDERLIP. Absolutely.

Mr. UNTERMYER. Absolutely?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And you are the chairman of the clearing-house committee?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Yours is the largest bank, in point of deposits, or I think the second largest, in the United States, is it not?

Mr. VANDERLIP. So far as I am aware, it is the largest.

Mr. UNTERMYER. And your average deposits are now about how much?

Mr. VANDERLIP. About \$200,000,000, net.

Mr. UNTERMYER. Do you keep in your bank any separate account showing the amount of out-of-town checks collected?

Mr. VANDERLIP. I presume we do. I have really no knowledge.

Mr. UNTERMYER. You have not inquired?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. That is a part of the machinery of the bank with which you do not come in personal contact?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Can you tell us whether you have upon your books to-day any account that would show what it costs to collect these out-of-town checks?

Mr. VANDERLIP. I think undoubtedly that we have, for I have been informed of that amount.

Mr. UNTERMYER. But you do not know?

Mr. VANDERLIP. I have not examined the original books.

Mr. UNTERMYER. Do you know whether it costs you anything to collect out-of-town checks?

Mr. VANDERLIP. I am sure that it does.

Mr. UNTERMYER. Do you not know that your correspondents collect them without charge?

Mr. VANDERLIP. I know that they do not.

Mr. UNTERMYER. You know that none of them collect without charge?

Mr. VANDERLIP. No; there are some that collect them without charge, and there are some that make charges. There are many various arrangements.

Mr. UNTERMYER. That matter is the subject of independent arrangement?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. It depends on the reciprocity of business to some extent, does it not?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. There are times, are there not, when the exchange is against New York and in favor of the interior, when it is very profitable, or would be very profitable to collect these checks without charge?

Mr. VANDERLIP. Yes; but the arrangement is never varied with the seasonal differences on exchange.

Mr. UNTERMYER. But there are such times?

Mr. VANDERLIP. There are times when New York exchange is at a premium, and times when it is at a discount, of course.

Mr. UNTERMYER. There are times when it is at a premium, and when, if you did not have these out-of-town checks, you would have to buy exchange and pay a premium, are there not?

Mr. VANDERLIP. No; there would be times when the interior bank would have to ship money to New York. The New York bank would not have to buy interior exchange.

Mr. UNTERMYER. That is what I mean.

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. It would cost you something to get money to the interior?

Mr. VANDERLIP. We would not have to get it to the interior.

Mr. UNTERMYER. There are times when you owe the interior large sums of money?

Mr. VANDERLIP. We owe it payable here, not in the interior.

Mr. UNTERMYER. But there are times when you send money to the interior?

Mr. VANDERLIP. At the request of the interior bank; at the instance of the interior bank.

Mr. UNTERMYER. But there are times when the money flows from New York to the interior?

Mr. VANDERLIP. Yes; because the interior bank desires it and has no power through a deposit here, and has no command of money at the interior point.

Mr. UNTERMYER. Yes.

Mr. VANDERLIP. So that the interior bank must either buy exchange on its local point, or must shift the money at its own expense.

Mr. UNTERMYER. But when you owe the interior bank money and the interior bank calls for it, you have to meet that demand?

Mr. VANDERLIP. We owe it payable here, not in the interior.

Mr. UNTERMYER. Always payable here?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And they always draw here for it?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. According to your arrangement you get the country bank both ways, do you not?

Mr. VANDERLIP. I do not understand the question.

Mr. UNTERMYER. You get them, as the saying is, coming and going, do you not?

Mr. VANDERLIP. I do not understand the question.

Mr. UNTERMYER. Well, whether you owe the interior bank money or whether the interior bank owes you money, when you remit to the interior bank it always pays exchange, does it?

Mr. VANDERLIP. Our accounts are kept in New York funds always.

Mr. UNTERMYER. But, I say, the point is that the interior bank of the country has always got to pay the exchange, whether it debits you or credits you; is that right?

Mr. VANDERLIP. The country bank always pays for the shipment of money. If it wants to ship it in here, it pays for the shipment, and if it wants to ship it out of here, it pays.

Mr. UNTERMYER. So that whichever way the exchange goes, it has to pay?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. It pays tribute to New York, either way?

Mr. VANDERLIP. Yes; I should not call it tribute.

Mr. UNTERMYER. Well, compensation?

Mr. VANDERLIP. It does not pay it to New York; it pays it to the express companies.

Mr. UNTERMYER. That is, when money is shipped?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. How about buying drafts on the interior?

Mr. VANDERLIP. If an interior bank wants to buy a draft—a draft on an interior bank from a New York bank—it might or might not

pay for that service. That would depend upon the conditions of exchange.

Mr. UNTERMYER. The clearing-house association does not undertake to regulate, does it, the arrangements you shall make with your correspondents as to whether they will charge you for collecting these checks or whether they will not?

Mr. VANDERLIP. It does not, so far as I am aware.

Mr. UNTERMYER. But it does undertake to regulate what you shall charge?

Mr. VANDERLIP. Oh, yes.

Mr. UNTERMYER. And it undertakes to regulate that you shall charge the same compensation for that service whether you pay for it or whether you do not?

Mr. VANDERLIP. It establishes a certain number of points that are known as par points.

Mr. UNTERMYER. Yes; I am excluding the discretionary points.

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. With the exception of those discretionary points, it undertakes, does it not, to require you to charge the same rate of collection on out-of-town checks whether you pay for that service or whether you do not?

Mr. VANDERLIP. It undertakes to prescribe a minimum charge; yes, sir.

Mr. UNTERMYER. Yes; a minimum charge, whether you pay for it or whether you do not?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Do you charge more than a minimum charge?

Mr. VANDERLIP. I am not aware. I have no personal relation with the handling of exchange in the National City Bank, and I really have no knowledge of that.

Mr. UNTERMYER. Have you ever read the testimony of Mr. Sherer, the manager of that association, before this committee?

Mr. VANDERLIP. Only such accounts as appeared in the press.

Mr. UNTERMYER. I know; but have you ever read the official report of his testimony—the record of his testimony?

Mr. VANDERLIP. I have not.

Mr. UNTERMYER. You have not?

Mr. VANDERLIP. I have not. I know no way of obtaining that, but I should be glad to know how to do it.

Mr. UNTERMYER. We would be glad to let you have it.

Mr. VANDERLIP. I should be glad to have it.

Mr. UNTERMYER. The stenographer will be glad to sell you one or more copies of it.

Mr. VANDERLIP. Oh, I have had numerous communications from the stenographers, offering to sell me copies at a large price.

Mr. UNTERMYER. At a large price?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Fifteen cents a folio?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You did not feel that you could afford that?

Mr. VANDERLIP. No.

Mr. UNTERMYER. It was prohibitive, was it not? You did not feel that it was important enough for it?

Mr. VANDERLIP. Not important enough to pay the price.

Mr. UNTERMYER. Yes; 15 cents a folio. So, in preference to paying the price, you relied upon newspaper reports in the publication of a letter in this morning's paper, did you not?

Mr. VANDERLIP. Yes; to an extent.

Mr. UNTERMYER. To a complete extent, did you not?

Mr. VANDERLIP. Oh, no. I had a conversation with Mr. Sherer.

Mr. UNTERMYER. You had a conversation with Mr. Sherer?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Did Mr. Sherer tell you that he was invited to make any and every explanation that he cared to make and that a copy of the testimony was furnished to him in order that he might make such corrections as he cared to make?

Mr. VANDERLIP. No; he did not.

Mr. UNTERMYER. By reference to the official notes you will find that he was not only invited to make every explanation that he cared to make of any statement he had made, but that the committee adjourned overnight, and at the close of his testimony he was again invited to read the notes and make any explanation or correction that he desired to make. That is all news to you, is it?

Mr. VANDERLIP. Yes; that is all news to me.

Mr. UNTERMYER. And are you aware of the fact that Mr. Sherer, availing himself of the very proper invitation of the committee, did make corrections?

Mr. VANDERLIP. I am aware, so far as I get it from the press.

Mr. UNTERMYER. You are aware from the fact that you instructed him to make some, did you not?

Mr. VANDERLIP. Oh, not at all.

Mr. UNTERMYER. You communicated with him on the subject?

Mr. VANDERLIP. Yes; I communicated with him.

Mr. UNTERMYER. On the subject. Following that communication, he made some corrections, did he not?

Mr. VANDERLIP. Prior to that, or at the beginning of it, he told me he was about to.

Mr. UNTERMYER. When he told you he was about to, then you talked with him about it?

Mr. VANDERLIP. I did.

Mr. UNTERMYER. You understand, Mr. Vanderlip, that you have the same privilege that is accorded any witness here of making any explanation of his testimony that he desires to make, and also you have the right or privilege of revising your testimony, and if there is any mistake in it to correct it?

Mr. VANDERLIP. Thank you.

Mr. UNTERMEYER. That is all a revelation to you, is it?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Yes; I see. The committee is anxious to get all the light it can on this subject of the compensation for collecting out-of-town checks. It has been relying upon the testimony of the clearing-house association, so far, and upon that of its witnesses.

Will you be good enough to have made up by people in your bank, from your books, an account, a statement, showing the following items:

1. The amount of collections of out of town checks, month by month for the past two years, leaving out the discretionary points at which there is no charge.

2. The compensation upon those collections.
3. An itemized statement of any disbursements made by the bank in connection with those checks.

May we have that information?

Mr. VANDERLIP. Is this to be spread upon the public records?

Mr. UNTERMYER. Not if you do not desire it. It will be upon the records of the committee, of course, as otherwise it can not be utilized.

Mr. VANDERLIP. I would want to take advice before I would furnish that information for public use.

Mr. UNTERMYER. That is quite proper. Will you take that advice and then advise the committee?

Mr. VANDERLIP. I will.

Mr. UNTERMYER. Very well. There is no doubt, is there, about the verity and integrity of the open letter which you issued this morning in connection with the work of this committee?

Mr. VANDERLIP. I think not.

Mr. UNTERMYER. Let me call your attention to the following statement:

Take, for instance, the sensational statement which has been given wide publicity, that the profits of the New York banks on the collection of country checks reached \$50,000,000 per annum. This statement, of course, emanates not from a witness but from your counsel, but the press reports of the hearing have undoubtedly left in the minds of many readers the inference that it has been officially brought out at a hearing of your committee.

You made that statement, did you not?

Mr. VANDERLIP. I did.

Mr. UNTERMYER. And you called it sensational?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You had not read any of the minutes of the testimony of Mr. Sherer, as you have already stated?

Mr. VANDERLIP. I had merely read the press reports.

Mr. UNTERMYER. You would not object to apologizing for any mistake you had made, if it were shown to be a mistake, would you?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. Although that is not the purpose for which we have asked you to come here to-day.

Mr. VANDERLIP. It would be a pleasure to do it.

Mr. UNTERMYER. I think you will enjoy that pleasure in a minute. Did you know, when you made that statement, that Mr. Sherer had testified that he had made a computation in 1909 of the amount of business on out-of-town checks and that it was then \$55,000,000 a day? Did you know that?

Mr. VANDERLIP. I think I read that in the press.

Mr. UNTERMYER. Now I read as follows from page 152 of the official notes of Mr. Sherer's testimony:

Mr. UNTERMYER. I think you said that the average daily out-of-town checks coming through the New York banks is \$55,000,000. That was in what year, Mr. Sherer?

Mr. SHERER. That is just about the time the collection charges were adopted.

Mr. UNTERMYER. That was in 1899?

Mr. SHERER. Yes.

Mr. UNTERMYER. Do you not know they are vastly greater now?

Mr. SHERER. The amount is greater, but I do not think the percentage of out-of-town checks is any greater.

Mr. UNTERMYER. No; the percentage would still be about 25 per cent.

Mr. SHERER. Yes.

Mr. UNTERMYER. And 25 per cent of the present business would be how much as compared with \$55,000,000? Probably double that, would it not?

Mr. SHERER. Yes; double that, quite.

We came within the mark when we said \$100,000,000. He also testified that he would not say whether it would not be \$150,000,000 a day or between \$100,000,000 and \$150,000,000.

Mr. VANDERLIP. I suspect he has not any knowledge—

Mr. UNTERMYER. You are not quarrelling with Mr. Sherer?

Mr. VANDERLIP. No.

Mr. UNTERMYER. You do not claim to have any knowledge either?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. You have made the statement that this was excessive. Have you as much knowledge as Mr. Sherer on that subject?

Mr. VANDERLIP. I think I have.

Mr. UNTERMYER. Mr. Sherer was with the clearing-house association when this rule was adopted, was he not?

Mr. VANDERLIP. Yes; but he is not connected with the collections—

Mr. UNTERMYER. What knowledge have you?

Mr. VANDERLIP. I have the knowledge of experience in the business.

Mr. UNTERMYER. Let us see. Your experience goes back only to 1901.

Mr. VANDERLIP. It does not need to go back more than 12 months.

Mr. UNTERMYER. You think 12 months' experience would make you an unassailable critic of everybody else's point of view?

Mr. VANDERLIP. On no subject whatever, sir.

Mr. UNTERMYER. You do not know what amount of out-of-town checks are collected through the New York banks, do you?

Mr. VANDERLIP. I do not. I think no one else knows very accurately.

Mr. UNTERMYER. You have never attempted to get the information, have you?

Mr. VANDERLIP. No.

Mr. UNTERMYER. And yet you are criticizing Mr. Sherer, who says he did gather the information. How do you account for that?

Mr. VANDERLIP. That is because I do not believe that he knows.

Mr. UNTERMYER. Oh, I see. Did you ask him where he got it?

Mr. VANDERLIP. No; I had no conversation with him.

Mr. UNTERMYER. And you do not care? You know he does not know and that ends it, does it not? Now we will go on and read further from this testimony.

I read from page 153, as follows:

Mr. UNTERMYER. We would have to deal with an item of \$100,000,000 approximately per day of out-of-town checks as against \$55,000,000?

Mr. SHERER. Yes.

Mr. UNTERMYER. And instead of this entailing an annual expenditure of approximately \$25,000,000 for collection charges it would be about \$50,000,000, would it not?

Mr. SHERER. Yes; but not on the same amount of business.

Mr. UNTERMYER. No; but on the present business.

Mr. SHERER. Yes.

Now, Mr. Sherer found out the next day that included in this were out-of-town checks on discretionary points, as to which no commission was chargeable. He corrected his testimony in that respect. You know that, do you not

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And according to his correction, he estimated or guessed that as much as 60 per cent of all the out-of-town checks in the country that passed through New York were on the discretionary points. Did he get that information from you?

Mr. VANDERLIP. He did not.

Mr. UNTERMYER. That is not correct, is it?

Mr. VANDERLIP. I do not know, and I doubt if he does.

Mr. UNTERMYER. Yes; but it is nearer 20 per cent, is it not, than 60 per cent?

Mr. VANDERLIP. No; I think not. I think it is nearer 70 per cent, probably.

Mr. UNTERMYER. Why not 100?

Mr. VANDERLIP. Because I know, and you do, that it is not 100 per cent.

Mr. UNTERMYER. Do you know what are the discretionary points?

Mr. VANDERLIP. I have read them over. I can not enumerate them.

Mr. UNTERMYER. What are they? You are making a guess, here. Let us see what you know about it, but do not guess. You must know?

Mr. VANDERLIP. No.

Mr. UNTERMYER. What are the discretionary points that you exclude in your calculation when you tell the committee that there would be nearer 70 per cent? What are those discretionary points that you exclude, in making that statement?

Mr. VANDERLIP. I have no occasion, in the course of my business, to be familiar with the discretionary points.

Mr. UNTERMYER. Do you know what they are?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. Do you know any of them?

Mr. VANDERLIP. Oh, yes.

Mr. UNTERMYER. Which of them do you know?

Mr. VANDERLIP. I do not care to merely sit here and guess about things.

Mr. UNTERMYER. No. I will ask the stenographer to read my question.

The stenographer read the preceding testimony as follows:

Mr. UNTERMYER. Do you know what they are?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. Do you know any of them?

Mr. VANDERLIP. Oh, yes.

Mr. UNTERMYER. Which of them do you know?

Mr. UNTERMYER. Which of them do you know? Do not guess at it, but which of them do you know?

Mr. VANDERLIP. Is this an inquiry for information? If it is, you have the information before you.

Mr. UNTERMYER. This is an inquiry for information, and not for guessing.

Mr. VANDERLIP. I decline to guess at the discretionary points.

Mr. UNTERMYER. Then you do not know?

Mr. VANDERLIP. I do not.

Mr. UNTERMYER. So that you can give us no approximate idea, based on amounts, of the proportion of the \$100,000,000 a day referred

to by Mr. Sherer which consists of out-of-town checks on discretionary points?

Mr. VANDERLIP. Not of my personal knowledge.

Mr. UNTERMYER. No. The testimony, as we have read it, is entirely different from what you thought it was?

Mr. VANDERLIP. Not very much.

Mr. UNTERMYER. Not much. So that you adhere to the statement in your letter?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You do not have the good grace to apologize?

Mr. VANDERLIP. No; I see no occasion for apologizing, as yet. I perhaps may.

Mr. UNTERMYER. Your knowledge on this subject, as you have disclosed it, is your entire knowledge, is it?

Mr. VANDERLIP. What subject are you referring to?

Mr. UNTERMYER. The subject of out-of-town country checks, and the total amount that is collected by way of charges upon them.

Mr. VANDERLIP. Oh, no; I would not want to say that.

Mr. UNTERMYER. That is all you can tell us, is it not?

Mr. VANDERLIP. I can tell you many things about the collection of country checks.

Mr. UNTERMYER. Yes; but I am asking you now whether that is all the knowledge you have bearing on the subject we are investigating, and if there is more we want it.

Mr. VANDERLIP. No; I have the knowledge of experience as to what the banks make as compared with what the impression that went out from this examination was.

Mr. UNTERMYER. Let us see. You have never looked at a book in your bank on the subject?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. And you have not seen an account bearing on it?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. You do not know what the cost of collection is?

Mr. VANDERLIP. I do.

Mr. UNTERMYER. Is it recorded in any book?

Mr. VANDERLIP. It must be, for I have had it.

Mr. UNTERMYER. Have you seen it in any book?

Mr. VANDERLIP. I do not know that we keep any books, but I presume we do, because I have figures reported to me, and I have always found them to be correct.

Mr. UNTERMYER. Give us the name of the man who keeps those books from whom you get that information.

Mr. VANDERLIP. I have gotten the information from Mr. Arthur Cavanaugh.

Mr. UNTERMYER. He is the man who would know these figures?

Mr. VANDERLIP. He is the man that reported the facts to me, and he ought to be in a position to know.

Mr. UNTERMYER. If you will designate the man now who knows the facts that you say you know and did not know when you wrote that letter, we will call him. Just give us the names of the men.

Mr. VANDERLIP. I knew the facts when I wrote the letter.

Mr. UNTERMYER. I am asking you for the names of the men.

Mr. VANDERLIP. I did not draw those facts by a personal inspection of the books.

Mr. UNTERMYER. I am asking for the names of the men in the bank who could give us the facts, if there are any.

Mr. VANDERLIP. Now, just what facts do you want, and I will see if I can tell you?

Mr. UNTERMYER. First, the volume of the business of your bank in out-of-town checks. Who could give us that, from the books?

Mr. VANDERLIP. The cashier could obtain that from the books. He would be familiar with the books, and would know how to get it.

Mr. UNTERMYER. Who would know the amount you received for the service?

Mr. VANDERLIP. He would know that.

Mr. UNTERMYER. The cost of the service, if any, to you, we would like to know. Who would know that?

Mr. VANDERLIP. The cashier.

Mr. UNTERMYER. Mr. Cavanaugh?

Mr. VANDERLIP. Mr. Arthur Cavanaugh.

Mr. UNTERMYER. Do you not know that your bank has no records that would show the cost of collecting those checks?

Mr. VANDERLIP. I do not. I think the reverse.

Mr. UNTERMYER. You state that as a fact?

Mr. VANDERLIP. I state it as my best impression, that it has accurate figures.

Mr. UNTERMYER. Is it your impression that there is a separate account of it?

Mr. VANDERLIP. I think so.

Mr. UNTERMYER. Have you been told so?

Mr. VANDERLIP. I have heard it frequently discussed in the bank.

Mr. UNTERMYER. Have you been told so?

Mr. VANDERLIP. I have heard it frequently discussed in the bank that the expense of doing the collection business was this or that.

Mr. UNTERMYER. Are you aware that before this rule was imposed upon the clearing-house members it was the custom of many of the banks in New York to collect these out-of-town checks without any charge whatever to their customers?

Mr. VANDERLIP. I have no knowledge whatever.

Mr. UNTERMYER. You have no knowledge on the subject; and I think you said you could not tell us what, in your judgment, would be the effect of abrogating that rule?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. You know it would revive competition, do you not?

Mr. VANDERLIP. I would presume it might.

Mr. UNTERMYER. And the purpose of the rule is to prevent that competition, is it not?

Mr. VANDERLIP. I do not know that I would put it in exactly that way.

Mr. UNTERMYER. If you know that the result of abrogating the rule would be to revive competition between the banks, does it follow that the purpose of maintaining the rule is to prevent the competition that would otherwise be revived?

Mr. VANDERLIP. I think that is an element in it.

Mr. UNTERMYER. You think that is a fair statement, do you?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You understand, do you not, Mr. Vanderlip, that it is not alone the amount of the charge to the country on these out-of-town collections with which the committee is dealing, but it is the principle of the association compelling members of that association to become parties to an agreement on rates to which they otherwise would not become parties?

Mr. VANDERLIP. I should think it ought to be wholly a matter of principle and not of amount.

Mr. UNTERMYER. Yes; it is a matter of principle. Do you not realize that the vice of this transaction lies not only in the fact that there is this agreement to maintain the rates of commission on collection of out-of-town checks, but that the banks are compelled to become parties to that agreement, on the penalty of expulsion, whether they want to or do not?

Mr. VANDERLIP. I do not recognize any vice in the matter.

Mr. UNTERMYER. You think it is a virtue?

Mr. VANDERLIP. I have so regarded it.

Mr. UNTERMYER. To prevent the competition between the banks that would otherwise ensue?

Mr. VANDERLIP. To accomplish what has been accomplished by this rule.

Mr. UNTERMYER. You mean in the way of revenue for the bank?

Mr. VANDERLIP. In the way of the prevention of loss, I should say; not of revenue, for there is no revenue.

Mr. UNTERMYER. You say you were Assistant Secretary of the Treasury before you went into the banking business in New York?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You were familiar with the banks of New York in 1899, were you not?

Mr. VANDERLIP. In a very general way.

Mr. UNTERMYER. Were they making plenty of money?

Mr. VANDERLIP. I am not aware of what profits they were making.

Mr. UNTERMYER. Were they all making a profit?

Mr. VANDERLIP. Some of them were and some of them were not. That is usually the case.

Mr. UNTERMYER. That is so always?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. But the absence of this regulation and the competition that existed between them on these out-of-town checks did not throw any of them into bankruptcy?

Mr. VANDERLIP. It might—

Mr. UNTERMYER. But did it?

Mr. VANDERLIP. I do not know; I could not say that. If a bank was near bankruptcy and engaged in something that entailed a loss, that might contribute to bringing it to bankruptcy.

§ Mr. UNTERMYER. You would charge it to that and not to something else, then?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. But so far as you know, in the general run the banks were as prosperous before this rule was adopted as they have been since?

Mr. VANDERLIP. I have not made any comparison; I do not know.

Mr. UNTERMYER. So that, so far as you know, the rule was not introduced for the purpose of saving them from bankruptcy as a class?

Mr. VANDERLIP. Probably not.

Mr. UNTERMYER. Your bank, for instance, pays about 40 per cent or more on its capital, does it not?

Mr. VANDERLIP. It does not.

Mr. UNTERMYER. What is its capital, \$25,000,000?

Mr. VANDERLIP. \$25 000 000.

Mr. UNTERMYER. And has it not earned between 30 and 40 per cent?

Mr. VANDERLIP. No; never.

Mr. UNTERMYER. Never as much as that?

Mr. VANDERLIP. No.

Mr. UNTERMYER. What are its earnings? They are a matter of public record I suppose?

Mr. VANDERLIP. Yes; they are a matter of public record. This year it earned about 20 per cent; 19 per cent, I think.

Mr. UNTERMYER. And previous to this year?

Mr. VANDERLIP. They have been earning less than that, and in one case more.

Mr. UNTERMYER. When was the per cent more than that?

Mr. VANDERLIP. Last year they earned somewhat more.

Mr. UNTERMYER. How much?

Mr. VANDERLIP. I think about 28 per cent.

Mr. UNTERMYER. And that does not include any of the profits of the City Securities Co., does it?

Mr. VANDERLIP. No; the City Securities has no relation to the City Bank.

Mr. UNTERMYER. You do not mean that, do you?

Mr. VANDERLIP. I do.

Mr. UNTERMYER. Do you know that you can not sell a share of the stock of the National City Bank without a share of the City Securities Co. going with it?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. Do you not know that you can not buy a share of one without the other?

Mr. VANDERLIP. No; there are some cases where you can.

Mr. UNTERMYER. Do you mean to say that it is possible to purchase a share of the National City Bank without at the same time securing an interest in the City Securities Co.?

Mr. VANDERLIP. I do.

Mr. UNTERMYER. But that is not the rule?

Mr. VANDERLIP. No, sir.

Mr. UNTERMYER. They are quoted together?

Mr. VANDERLIP. Usually.

Mr. UNTERMYER. And yet you say that there is no relation between the two?

Mr. VANDERLIP. No relation between the profits or earnings, or the assets.

Mr. UNTERMYER. Did you mean that, that they had no relation?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. The directorates are similar.

Mr. VANDERLIP. No.

Mr. UNTERMYER. The management is identical, is it not?

Mr. VANDERLIP. The management is very similar.

Mr. UNTERMYER. It is identical, and yet they have no relation to one another?

Mr. VANDERLIP. No.

Mr. UNTERMYER. Of how many corporations are you a director, Mr. Vanderlip; can you remember?

Mr. VANDERLIP. Not accurately; I think about 35.

Mr. UNTERMYER. You think you are a director in about 35 corporations?

Mr. VANDERLIP. About that.

Mr. JOHN A. GARVER. Is that a crime?

Mr. UNTERMYER. No, it is a virtue; but it does not decrease Mr. Vanderlip's income, does it?

Mr. VANDERLIP. Directorates do not force one's income very much.

Mr. UNTERMYER. Not even the opportunities that they offer?

Mr. VANDERLIP. The opportunities for work are the chief opportunities that I see in them.

Mr. UNTERMYER. Have you given any thought to the subject of the incorporation of the clearing-house association?

Mr. VANDERLIP. No; I have not. I have never known it to be referred to until during this hearing.

Mr. UNTERMYER. Have you given any thought to the suggestion that they should be regulated by and subject to legislation and judicial control?

Mr. VANDERLIP. I have never given any thought to that subject.

Mr. UNTERMYER. So you have not any opinion to offer on that subject?

Mr. VANDERLIP. No well-considered opinion; no, sir.

Mr. UNTERMYER. Have you given any thought to the question of whether they should be compelled to offer equal facilities to all banks that conform to a certain rule; that the law should compel them to do so regardless of any discretion?

Mr. VANDERLIP. I have never thought of that because now all banks that subscribe to certain rules are given those facilities.

Mr. UNTERMYER. How do you know—

Mr. VANDERLIP. I have general knowledge of the method by which banks are admitted, and I know that they are always admitted if they have reputable managements.

Mr. UNTERMYER. That is the point. You pass on the management?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. You are the sole judges of the management?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And they are your potential competitors?

Mr. VANDERLIP. Yes.

Mr. UNTERMYER. And you think that is all right?

Mr. VANDERLIP. I know it is, the way the clearing house is conducted.

Mr. UNTERMYER. I say you think that, in principle, it is entirely right that there should be no sort of review over your power to pass on the question of whether a potential and prospective competitor should be admitted or not.

Mr. VANDERLIP. I do, because never in the history of the clearing house has there been a case of the exclusion of a bank because of potential competition, as you put it.

Mr. UNTERMYER. Do you not know that the management has been made again and again to conform to the idea of the clearing house?

Mr. VANDERLIP. I do; and those ideas I believe are always admirable.

Mr. UNTERMYER. Judges always think the law they lay down admirable, do they not?

Mr. VANDERLIP. Usually; yes.

Mr. UNTERMYER. But sometimes the litigants do not agree with them. Do you not see that under an ambitious or unscrupulous management—and I am not inferring anything as to the present situation at all—a great evil and injustice could be wrought by this despotic power now possessed? That is the question.

Mr. VANDERLIP. Oh, yes; an unscrupulous or ambitious management, or an unscrupulous or ambitious set of Government officials in the comptroller's office, or where you will, will probably make work hard. I believe the method of selection of the officers of the clearing house is such that it insures not an unscrupulous management, but a most scrupulous one.

Mr. UNTERMYER. You are the head of it?

Mr. VANDERLIP. Yes; I happen to be, this year.

Mr. UNTERMYER. You happen to be, this year; and I have no doubt you are satisfied with your management of it?

Mr. VANDERLIP. I am; yes.

Mr. UNTERMYER. But is it not your opinion, Mr. Vanderlip, as a citizen—not as a banker but as a citizen—that there ought to rest somewhere a power of review over any such despotic power as that in the hands of an irresponsible body of men? I mean irresponsible in the sense of not being incorporated or not amenable to any law.

Mr. VANDERLIP. There are——

Mr. UNTERMYER. Do you not think there should be a power of review resting somewhere?

Mr. VANDERLIP. No, I do not.

Mr. UNTERMYER. I think that is all.

Mr. VANDERLIP. Thank you.

Witness excused.

### TESTIMONY OF A. BARTON HEPBURN.

The witness was sworn by the chairman.

Mr. UNTERMYER. You understand that we are dealing now simply with the clearing-house aspects of the relations to the control of money?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And that we are not going to examine you to-day upon any other branch?

Mr. HEPBURN. Thank you.

Mr. UNTERMYER. You are the chairman of the board of directors, I think, of the Chase National Bank?

Mr. HEPBURN. I am.

Mr. UNTERMYER. You were president of the Chase Bank?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And have you been connected with the banking business for many years?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. You are a director in many institutions, financial and otherwise?

Mr. HEPBURN. I am; yes.

Mr. UNTERMYER. Approximately how many?

Mr. HEPBURN. Oh, a dozen or more.

Mr. UNTERMYER. In 1907, in that unfortunate time of the panic, you were the chairman of the clearing-house committee, were you not?

Mr. HEPBURN. No. James T. Woodward, president of the Hanover Bank, was chairman.

Mr. UNTERMYER. What was your relation to the clearing-house committee at that time?

Mr. HEPBURN. I was a member of the committee.

Mr. UNTERMYER. You recall, do you not, the circumstances connected with the visit of the committee of the Oriental Bank to the clearing-house committee?

Mr. HEPBURN. I do not recall any distinct occasion; no.

Mr. UNTERMYER. Do you remember the occasion when Mr. Kelly called in company with Messrs. Hewitt, Charles K. Beekman, and Charles R. Levy?

Mr. HEPBURN. I remember Mr. Kelly. I could not say about the others. I remember having interviews with him.

Mr. UNTERMYER. Those were times of great stress and excitement, were they not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. I suppose many banks were calling for aid?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. You were receiving them all the time?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Prior to that call, had your committee made an examination of the Oriental Bank?

Mr. HEPBURN. They had, through a subcommittee; yes.

Mr. UNTERMYER. And they reported to you?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And to your committee?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. What did they report to be the condition of the bank?

Mr. HEPBURN. That the bank was solvent and able to meet its obligations.

Mr. UNTERMYER. And that it was in an exceptionally good condition; was not that the report?

Mr. HEPBURN. No.

Mr. UNTERMYER. Did not they report that the stock was worth about \$200 a share, according to the books?

Mr. HEPBURN. I could not say as to that.

Mr. UNTERMYER. A bank the stock of which would be worth \$200 a share after discharging all of its obligations, at that time would be in exceptionally good condition, would it not?

Mr. HEPBURN. It would be in good shape; yes. The only criticism I now remember their making on the bank was that it had run short on its reserves for a long time in the past.

Mr. UNTERMYER. But there was no question about its having ample assets, was there?

Mr. HEPBURN. There was no question about its solvency, its ability to meet its obligations.

Mr. UNTERMYER. How long was it after the committee reported that condition of the bank that you received this committee with Mr. Kelly?

Mr. HEPBURN. I can not say, and I can not recollect any particular meeting of the committee. I know that the bank was under criticism in the newspapers, or that the president of the bank was under criticism, and outside, that raised some question as to the condition of the bank.

Mr. UNTERMYER. And so you had it examined?

Mr. HEPBURN. Yes; it was examined for that reason.

Mr. UNTERMYER. And you were satisfied?

Mr. HEPBURN. Yes; we were.

Mr. UNTERMYER. When this committee called, did your committee demand that Mr. Jones should resign?

Mr. HEPBURN. No.

Mr. UNTERMYER. Did you not make that a condition of giving it help?

Mr. HEPBURN. No; no, we would have given any bank, a member of the clearing house, help, providing they were in condition to offer good security.

Mr. UNTERMYER. Who suggested that Mr. Jones should resign, if any one?

Mr. HEPBURN. It was advised; the bank was advised.

Mr. UNTERMYER. Who?

Mr. HEPBURN. I can not say.

Mr. UNTERMYER. Did your committee advise it?

Mr. HEPBURN. I presume so.

Mr. UNTERMYER. Do you not know, Mr. Hepburn, that your advice at that time, when they wanted certificates in this panic, was equivalent to an order?

Mr. HEPBURN. If you mean that they affirmatively broached this matter, and advised that he be removed, that is one thing. They did advise that a change be made.

Mr. UNTERMYER. Who advised?

Mr. HEPBURN. All the committee.

Mr. UNTERMYER. Yourself included?

Mr. HEPBURN. Yes, sir.

Mr. UNTERMYER. That was on this occasion when these gentlemen called for help, was it not; or was it shortly before that, and in pursuance of that advice, that they called on you?

Mr. HEPBURN. I should say there were several occasions. When it was suggested that the source of the trouble was the president, who was under criticism, and their trouble would be relieved if he was removed, that was the first talk, then, when they canvassed about getting some one to take the place.

Mr. UNTERMYER. Let us see about this. These gentlemen say that you told them that Mr. Jones would have to resign, and that thereupon this committee called on you and your committee to urge that this should not be done at that time. Is that your recollection of it?

Mr. HEPBURN. No; I do not recollect it just that way. I remember distinctly the conversation I had with Mr. Kelly.

Mr. UNTERMYER. Let us get one thing at a time, Mr. Hepburn. You will be permitted to say anything you want, but we must get our questions answered, or otherwise we get nowhere. Is it or not your recollection that you stated that Mr. Jones would have to resign before the bank would be helped?

Mr. HEPBURN. No; absolutely not.

Mr. UNTERMYER. You say you advised his resigning?

Mr. HEPBURN. Yes; but we did not make it a condition.

Mr. UNTERMYER. Do you not see, Mr. Hepburn, and do you not admit, that with the panic on and every bank, almost, requiring aid in the way of certificates, and the clearing-house committee having the power to issue those certificates or not, your advice that Mr. Jones must be removed was at that time equivalent to a demand?

Mr. HEPBURN. It might have been very potential. I do not know but they had certificates before Mr. Jones did resign.

Mr. UNTERMYER. But they wanted more, did they not?

Mr. HEPBURN. I think they had certificates before Mr. Jones resigned.

Mr. UNTERMYER. But they wanted more?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And your committee was not willing to give them more unless there was a change in the bank?

Mr. HEPBURN. That is not true. We were willing to give them, but we wanted, above all things, to avoid any bank's failure; we wanted to help them.

Mr. UNTERMYER. Did they not say, when you suggested, or advised, that Mr. Jones must get out, that that notice at that time would lead to a run on the bank; did they not argue that with you?

Mr. HEPBURN. That that would lead to a run?

Mr. UNTERMYER. Yes; the change of the presidency at that time?

Mr. HEPBURN. Oh, no.

Mr. UNTERMYER. But all three gentlemen say they did. Do you take issue with their recollections?

Mr. HEPBURN. Yes; the whole argument was that this man's going would relieve the situation.

Mr. UNTERMYER. That was your argument, was it not?

Mr. HEPBURN. Yes; my opinion.

Mr. UNTERMYER. Their argument was the other way, was it not?

Mr. HEPBURN. No.

Mr. UNTERMYER. Then what did you argue about if you were not arguing one way and they the other—what were you arguing about?

Mr. HEPBURN. We did not.

Mr. UNTERMYER. You did not argue?

Mr. HEPBURN. We did not argue.

Mr. UNTERMYER. You said it would relieve the situation and they said all right, did they?

Mr. HEPBURN. You can not put any such words in my mouth, or any such construction as that. Mr. Kelly insisted that Mr. Jones was an honest man, in his judgment; and he might have gotten into things he ought to have kept out of, and it might be wise to make a change; but he still insisted that he was a very honorable man.

Mr. UNTERMYER. I am talking about what took place before Mr. Kelly and that committee came. These gentlemen have testified that they received this word from you and your committee, and that

thereupon they held a meeting of their board of directors and nominated a committee to go down to see you and attempt to dissuade you. Did you send word, before this committee called on you, that you would advise Mr. Jones's resignation?

Mr. HEPBURN. Anything—

Mr. UNTERMYER. You may answer my question. I think I am entitled to have an answer. It is a plain question. Did you or did you not; or do you not remember whether you did or not? That is very plain.

Mr. HEPBURN. I can not identify any call of this committee. We had a continuous reception there all the while, you understand.

Mr. UNTERMYER. With the Oriental Bank?

Mr. HEPBURN. With lots of them.

Mr. UNTERMYER. Do you remember what took place when this committee did call with Mr. Kelly? Have you a memory of that?

Mr. HEPBURN. I have not any recollection of meeting Mr. Levy or Mr. Hewitt.

Mr. UNTERMYER. Or Mr. Beekman?

Mr. HEPBURN. No.

Mr. UNTERMYER. Then your whole recollection of the entire transaction is exceedingly hazy, is it not?

Mr. HEPBURN. No.

Mr. UNTERMYER. It is very clear?

Mr. HEPBURN. Very clear.

Mr. UNTERMYER. Then your recollection is that Mr. Kelly on this occasion came alone, is it?

Mr. HEPBURN. No. I say I remember talking with Mr. Kelly.

Mr. UNTERMYER. Is it your recollection that he came alone, or with these gentlemen?

Mr. HEPBURN. I do not know whether he was alone or not.

Mr. UNTERMYER. You would not be willing to assert, as against the word of Mr. Hewitt, Mr. Beekman, and Mr. Levy, that they did not come with Mr. Kelly on this occasion?

Mr. HEPBURN. Certainly not.

Mr. UNTERMYER. Then your recollection of the transaction is hazy?

Mr. HEPBURN. I do not think so.

Mr. UNTERMYER. You think it is very clear, do you?

Mr. HEPBURN. I think as to the—

Mr. UNTERMYER. You think it is very clear?

Mr. HEPBURN. I know it is as to the general situation.

Mr. UNTERMYER. Let us see how clear it is. Have you read Mr. Kelly's letter to his directors and stockholders shortly before his death?

Mr. HEPBURN. It was published in the paper; yes.

Mr. UNTERMYER. And you read it?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Do you take issue with it?

Mr. HEPBURN. No.

Mr. UNTERMYER. Have you read the accounts of the testimony of Messrs. Hewitt, Beekman, and Levy?

Mr. HEPBURN. I have read what was published.

Mr. UNTERMYER. Do you take issue with it?

Mr. HEPBURN. I do not know.

Mr. UNTERMYER. You do not know? Is there any way in which you can find out whether you do or not?

Mr. HEPBURN. If you will be good enough to be specific, I will tell you whether I take issue or not.

Mr. UNTERMYER. Do you take issue with any part of it?

Mr. HEPBURN. What part?

Mr. UNTERMYER. Any part?

Mr. HEPBURN. Very likely, if you call my attention to it.

Mr. UNTERMYER. You do not know what part, if any part, you take issue with?

Mr. HEPBURN. No.

Mr. UNTERMYER. Did you on that occasion say, as these gentlemen have stated, that Mr. Jones would have to go?

Mr. HEPBURN. I never used such an expression.

Mr. UNTERMYER. In substance, did you say he would have to go?

Mr. HEPBURN. We——

Mr. UNTERMYER. In substance, did you say so?

Mr. HEPBURN. We advised that a change be made.

Mr. UNTERMYER. I understand; but you advised with a club up your sleeve, did you not, and that club was the ability to withhold aid at a critical time; is not that so?

Mr. HEPBURN. There was no disposition to withhold aid.

Mr. UNTERMYER. But you had the power to withhold it, did you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And having that power to withhold it——

Mr. HEPBURN. I do not know; the committee had no power to withhold the issuing of clearing-house certificates to any member of the association who produced good collateral worth 25 per cent more than they asked for.

Mr. UNTERMYER. Is that so?

Mr. HEPBURN. Yes; that is the rule.

Mr. UNTERMYER. Where is there any such absolute rule requiring them to issue those certificates?

Mr. HEPBURN. There is not any.

Mr. UNTERMYER. Is there any such rule promulgated?

Mr. HEPBURN. Any such rule as that?

Mr. UNTERMYER. Yes; or any such resolution as that promulgated?

Mr. HEPBURN. Resolutions were adopted authorizing the committee to issue certificates to any bank under certain conditions.

Mr. UNTERMYER. The resolution authorizing the committee to do it gave them the power to refrain from doing it, did it not?

Mr. HEPBURN. No, sir.

Mr. UNTERMYER. It did not give them any such power?

Mr. HEPBURN. No, sir.

Mr. UNTERMYER. It made them the judges of whether they would or not?

Mr. HEPBURN. No.

Mr. UNTERMYER. Do you mean to say it did not make them the judges of whether they should issue certificates or not issue them?

Mr. HEPBURN. No.

Mr. UNTERMYER. They had not any discretion? Do you mean to say that there was no discretion in this committee as to whether they

would allow the certificates to be issued or whether they would not? You can answer that, can you not?

Mr. HEPBURN. As between banks?

Mr. UNTERMYER. No; to any bank in the clearing house, or to a nonmember bank, either?

Mr. HEPBURN. They, of course, had to pass upon the collateral, and that was discretionary.

Mr. UNTERMYER. And they had also to pass on the question of whether the bank was entitled to have it, did they not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And one of the questions they had to pass on in determining whether the bank was entitled to credit was whether they were satisfied with the management, was it not?

Mr. HEPBURN. No.

Mr. UNTERMYER. That is your answer, is it?

Mr. HEPBURN. Yes, sir; that is my position.

Mr. UNTERMYER. And no matter how bad the management might be, no matter how dishonest you might think it was, they had nothing to do with that as long as the bank was solvent and the collaterals were good; is that right?

Mr. HEPBURN. That is an extreme case, which you have no business to put.

Mr. UNTERMYER. We will take care of our business if you will just take care of yours. I will ask you to answer that question.

Mr. HEPBURN. I decline to answer the question in that way.

Mr. UNTERMYER. You know the accuracy of a proposition is generally tested by the extreme case, do you not?

Mr. HEPBURN. I will answer that question fairly in this way: There never was a time and never was a body of men that acted more closely together and in unison and with a desire to help each other than the bankers in a panic.

Mr. UNTERMYER. That is a speech, Mr. Hepburn, and we do not care anything about a speech. We are here for facts. No amount of speeches is going to alter the facts. What I want to know is this: In the issuance of these certificates—

Mr. HEPBURN. They have no right—

Mr. UNTERMYER (continuing). Was it in the determination and power of this committee, and was it a part of its duty, to pass upon the question of management? You can answer that yes or no.

Mr. HEPBURN. No.

Mr. UNTERMYER. It had nothing to do with it?

Mr. HEPBURN. I will not say it had nothing to do with it, but this committee had no power to discriminate in favor of one bank as against another.

Mr. UNTERMYER. It had all the discretion, had it not, to determine whether or not the bank was solvent?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Whether the collateral offered was good?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And whether the management was good?

Mr. HEPBURN. In a measure, yes.

Mr. UNTERMYER. You determined, did you not, that the management of the Oriental Bank was being criticized; whether it was good or bad, it was being criticized?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And you thought that kind of a management ought to be changed, did you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Then Mr. Kelly said, after you made that statement, that they would change it?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Did he not say to you that he was very reluctant to take the place?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. You were the one who suggested him for the place, were you not?

Mr. HEPBURN. Yes. I suggested that if we could get as good a man as he was to take the position——

Mr. UNTERMYER. You suggested he take it, did you not?

Mr. HEPBURN. Perhaps so.

Mr. UNTERMYER. You know, do you not, that he was very anxious to avoid the responsibility?

Mr. HEPBURN. I do.

Mr. UNTERMYER. And did he not say to you that if he were to do this he would only do it in this stress, and in order to benefit the stockholders and the depositors?

Mr. HEPBURN. That was his attitude; yes, sir.

Mr. UNTERMYER. Did he not ask you, in the presence of his associates, whether if he took it this was going to be a three-day presidency like that of the Seventh National?

Mr. HEPBURN. Of course, I could not remember that.

Mr. UNTERMYER. He referred to what had happened to the Seventh National after it had changed presidents upon the advice of the clearing house, did he not?

Mr. HEPBURN. I do not know. I do not recall that he did.

Mr. UNTERMYER. You know what did happen to them, do you not?

Mr. HEPBURN. The Seventh National?

Mr. UNTERMYER. Yes; the Thomas bank.

Mr. HEPBURN. They had some experiences there.

Mr. UNTERMYER. They had some experiences?

Mr. HEPBURN. Not with the clearing house, however.

Mr. UNTERMYER. When he said that to you, did he not also say he wanted to know, before he would take this presidency, whether the clearing house was going to stand by the bank to the last ditch?

Mr. HEPBURN. He did.

Mr. UNTERMYER. And you said you would, did you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And then he said he would take it, did he not?

Mr. HEPBURN. He did take it.

Mr. UNTERMYER. He said he would take it, and did you not also say to him——

Mr. HEPBURN. When you put that personally to me——

Mr. UNTERMYER. I mean your committee. But you were the spokesman, were you not?

Mr. HEPBURN. That might have been.

Mr. UNTERMYER. Do you not remember that you were?

Mr. HEPBURN. No; I do not specifically remember that, but I do not doubt it.

Mr. UNTERMYER. You went to Europe shortly after that, did you not?

Mr. HEPBURN. Yes. Well, shortly after that? No.

Mr. UNTERMYER. About when was it?

Mr. HEPBURN. It was the middle of January. It was after everything had quieted down, business was dull, and money was plenty and rates very low, and nothing doing.

Mr. UNTERMYER. Nothing doing and money very easy?

Mr. HEPBURN. Yes, sir.

Mr. UNTERMYER. That was prior to the 25th of January, 1907?

Mr. HEPBURN. I think it was the 15th of January that I sailed—about that time.

Mr. UNTERMYER. And when everything was easy and money was cheap, and everything was quiet, and after you had left, did you learn that the first notice this bank and three other banks had that their certificates were to be called in was an announcement in the newspapers?

Mr. HEPBURN. I learned—

Mr. UNTERMYER. That is the question.

Mr. HEPBURN. Did I learn that the first notice they had was in the newspapers?

Mr. UNTERMYER. Yes, and before they even got the letters?

Mr. HEPBURN. Yes, I heard that.

Mr. UNTERMYER. And that they did not receive a notice giving the announcement until the day after it appeared in the newspapers, the morning after?

Mr. HEPBURN. I do not know anything about it; I am not testifying to that.

Mr. UNTERMYER. This whole thing would not have happened if you had been here, would it?

Mr. HEPBURN. The issue of that notice—

Mr. UNTERMYER. Would it have happened if you had been here?

Mr. HEPBURN. The sending out of that notice was a mistake.

Mr. UNTERMYER. And the withdrawing of it after it was published did not help it any?

Mr. HEPBURN. It was a mistake.

Mr. UNTERMYER. But it did not help it any when the people had begun to draw on the banks?

Mr. HEPBURN. No.

Mr. UNTERMYER. Do you not think they ought to have gone along and helped the banks out, after that, which were solvent?

Mr. HEPBURN. Certainly.

Mr. UNTERMYER. The whole thing was a sad mistake, was it not?

Mr. HEPBURN. It was.

Mr. UNTERMYER. That is all I want to know. I knew you would be frank about it.

Mr. HEPBURN. I want to say this. The desire to retire those clearing-house certificates was laudable and commendable, and any bank would have taken the loans which these banks having clearing-house certificates out to the clearing house had made and given them money with which to retire those certificates, and the matter should have been presented to the banks in that way, and not in the way it was.

Mr. UNTERMYER. In other words, if instead of calling the certificates through the newspapers, and unsettling confidence after it was

being restored, the clearing-house committee had communicated with the presidents of these banks, those that had the collateral and were solvent could have placed their loans elsewhere, could they not?

Mr. HEPBURN. They could, easily.

Mr. UNTERMYER. And they would all have been saved?

Mr. HEPBURN. No; the Bank of North America closed, I think, before they got that.

Mr. UNTERMYER. No; they closed after they heard of this, did they not?

Mr. HEPBURN. No——

Mr. UNTERMYER. They closed the 26th of January. and this notice appeared on the 25th.

Mr. HEPBURN. And Sunday was——

Mr. UNTERMYER. See if you find a Sunday anywhere there.

Mr. HEPBURN. There was a Sunday there.

Mr. UNTERMYER. Where? Not after they got the notice, was it; not the next day?

Mr. HEPBURN. The closing of the Bank of North America had nothing to do with this notice.

Mr. UNTERMYER. Let us see about that.

Mr. HEPBURN. You have there the letter of the president which I gave you.

Mr. UNTERMYER. I do not remember that; but I am going to ask you a few questions about it, whether it was not brought about entirely by this notice. The Bank of North America has paid every depositor, has it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. It has paid the dividend on the stock, has it not?

Mr. HEPBURN. I believe so; I do not know.

Mr. UNTERMYER. And it has over 120 per cent of assets on the stock left, has it not?

Mr. HEPBURN. The Bank of North America?

Mr. UNTERMYER. Yes. It has its building, has it not?

Mr. HEPBURN. I do not think it has any such percentage.

Mr. UNTERMYER. Do you know anything about it?

Mr. HEPBURN. No. Do not ask me about it. I do not know.

Mr. UNTERMYER. Very well. The Bank of New Amsterdam paid all its depositors, did it not, and has been paying dividends on its stock, has it not?

Mr. HEPBURN. I can not say about that.

Mr. UNTERMYER. That you do not know?

Mr. HEPBURN. No.

Mr. UNTERMYER. It was a very ill-advised blunder to let this thing go the way it did, was it not, to say the least?

Mr. HEPBURN. It was a mistake.

Mr. UNTERMYER. Do you not think that the clearing-house association ought to be subject to legislative and judicial review?

Mr. HEPBURN. From where?

Mr. UNTERMYER. For instance, from the courts.

Mr. HEPBURN. No.

Mr. UNTERMYER. You think it ought to remain like a private club, as it is to-day. above and beyond the courts and the law, making its own laws, and amenable to no law of the land? Do you really think that, Mr. Hepburn?

Mr. HEPBURN. The clearing house—

Mr. UNTERMYER. I want to know if you really think that.

Mr. HEPBURN. Yes. I do not think that you can provide any review of the action of the men in charge here that would be an improvement.

Mr. UNTERMYER. Let us see about that. Do you not think, for instance, with the kind of business in which these members may engage under cover of the clearing house, their operations should be regulated by law and restricted?

Mr. HEPBURN. If you will permit me, the only business of the clearing house, primarily, is the exchange of checks, which is a simple thing that takes a half hour in the morning and a half hour in the afternoon.

Mr. UNTERMYER. That is really the only legitimate function of a clearing-house association, is it not?

Mr. HEPBURN. That is what it is created for.

Mr. UNTERMYER. Suppose, as in this case, under cover of so small a function as exchanging checks drawn against its different members, the association branches out into this set of regulations with respect to the collection of out of town checks and other matters; do you not think there ought to be some power somewhere to restrict its activity?

Mr. HEPBURN. To regulate those collections?

Mr. UNTERMYER. No; to regulate and restrict what a clearing-house association may do as a clearing-house association.

Mr. HEPBURN. If you did that, you would take away from them the power to act immediately in an emergency, as they have in times past where they have rendered a very great service.

Mr. UNTERMYER. Suppose you should give it that power, but take away every power that was alien to that of a clearing-house association; do you not think the law ought to regulate and restrict it in that respect?

Mr. HEPBURN. May I answer that as I want to?

Mr. UNTERMYER. Yes; certainly.

Mr. HEPBURN. If Congress, which is represented by you gentlemen here, had given us any good, wholesome currency legislation, such as they have in other commercial nations of the world, there never would have been any question of issuing clearing-house certificates, and they would have kept right close to the exchange of checks as you provide. You have, in a very crude and clumsy and unsatisfactory way, provided a law now which will prevent the issuing of clearing-house certificates as long as that remains on the statute books; that is this Aldrich-Vreeland law. Clearing-house certificates relieve the situation locally and only locally, but they do not relieve as between different money centers or different localities. It embargoes collections.

Under this Aldrich-Vreeland law by depositing municipal bonds or State bonds or other securities with the Secretary of the Treasury you can get currency, and in anticipation of that they have six hundred millions of money printed and distributed to the subtreasuries around the country. So there is no question, as the law stands to-day, of issuing any more clearing-house certificates. Thank the Lord for that. It amounts to a partial suspension of currency payments and is a source of humiliation to everybody; but as long as banks with good management and plenty of capital and replete with the very best

assets in the world, just what they have designed to invest in, can not get money except they buy it from abroad and at a high premium, and when the countries abroad are in worse condition than we are in, the subject harks right back to the people who are responsible for legislation, and you are the men who are to blame, and this matter should find its remedy there at Washington.

Mr. UNTERMYER. That is one of the things we are here trying to get information on which to base currency measures. You understand that, do you not?

Mr. HEPBURN. I know, and I am very glad, indeed, it is so. The issuance of these clearing-house certificates is a calamity. They help temporarily; but they hurt the credit of the whole country, and that ought to be avoided. They do not occur anywhere else, and they should not occur here. If you will give us legislation of that kind, the clearing house, without any legislation whatever, will limit itself to the exchange of checks.

Mr. UNTERMYER. What has all that to do with the clearing-house association undertaking to compel its members to observe a uniform rate of commissions on out-of-town collections? That is no province of a clearing-house association, is it?

Mr. HEPBURN. I think so.

Mr. UNTERMYER. Let us see if it is.

Mr. HEPBURN. They have made it so.

Mr. UNTERMYER. You mean the association has taken the power and made it so?

Mr. HEPBURN. They have made it so.

Mr. UNTERMYER. If they took the power to have a uniform rate of interest on deposits, they could make it so, could they not?

Mr. HEPBURN. It is different.

Mr. UNTERMYER. What is the difference?

Mr. HEPBURN. I will give you the difference.

Mr. UNTERMYER. Let us see it.

Mr. HEPBURN. The only thing a clearing house deals in is these out-of-town checks.

Mr. UNTERMYER. The clearing house has nothing to do with the out-of-town checks?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Let us see if it has. Do you mean to say that the clearing-house association has anything to do with the checks drawn on out-of-town banks?

Mr. HEPBURN. No.

Mr. UNTERMYER. Not a thing, have they?

Mr. HEPBURN. But the proceeds of them—

Mr. UNTERMYER. Hold on, now; we will get down to business on this. Do you not know that the only exchange of checks the clearing-house association deals with is the exchange of checks drawn on its members?

Mr. HEPBURN. Certainly.

Mr. UNTERMYER. And that is the business of the clearing house?

Mr. HEPBURN. Certainly.

Mr. UNTERMYER. And you know, do you not, that the out-of-town checks that come to the banks do not go through the clearing house?

Mr. HEPBURN. They are sent there for collection.

Mr. UNTERMYER. I say, they do not go through the clearing house?

Mr. HEPBURN. They do not.

Mr. UNTERMYER. You want to withdraw that statement, do you not?

Mr. HEPBURN. I would like to finish—

Mr. UNTERMYER. Withdraw the statement first, because you know it has nothing to do with it, do you not?

Mr. HEPBURN. Very well.

Mr. UNTERMYER. Now you want to finish your explanation as to the currency system?

Mr. HEPBURN. No. I have no disposition to volunteer anything, but in regard to this action of the clearing house in regulating these checks I can give a little bit of history here that perhaps might be interesting.

Mr. UNTERMYER. If you did we might want to examine you on it, and I do not think history is of much use to us, Mr. Hepburn. What we want to get at on that subject is your own experience. You have been in the banking business in New York how long?

Mr. HEPBURN. Twenty-five or thirty years.

Mr. UNTERMYER. In New York city?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. I think you were first connected with the Treasury Department at Washington, were you not?

Mr. HEPBURN. I was first superintendent of the banking department of this State; then examiner; then in the Treasury Department at Washington; and then here.

Mr. UNTERMYER. And when did you start in the banking business in New York?

Mr. HEPBURN. In 1893 or 1894.

Mr. UNTERMYER. In what bank?

Mr. HEPBURN. The Third National.

Mr. UNTERMYER. You started as president of that bank, did you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And you remained there until when?

Mr. HEPBURN. I was there four years.

Mr. UNTERMYER. When it was absorbed by the City Bank?

Mr. HEPBURN. It was consolidated by the City Bank.

Mr. UNTERMYER. It was absorbed and went out of business, did it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And is not liquidated yet, is it?

Mr. HEPBURN. What?

Mr. UNTERMYER. It has not liquidated yet; it is still in liquidation?

Mr. HEPBURN. They still have some assets on hand; yes.

Mr. UNTERMYER. And still have some stockholders who are to get them?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Then did you go with the City Bank?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. In what capacity?

Mr. HEPBURN. Vice president.

Mr. UNTERMYER. That was in what year?

Mr. HEPBURN. That was in 1897, I think.

Mr. UNTERMYER. You were with them until when?

Mr. HEPBURN. I was there about two years.

Mr. UNTERMYER. Were you with the City Bank at the time the clearing-house association took up this question of taking jurisdiction over the collection of out-of-town checks?

Mr. HEPBURN. I was not.

Mr. UNTERMYER. That was in 1899, was it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Where were you then?

Mr. HEPBURN. Chase.

Mr. UNTERMYER. You had then become president of the Chase National Bank?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. That bank has a large business with out-of-town banks, has it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. How many out-of-town correspondents have you on your books, approximately?

Mr. HEPBURN. I think it is 3,198.

Mr. UNTERMYER. In 1899 you had about how many?

Mr. HEPBURN. It would be, I guess, not nearly so many; perhaps 2,000.

Mr. UNTERMYER. You made a specialty of increasing that business? You pushed that business, did you not, of acting for out-of-town banks?

Mr. HEPBURN. Yes. We got all of the good business we could from all directions always.

Mr. UNTERMYER. In 1899 were you a member of the clearing-house committee when these regulations were promulgated?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. When did you first become a member of that committee?

Mr. HEPBURN. I was a member of the committee when I was president of the Third National.

Mr. UNTERMYER. That was in 1893 or 1894?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And then again when?

Mr. HEPBURN. And again in 1906 and 1907.

Mr. UNTERMYER. But you have always been active in the association, have you not?

Mr. HEPBURN. Well, yes; we always—

Mr. UNTERMYER. You were a sort of father of the association, were you not?

Mr. HEPBURN. Oh, no.

Mr. UNTERMYER. It has its offices with you in the same bank?

Mr. HEPBURN. We rent our premises from the clearing-house association; yes, sir.

Mr. UNTERMYER. And its operations and conduct are very considerably within your knowledge or under your control?

Mr. HEPBURN. They are not under our control at all; but within my knowledge, I hope; yes, sir.

Mr. UNTERMYER. And you are an active element in the association?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. At the time of the promulgation of these regulations, in 1899 the various bank members of the clearing house were dealing entirely independently with their customers in the collection of out-of-town checks, were they not?

Mr. HEPBURN. They were.

Mr. UNTERMYER. Each bank was making its own arrangements?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. If a customer was worth it, and they thought his account was sufficiently valuable, they were collecting these checks without compensation?

Mr. HEPBURN. They were.

Mr. UNTERMYER. Some were and some were not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. That created a condition of active competition for business between the banks, did it not?

Mr. HEPBURN. Why, yes; I think there were some banks that made gratuitous collections of those items as a source of getting business.

Mr. UNTERMYER. That was a very general custom, was it not, just before this rule was promulgated? It was that which led to the rule, was it not?

Mr. HEPBURN. What led to the rule, primarily, was this: The people all over the country buying goods in New York used to remit in payment for those goods in New York funds, and then they began to remit by checks on their local banks; which was agreeable to the local bankers, because the funds remained there until the checks traveled to New York and back. Very soon the customer found that he need not make his deposits as against these checks drawn until about the time that they took to travel to New York and back, and the result was that all New York bills from all over the country were being paid in local checks; and it involved a very severe loss, and especially to those banks——

Mr. UNTERMYER. Loss to whom?

Mr. HEPBURN. To the banks that had large mercantile accounts.

Mr. UNTERMYER. You mean to the New York banks?

Mr. HEPBURN. Yes; they were in the habit of taking them as cash.

Mr. UNTERMYER. Yes; but they could have taken them for collection, could they not?

Mr. HEPBURN. Not without losing their accounts. That is where that account business came in.

Mr. UNTERMYER. It was because of the competition that they took them for cash instead of for collection?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. In order to prevent that keen competition, this rule was passed, was it not?

Mr. HEPBURN. Well——

Mr. UNTERMYER. Well, was it not?

Mr. HEPBURN. No; the primary object——

Mr. UNTERMYER. No, no. I think it is fair I should get an answer. I think you will admit it. It was in order to prevent that keen competition that the rule was passed, was it not?

Mr. HEPBURN. It was to prevent the loss.

Mr. UNTERMYER. Yes. The banks were making money, were they not?

Mr. HEPBURN. How ?

Mr. UNTERMYER. The banks were making money, on the whole, were they not ?

Mr. HEPBURN. They were not making money on collection items.

Mr. UNTERMYER. But if an account was not sufficiently valuable to a bank in New York for it to credit a man's account with these checks when they were deposited, the bank would not do it, would it ?

Mr. HEPBURN. Well, it ought not to.

Mr. UNTERMYER. It ought not to ?

Mr. HEPBURN. No.

Mr. UNTERMYER. Then they would simply take those checks for collection ?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. It was to prevent a continuance of that condition that this rule was passed, was it not ?

Mr. HEPBURN. I have——

Mr. UNTERMYER. You have told us the story.

Mr. HEPBURN. I think, in order to be perfectly fair, that you should couple with that, that it was to prevent the continuance of that condition and prevent the resulting loss.

Mr. UNTERMYER. Of course.

Mr. HEPBURN. Yes.

Mr. UNTERMYER. You mean in order to make more profit on the customer's account than they could make under that condition ?

Mr. HEPBURN. No; they do not make anything——

Mr. UNTERMYER. Let us see about that. If the customer's account as a whole did not justify taking those checks as cash, the bank would not do it, would it ?

Mr. HEPBURN. I should hope not.

Mr. UNTERMYER. You should hope not ?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. It is a fact, is it not, that it was in order to make more on the customers' accounts than was being made under the then existing conditions that this rule was passed ?

Mr. HEPBURN. You may put it that way if you choose.

Mr. UNTERMYER. Yes. That is the fair way, is it not ? The customers were sometimes out-of-town banks, were they not ?

Mr. HEPBURN. Well, it had——

Mr. UNTERMYER. But the customers were sometimes out-of-town banks, were they not ?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. They were mainly out-of-town banks, were they not, who sent on these checks in that way and had them credited ?

Mr. HEPBURN. No; merchants got them very largely.

Mr. UNTERMYER. Merchants did it, too ?

Mr. HEPBURN. Merchants and manufacturers.

Mr. UNTERMYER. Did merchants do it through their out-of-town banks, or was it done by merchants having accounts with New York City banks directly ?

Mr. HEPBURN. Merchants all over the country remitted in their local checks.

Mr. UNTERMYER. Have you made any calculation, or are there any data extant, that would enable us to know how much the daily dealings are in out-of-town checks in New York banks ?

Mr. HEPBURN. Yes; if you will take——

Mr. UNTERMYER. Are there any data extant?

Mr. HEPBURN. If you will take——

Mr. UNTERMYER. No; are there any data extant?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Where are they?

Mr. HEPBURN. In the comptroller's reports.

Mr. UNTERMYER. The reports of the Comptroller of the Currency?

Mr. HEPBURN. The Comptroller of the Currency's tabulation of the national banks of the city of New York.

Mr. UNTERMYER. Will you be good enough to get for us, and present here, any statement from the Comptroller of the Currency showing the daily dealings in out-of-town checks at the clearing house in New York City?

Mr. HEPBURN. No; no. He includes all the national banks.

Mr. UNTERMYER. In the city of New York?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Or in the country?

Mr. HEPBURN. And in the city—both.

Mr. UNTERMYER. Will you give us that statement, and perhaps we can divide it and find out?

Mr. HEPBURN. You gentlemen can get that report.

Mr. UNTERMYER. I thought perhaps you had the report in your office.

Mr. HEPBURN. Perhaps I have.

Mr. UNTERMYER. Will you look, at luncheon time, and see if you have it?

Mr. HEPBURN. Will you let me finish?

Mr. UNTERMYER. We will finish after luncheon.

At 1 o'clock p. m. the committee took a recess until 2 o'clock p. m.

---

AFTER RECESS.

The committee met pursuant to the taking of recess.

**TESTIMONY OF A. C. HEPBURN—Resumed.**

Mr. UNTERMYER. I will ask the stenographer to repeat the last question.

The stenographer read as follows:

Will you be good enough to get for us, and present here, any statement from the Comptroller of the Currency showing the daily dealings in out-of-town checks at the clearing house in New York City.

Mr. HEPBURN. I have here a statement published by the Comptroller of the Currency, but that is limited to the national banks.

Mr. UNTERMYER. It would not give us any idea of the out-of-town checks that were handled by the clearing house association, by the entire 67 members, and the nonmembers clearing through members; because, as I understand it, it only covers about 39 or 40 banks. That is right, is it not?

Mr. HEPBURN. Forty banks.

Mr. UNTERMYER. And it does not take into account the trust companies and State banks?

Mr. HEPBURN. The report is confined to the national banks.

Mr. UNTERMYER. And the country checks handled in that way through those 39 or 40 national banks is somewhere between seventy and eighty millions of dollars a day, is it not?

Mr. HEPBURN. Yes; on those five days.

Mr. UNTERMYER. Those were probably five average days that were selected, were they not?

Mr. HEPBURN. Yes. It would be the bulk of it, though. The national banks handle the great bulk—

Mr. UNTERMYER. You would not be able to say that in these days when the trust companies do a larger business than some of the national banks, would you? The capital and surplus of the trust companies is, in many cases, larger than that of the national banks.

Mr. HEPBURN. Not in exchange items; not in correspondence.

Mr. UNTERMYER. Well, it would be a guess, would it not?

Mr. HEPBURN. It would be a guess as to what amount there would be over the \$80,000,000 in what was done in out-of-town checks?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. That includes 39 or 40 banks?

Mr. HEPBURN. Forty banks. We can have that data made up for you from the clearing house.

Mr. UNTERMYER. If there is any way of getting that data we will be very much indebted if you would have it made up for us.

Mr. HEPBURN. We can get it as to the future; it might be difficult to get it as to the past.

Mr. UNTERMYER. If you can furnish us such data we will be glad to avail ourselves of it. What we want is accuracy.

Mr. HEPBURN. Yes. Some little time in the future will answer, I suppose?

Mr. UNTERMYER. Yes. Still, it would appear from the business of those five days, for the total business of the clearing-house banks and trust companies and nonmembers clearing through the clearing-house banks, that \$100,000,000 a day of outstanding checks would be pretty well within the mark?

Mr. HEPBURN. I would not like to try to answer that. We can give you the figures.

Mr. UNTERMYER. If 39 or 40 banks do \$80,000,000 of business, I think it is a fair assumption that those large trust companies and other banks outside of it, included in that estimate, would make it much more than that?

Mr. HEPBURN. The larger trust companies handle them through their banks.

Mr. UNTERMYER. Some do, and some do it through their correspondents, do they not?

Mr. HEPBURN. Well, we will give you the facts.

Mr. UNTERMYER. I am not sure that I asked you this morning what in your judgment would be the effect of the abrogation of this clearing-house rule that compels every member of the clearing-house association to charge this minimum rate of collection, and the giving permission to each bank to deal with its own customers as it saw fit.

Mr. HEPBURN. It would introduce more or less confusion into the handling of the items.

Mr. UNTERMYER. It would introduce competition between the banks, would it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And the introduction of competition between the banks would mean, would it not, better terms for the customers?

Mr. HEPBURN. Well, it is fair to assume that competition would tend that way.

Mr. UNTERMYER. You are a student of these economic conditions, are you not?

Mr. HEPBURN. I have to be.

Mr. UNTERMYER. You have been very familiar with the legislation and attempted legislation of the past decade, have you not?

Mr. HEPBURN. More or less.

Mr. UNTERMYER. Have you made a close study of the report and proposed bill of the Monetary Commission?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Do you favor that bill?

Mr. HEPBURN. Yes; I think it would be a great improvement over existing conditions.

Mr. UNTERMYER. Do you not think there should be a much more important and dominant Government participation in such an institution than is provided for by that bill, to keep it out of the hands of the great financiers in the financial centers?

Mr. HEPBURN. Well, this criticism has been made upon that bill, that the control of its central reserve association rests absolutely with banks having \$100,000 capital and less.

Mr. UNTERMYER. That is in theory, is it not?

Mr. HEPBURN. No; that is a fact.

Mr. UNTERMYER. Now, let us see. You know that as a matter of fact great financial institutions are run by a very few men?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And that they could not be successfully conducted by a town meeting?

Mr. HEPBURN. Yes, sir.

Mr. UNTERMYER. You know that even though there is a large membership in the board of directors of a great financial institution the few men who do the work control its management, except in times of emergency, when the board is called together?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. That is a fact, is it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. You know also, do you not, that the best managed of the great financial institutions are those that really have a supreme single despotic power at the head of them?

Mr. HEPBURN. Well, despotic? Eliminate some of your adjectives and I will agree with you. A centralized management makes for successful control.

Mr. UNTERMYER. When I refer to despotic power I do not mean that a despot is to be unjust or unamiable, but the fact is, is it not, that the best managed of the great financial institutions are those in which one man practically controls their operations?

Mr. HEPBURN. One, or very few.

Mr. UNTERMYER. The bill of the Monetary Commission locates the central reserve association at Washington?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And the members of the board are presumably scattered around among the different branch associations in other localities, from Maine to Florida and California, all over the country; is that right?

Mr. HEPBURN. They are selected from all over the country; yes.

Mr. UNTERMYER. It is not contemplated or assumed by the bill that these members of the board of directors of the central reserve association are to make their residences in Washington, is it?

Mr. HEPBURN. No; oh, no.

Mr. UNTERMYER. They are presumably men who are engaged in the banking business in their own localities or engaged in business in their own localities?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Some are bankers, and some are in industrial or agricultural pursuits, is that right?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. The executive committee of this central reserve association is proposed to consist of how many members?

Mr. HEPBURN. I have forgotten.

Mr. UNTERMYER. I think it is nine, is it not?

The CHAIRMAN. Nine, I think.

Mr. UNTERMYER. You do not remember the number?

Mr. HEPBURN. No; I do not remember the exact number.

Mr. UNTERMYER. The real power in the central reserve association is to be exercised as it is abroad in associations of similar character by the governor of the bank?

Mr. HEPBURN. The governor and his two assistant governors.

Mr. UNTERMYER. The governor and his two assistant governors?

Mr. HEPBURN. Under the direction of the committee and the board.

Mr. UNTERMYER. The bill provides, does it not, that the governor must be selected from a list of three men designated by the board of trustees of the central reserve association?

Mr. HEPBURN. I think so.

Mr. UNTERMYER. That means that he has got to be designated by the bankers, does it not?

Mr. HEPBURN. In a way; yes.

Mr. UNTERMYER. Well, in every way?

Mr. HEPBURN. Or come within three of it.

Mr. UNTERMYER. All three are nominees of the bankers, are they not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. So that when you come down to the final analysis of that part of the proposition, the President of the United States is not allowed to select the governor unless he is one of the three nominees of the bankers?

Mr. HEPBURN. Right.

Mr. UNTERMYER. This central reserve association provided for in the proposed bill of the Monetary Commission is to be the repository of all the Government funds, is it not?

Mr. HEPBURN. Yes; it is to succeed the subtreasuries, as I understand it.

Mr. UNTERMYER. And the Government funds are to be there without interest, are they not?

Mr. HEPBURN. Without interest; yes.

Mr. UNTERMYER. They are to afford the backbone of responsibility for this association?

Mr. HEPBURN. A very considerable capital is provided for; \$100,000,000.

Mr. UNTERMYER. But the Government is the residuary beneficiary of the profits of the institution after paying 5 per cent on the stock?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. So that it is primarily concerned in the welfare and the prosperity of the institution?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. Do you not think that under those circumstances, Mr. Hepburn, any reserve association, however laudable its purpose may be—and we are not expressing any opinion on the subject now—should be more largely controlled by the Government?

Mr. HEPBURN. It might be. That is a matter of detail.

Mr. UNTERMYER. Do you not think that is a matter of great importance?

Mr. HEPBURN. The fear was that they might nominate some politician—if I might use that term—as president, who would not be a good business man.

Mr. UNTERMYER. Do you not think a public man, whom you call a politician, who would be nominated by the President of the United States, would be quite as likely to have the interests of the whole community at heart as a financial politician who was put at the head of it?

Mr. HEPBURN. I would not have any fear whatever of any man who was nominated by the President of the United States and confirmed by the United States Senate. I would have full confidence in advance that he would be a good man, capable of filling the position.

Mr. UNTERMYER. So that to your mind there is no reason for limiting the selection of a governor of the bank to three nominees of the bankers?

Mr. HEPBURN. It is not by any means indispensable; no.

Mr. UNTERMYER. And the same is true as to the deputy governors, is it not?

Mr. HEPBURN. Yes, sir.

Mr. UNTERMYER. You are aware that there are various contentions with respect to the merits of this bill?

Mr. HEPBURN. Oh, yes.

Mr. UNTERMYER. And that there would be naturally, the subject being one of such moment, involving these vast interests?

Mr. HEPBURN. Yes. I would feel perfect confidence in getting a good man if he were selected from those whose names were presented to the President in the way provided. It would be just as well if the number were increased; but I would have perfect confidence if it was omitted and left entirely to the President.

Mr. UNTERMYER. With a system on the general lines outlined I suppose a policy of bills of exchange and acceptances would largely take the place of the present system of having banks discount promissory notes and keep them in their vaults among their assets?

Mr. HEPBURN. That is one of the purposes of the bill—to make a market.

Mr. UNTERMYER. A market for commercial paper?

Mr. HEPBURN. There are three things that, in my judgment, are indispensable to be done in order to improve our banking and currency system, and we should undertake to do those. In the first place, the reserve of the country ought to be under a central altruistic control that could use it for the benefit of the whole country and where it was needed. Instead, where we have a money stringency now, each one of the 26,000 banks in the country begins competing for cash reserves, locking it up in their vaults, and they aggravate the condition instead of relieving it. The central reserve, properly administered, would obviate that.

Then there should be a flexibility to our currency which we have not and never can have in a bond-secured currency where you must invest more money in your bond than you can get currency in return. And then there should be a market for commercial paper, and this would provide such a market for paper, running less than 30 days, of an acceptable character. It may be discounted by this association, and the proceeds, if need be, paid over in currency, thereby preventing anything like a currency famine. Those are three things that are very desirable to have accomplished.

Mr. UNTERMYER. Those are subjects that you have already discussed, have you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And your idea is that it would lessen the growing concentration of money in New York?

Mr. HEPBURN. It would lessen it, and it would——

Mr. UNTERMYER. But it would do that, would it?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. That is a dangerous feature in our financial system, is it not, a constantly growing concentration of money in New York? Is not that very largely accounted for, Mr. Hepburn, by the vast control that a few financiers are getting over the great industrial interstate railway corporations concentrating their moneys here?

Mr. HEPBURN. I think it is largely controlled by the fact that we have the only call-loan market in the country, or in the world.

Mr. UNTERMYER. Apart from that, you know, do you not, that of late years a few great financial houses in New York have become fiscal agents for great interstate corporations? You know that to be a fact, do you not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And that as fiscal agents, being responsible for the welfare and finances of those interstate corporations, they control the finances of the corporations and direct them?

Mr. HEPBURN. I do not know about that.

Mr. UNTERMYER. You know that they direct them, do you not?

Mr. HEPBURN. Generally, yes.

Mr. UNTERMYER. Do you know the extent to which that has gone on in the city of New York in the past few years?

Mr. HEPBURN. No; I have no contact with it.

Mr. UNTERMYER. It is a matter of common knowledge, though, that one great banking house is the fiscal agent for a vast number of these interstate corporations, is it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And that has been a rapidly growing situation, due to the organization of these industrial corporations and the concentration of their offices and money in New York?

Mr. HEPBURN. Everything concentrates here.

Mr. UNTERMYER. But you take, for instance, the Harvester Co., simply by way of illustration, if we must name one. Prior to consolidation each of the constituent companies which formed that company had its own headquarters and its own factories in the locality in which it was located, did it not?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And each of these institutions had its financial agents in its locality; that is, it patronized the banks and got its accommodation from the banks?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. And kept its balances there, largely?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. With the organization of the consolidated company a great New York banking house became financial sponsor for that company, did it not?

Mr. HEPBURN. Do not ask me to testify to any specific company. I have no knowledge in regard to that.

Mr. UNTERMYER. You know who issued the Harvester Co., do you not?

Mr. HEPBURN. I know who brought out the stock; yes.

Mr. UNTERMYER. And the great financial house that brought out the stock and made a market for it went upon the board and upon the finance committee, did it not, by its representatives?

Mr. HEPBURN. I do not know who constitute the board or who constitute their finance committee.

Mr. UNTERMYER. You know who became chairman of the finance committee, do you not?

Mr. HEPBURN. Was it Perkins?

Mr. UNTERMYER. Yes, Perkins; who was then a member of the firm of J. P. Morgan & Co., was it not?

Mr. HEPBURN. He has been prominently connected with it in the newspapers for a long time.

Mr. UNTERMYER. I am not talking about the newspapers; I am talking about the facts.

Mr. HEPBURN. I have no knowledge of the facts.

Mr. UNTERMYER. Is the Harvester Co. a depositor in your bank?

Mr. HEPBURN. It is not. I know nothing about it except from the newspapers.

Mr. UNTERMYER. I am only illustrating by naming that company. Perhaps I ought not to have named any company; but the fact is, is it not, that there are a great number of these great industrial consolidations that, when effected, concentrate in New York?

Mr. HEPBURN. That is true.

Mr. UNTERMYER. And is it not a fact that the component parts that finally went to make up this consolidation were scattered all over the country prior to the consolidation?

Mr. HEPBURN. Yes; scattered over the country.

Mr. UNTERMYER. And they had their financial transactions carried on in their localities, largely?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. With the formation of the consolidated company, all that means and method of financing changed, did it not?

Mr. HEPBURN. I think it did, largely. I think they did their borrowing in New York; but to what extent they abandoned their localities, I can not say.

Mr. UNTERMYER. Their balances went to New York, did they not?

Mr. HEPBURN. That is what I can not answer.

Mr. UNTERMYER. I do not mean all their money.

Mr. HEPBURN. Of course, I assume they did.

Mr. UNTERMYER. They had their local money?

Mr. HEPBURN. I think they did, some. I think they did largely, or to a considerable extent.

Mr. UNTERMYER. Prior to the consolidation, each one of those was not ordinarily large enough to attract the attention of the great banking houses; I mean, they would not make an attractive piece of business for a banking house, singly?

Mr. HEPBURN. I presume that is so.

Mr. UNTERMYER. You would not be able, would you, to tell us the extent to which this evolution, the formation of these consolidations and the location of these aggregated companies in New York and the selection of fiscal agents, added to, and has brought about, this great concentration of wealth and money in New York?

Mr. HEPBURN. No, I could not tell.

Mr. UNTERMYER. Is not that largely responsible for the tremendous increase in the deposit accounts of a number of the banking institutions in the last five or six years?

Mr. HEPBURN. It is responsible for the increase of the individual deposits, yes.

Mr. UNTERMYER. And for the aggregate deposits of some of these larger institutions that are affiliated with these great fiscal agents?

Mr. HEPBURN. That is a matter of logic.

Mr. UNTERMYER. It is a matter of common knowledge with you bankers, is it not? You know, for instance, where the balances of some of these great combined corporations are deposited?

Mr. HEPBURN. I do not know where as many of them are deposited as I wish I did.

Mr. UNTERMYER. You know you have not as many of them yourself as you wish you had, but you know where some of those are, do you not?

Mr. HEPBURN. Not to mention on the witness stand; no.

Mr. UNTERMYER. I understand. But you would know where to go and get them if you thought you could get them, do you not?

Mr. HEPBURN. I would go to the office.

Mr. UNTERMYER. The office of what?

Mr. HEPBURN. Of the company.

Mr. UNTERMYER. And from there where would you be referred? To the fiscal agent, would you not?

Mr. HEPBURN. I do not know about that.

Mr. UNTERMYER. Have you not got some of these accounts?

Mr. HEPBURN. We have a good many accounts.

Mr. UNTERMYER. No; some of these accounts?

Mr. HEPBURN. Fiscal accounts?

Mr. UNTERMYER. No.

Mr. HEPBURN. I do not know just what you mean by fiscal agents.

Mr. UNTERMYER. I mean, for instance, the case of a great banking house acting as the fiscal agent, we will say, for an interstate railroad, giving that house the privilege of acquiring the securities of that company when it has any to issue, and a share in the management of the company, and the direction of the finances of that interstate corporation.

Mr. HEPBURN. A continuing option?

Mr. UNTERMYER. A written agreement at times, for a term of years.

Mr. HEPBURN. That I do not know anything about. We have no such accounts in our bank.

Mr. UNTERMYER. You do not know, do you?

Mr. HEPBURN. No; I do not know of any.

Mr. UNTERMYER. You do not know whether you have or not? You would not see the agreement, would you?

Mr. HEPBURN. No; I have not.

Mr. UNTERMYER. Whether those relations are represented by written agreements formally constituting the banking house a fiscal agent, or whether they are represented by a mere protective interest, you understand, in the particular corporation, you know that they exist, do you not?

Mr. HEPBURN. I do not know. I have no contact with them; I have no relations with them.

Mr. UNTERMYER. Let us see. Do you mind mentioning the names of any of the great industrial combinations that have accounts in your bank; or would you prefer not to do so?

Mr. HEPBURN. I would prefer not to. I will give you the names of some on a paper here, if you want.

Mr. UNTERMYER. Suppose you just give me the name of the largest one, and then, without disclosing it, we will discuss that one. [Mr. Hepburn wrote a name and handed the paper to Mr. Untermyer.]

Mr. UNTERMYER. None of what we understand generally as the great aggregated industrial corporations, among the greatest, keep accounts with you?

Mr. HEPBURN. I think not.

Mr. UNTERMEYER. I think that is all, Mr. Hepburn; unless there is something you would like to say. You understand you are at perfect liberty to make any explanation of your testimony you care to make.

Mr. HEPBURN. I came down here in response to this notice. I have nothing to say.

Mr. UNTERMYER. You understand we are only examining, really, upon this one question of the clearing-house relations?

Mr. HEPBURN. From your examination of Mr. Vanderlip this morning there was some question raised as to the clearing-house gold certificates, and so forth. Is that a matter of criticism in any way?

Mr. UNTERMYER. Yes. We are calling Mr. Cannon to testify to that subject.

Mr. HEPBURN. It is specifically authorized by law of Congress, you know.

Mr. UNTERMYER. You do not mean the loan certificates, do you?

Mr. HEPBURN. No.

Mr. UNTERMYER. You mean the certificates of circulation?

Mr. HEPBURN. I mean this: Section 5192 of the Revised Statutes says:

Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the Comptroller of the Currency, organized under the act of June three, eighteen hundred and sixty-four, or under this title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburg, Richmond, Saint Louis, San Francisco, and Washington. Clearing-house certificates, representing specie or lawful money specially deposited for the purpose, of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing house, holding and owning such certificate, within the preceding section.

Mr. UNTERMYER. We are quite familiar with that section. In the first place, that refers only to certificates that are issued upon part of the lawful reserve, does it not? It is limited to that, is it not?

Mr. HEPBURN. No. It provides that they may deposit their gold or any lawful money in the vaults of the clearing house—

Mr. UNTERMYER. And that it shall be counted as a part of the lawful reserve and be represented by certificates?

Mr. HEPBURN. Yes.

Mr. UNTERMYER. But that is only so far as concerns the lawful reserve, is it not; so as to count it as a part of the lawful reserve of the bank?

Mr. HEPBURN. No. It is specifically designed to enable the bank to have, in a small piece of paper, a large amount of money; to avoid carting gold around or a large amount of small bills. It is akin to the law that did exist as to the deposit of greenbacks, which has been repealed.

Mr. UNTERMYER. We are very familiar with that section, Mr. Hepburn. The point about it is, as I understand it, that it applies only to three-fifths of the reserve of 15 per cent that is required to be kept by reserve banks?

Mr. HEPBURN. Oh, no. It applies to any reserve bank.

Mr. UNTERMYER. It only applies to their reserve. The clearing house did attempt to issue, did they not, and they did exercise the power in 1907 of issuing, certificates?

Mr. HEPBURN. Loan certificates.

Mr. UNTERMYER. Not only of issuing loan certificates, but of issuing certificates in small denominations, one, two, and five dollars, we will say, that passed as money, as against the deposit of commercial paper and practically as much of their assets as they chose and as the association would take?

Mr. HEPBURN. Not in New York; never.

Mr. UNTERMYER. We are not discussing New York alone; we are discussing the clearing-house associations of the entire country.

Mr. HEPBURN. That is what I want to understand. I did not know but what the fact of our using these clearing-house certificates for gold and currency, passing current among the banks and settling their balances, was open to criticism; and that is especially legalized.

Mr. UNTERMYER. I do not think it is legalized except so far as concerns the reserve. Still, that is a matter for discussion.

Mr. HEPBURN. I did not know what your point was.

Witness excused.

Mr. UNTERMYER. If there is no objection, Mr. Chairman, we will call Mr. Cannon and Mr. Hanna on this clearing-house situation, and we will pass that for the moment and take up the stock exchange.

**TESTIMONY OF GEORGE W. ELY, SECRETARY OF THE NEW YORK STOCK EXCHANGE.**

The witness was sworn by the chairman.

Mr. UNTERMYER. You are the secretary of the New York Stock Exchange, are you not?

Mr. ELY. I am.

Mr. UNTERMYER. How long have you been connected with the exchange?

Mr. ELY. Connected with the exchange?

Mr. UNTERMYER. Yes; in any capacity?

Mr. ELY. I became a member of the open board in 1866.

Mr. UNTERMYER. You were a member of the exchange?

Mr. ELY. I was; yes, sir; that is, the open board. The open board was taken into the regular board, as they call it, that is, the present exchange, in May, 1869.

Mr. UNTERMYER. What was the difference between the open board and the regular board?

Mr. ELY. The old regular board was a long-established institution, and the open board was another board that was formed during war times.

Mr. UNTERMYER. Are you still a member of the exchange?

Mr. ELY. No; I am not now.

Mr. UNTERMYER. You were then a broker, I suppose?

Mr. ELY. Yes.

Mr. UNTERMYER. When did you connect yourself officially with the exchange?

Mr. ELY. I was appointed assistant secretary in 1874. I was elected secretary in 1883, and I resigned in 1899. I went away to California and returned in 1905, and I have been secretary since May, 1905.

Mr. UNTERMYER. What is the present membership of the exchange?

Mr. ELY. Eleven hundred members.

Mr. UNTERMYER. Is there any provision in its constitution limiting its membership? I have not found any, except that there is a certain method of election.

Mr. ELY. On page 19 is the following:

Every applicant for membership must be at least 21 years of age and a citizen of the United States.

The membership of the exchange shall not be increased except by action of the governing committee, which shall prescribe the number of increase and the terms of admission.

Mr. UNTERMYER. That is the point.

Mr. ELY (continuing reading):

Such action shall be submitted to the exchange on the same conditions as those prescribed for amendments to the constitution.

Mr. UNTERMYER. There was action of the governing committee limiting the membership, was there?

Mr. ELY. Well, the—

Mr. UNTERMYER. Was there, Mr. Ely?

Mr. ELY. Well, I am trying to think.

Mr. Martin here started to say something to Mr. Ely.

Mr. UNTERMYER. Mr. Martin, I think it would be just as well not to make any suggestions. You said Mr. Ely wanted you to sit there by him, so that you could assist him in getting papers.

Mr. MARTIN. I will not, sir, any more.

Mr. UNTERMYER. If you want to say anything, please just state it to the chairman.

Mr. MARTIN. I beg your pardon, sir; I will not offend you again.

Mr. HEPBURN. I had forgotten, to tell the truth, about the resolution.

Mr. UNTERMYER. There was a resolution passed at some time, by the governing committee, limiting the membership, was there not?

Mr. ELY. I will have to look it up.

Mr. UNTERMYER. There was a resolution?

Mr. ELY. Yes.

Mr. UNTERMYER. Will you look it up during the recess and let us have the resolution to-morrow morning?

Mr. ELY. Yes; if I can.

NOTE.—The following resolution and extract from the constitution were later furnished by Mr. Ely in response to this request:

*Resolution adopted September 8, 1880.*

Page 598:

Insert: "Resolved that, until otherwise ordered, the committee on admissions be directed to entertain no new application for admission, except by transfer of membership."

The constitution of the exchange at the present time provides as follows (sec. 2 of Art. XIII):

"The membership of the exchange shall not be increased except by action of the governing committee, which shall prescribe the number of increase and the terms of admission. Such action shall be submitted to the exchange on the same conditions as those prescribed for amendments to the constitution."

Mr. UNTERMYER. Do you remember how many years ago that limitation was fixed, of eleven hundred members?

Mr. ELY. I can not remember now.

Mr. UNTERMYER. You will get it for us, will you?

Mr. ELY. I can not remember now. I will have to look it up.

Mr. UNTERMYER. The New York Stock Exchange is not incorporated, is it?

Mr. ELY. No, sir.

Mr. UNTERMYER. A few years ago there was an investigation of the stock exchange, was there not?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. We do not want to go over any of the matters that were covered by that investigation. I want to put that report in this record. It was a secret investigation, was it not?

Mr. ELY. By the Hughes committee?

Mr. UNTERMYER. Yes.

Mr. ELY. I do not know whether it was or not.

Mr. UNTERMYER. When did it take place; in what year?

Mr. ELY. About four years ago, was it not?

Mr. UNTERMYER. What is that?

Mr. ELY. It was about three or four years ago.

Mr. UNTERMYER. Three or four years ago?

Mr. ELY. I have not got the date.

Mr. UNTERMYER. You do not mean to say that you can not remember whether that investigation was secret?

Mr. ELY. Secret? I do not know anything about it. I do not know whether it was or not.

Mr. UNTERMYER. There was no evidence taken, was there?

Mr. ELY. I do not know anything about it. I do not know whether it was secret or not.

Mr. UNTERMYER. Were you not called before them?

Mr. ELY. No, sir.

Mr. UNTERMYER. Were there not any witnesses called?

Mr. ELY. There were a number of them. You have the names on a piece of paper that I gave you. Do you mean the Hughes report?

Mr. UNTERMYER. I do not mean the report; I mean the investigation.

Mr. ELY. The Hughes investigation? I gave you the names, there.

Mr. UNTERMYER. I do not think I have any names except those of the committee of the legislature that made the investigation. The point I want to ascertain is as to whether, so far as you know, there was any testimony taken.

Mr. ELY. I was not present, at all.

Mr. UNTERMYER. You know that the findings on which this report was based were never made public, were they?

Mr. ELY. I do not know.

Mr. UNTERMYER. Were they ever made public, so far as you know?

Mr. ELY. I do not know anything about it. I do not know whether they were or not.

Mr. UNTERMYER. How long did this investigation last, of the exchange of which you were secretary?

Mr. ELY. Several months.

Mr. UNTERMYER. Your duties are very active, are they not?

Mr. ELY. Very; yes, sir.

Mr. UNTERMYER. They occupy all your time?

Mr. ELY. Yes.

Mr. UNTERMYER. You have a force of men under you?

Mr. ELY. Yes.

Mr. UNTERMYER. How large a force?

Mr. ELY. Twelve or fifteen, I should think.

Mr. UNTERMYER. That was the situation while this investigation was going on?

Mr. ELY. Yes.

Mr. UNTERMYER. The data for the investigation that were asked by the committee were selected by you or under your direction, were they not?

Mr. ELY. No, sir.

Mr. UNTERMYER. Who had charge of that?

Mr. ELY. There were several; the president, Mr. Sturgiss, Mr. Keppler, Mr. Ames.

Mr. UNTERMYER. At any rate, so far as you know, there has never been any public investigation of the stock exchange?

Mr. ELY. I do not know of any.

Mr. UNTERMYER. Is this the report of the so-called Hughes committee; that is, the legislative committee that was appointed by Gov. Hughes [handing witness pamphlet afterwards marked "Exhibit No. 27, June 12, 1912."]

Mr. ELY. It is entitled "Report of Gov. Hughes's Committee on Speculation in Securities and Commodities." That is what it reads.

Mr. UNTERMYER. Now, really, I did not ask you that. I could have read that, too.

Mr. ELY. What did you ask me?

Mr. UNTERMYER. I asked you whether that was the report?

Mr. ELY. I do not know.

Mr. UNTERMYER. You have never seen it?

Mr. ELY. I have seen a report like that.

Mr. UNTERMYER. I see. Will you look at it and tell me, after looking at it, whether it is the report?

Mr. ELY. I can not tell you. I do not know. I know nothing about it.

Mr. UNTERMYER. There is nothing the matter with your memory, is there?

Mr. ELY. No, sir.

Mr. UNTERMYER. You have a good memory?

Mr. ELY. Yes.

Mr. UNTERMYER. Who were the commissioners appointed to make that investigation?

Mr. ELY. I do not remember that.

Mr. UNTERMYER. Do you remember any of their names?

Mr. ELY. Mr. Horace White was one.

Mr. UNTERMYER. He was the chairman, was he not?

Mr. ELY. He was the chairman.

Mr. UNTERMYER. Look at the list on the back and see if that will refresh your memory as to who constituted this committee.

Mr. ELY (reading):

Horace White, chairman; Charles A. Schieren, David Leventritt, Clark Williams, John B. Clark, Willis King, Samuel H. Ordway, Edward D. Page, and Charles Sprague Smith.

Mr. UNTERMYER. They all sound familiar, do they not?

Mr. ELY. Those sound familiar.

Mr. UNTERMYER. It looks a good deal as though that was the committee, does it not?

Mr. ELY. That looks like it.

Mr. UNTERMYER. That is as far as you will go, is it not?

Mr. ELY. I do not know anything about it.

Mr. UNTERMYER. Have you a copy of that report among the files of the stock exchange?

Mr. ELY. I do not know, really.

Mr. UNTERMYER. Do you mean that, Mr. Ely?

Mr. ELY. Yes.

Mr. UNTERMYER. Will you look?

Mr. ELY. I will look, yes. Yes, I will look and see.

Mr. UNTERMYER. And if you have, will you bring it?

Mr. ELY. Yes.

Mr. UNTERMYER. Have you any impression as to whether you have such a document among the archives?

Mr. ELY. It is impossible for me to tell you all the documents that I have.

Mr. UNTERMYER. I do not ask you to tell me all the documents that you have. That would be very difficult.

Mr. ELY. Yes.

Mr. UNTERMYER. What is your impression?

Mr. ELY. I have not any impression.

Mr. UNTERMYER. You have not any impression as to whether you have a copy of that report. Did you ever see that report?

Mr. ELY. Did I ever see it?

Mr. UNTERMYER. Yes.

Mr. ELY. Yes.

Mr. UNTERMYER. And you read it?

Mr. ELY. No, sir.

Mr. UNTERMYER. You do not know whether that is the report or not?

Mr. ELY. I do not.

Mr. UNTERMYER. We will take that copy back until we get the one you have got, if you have one.

Mr. ELY. All right.

Mr. UNTERMYER. This book contains the constitution and rules and regulations of the New York Stock Exchange and of its governing committee—the last revised.?

Mr. ELY. That is the one I gave you?

Mr. UNTERMYER. Yes.

Mr. ELY. Yes.

Mr. UNTERMYER. You are willing to say that that is right?

Mr. ELY. Yes, that is it; yes, that is right.

Mr. UNTERMYER. All the documents belonging to the exchange are in your possession, are they not?

Mr. ELY. They are.

Mr. UNTERMYER. Is there another exchange in the city of New York known as the Consolidated Exchange?

Mr. ELY. Yes, sir; the Consolidated Stock Exchange.

Mr. UNTERMYER. Do you know what its membership is?

Mr. ELY. No, sir.

Mr. UNTERMYER. Do you know anything about it?

Mr. ELY. No, sir.

Mr. UNTERMYER. How long has that been in existence?

Mr. ELY. A good many years; I do not know how many.

Mr. UNTERMYER. But it is a small affair alongside of your institution, is it not?

Mr. ELY. That is a matter of conjecture.

Mr. UNTERMYER. What is it?

Mr. ELY. That is a matter of conjecture.

Mr. UNTERMYER. Conjecture?

Mr. ELY. Yes.

Mr. UNTERMYER. You know it is, do you not?

Mr. ELY. I do not know anything about it.

Mr. UNTERMYER. Then, so far as you know, it is a still larger affair than the New York Stock Exchange?

Mr. ELY. I do not know anything about it.

Mr. UNTERMYER. You have no impressions on the subject?

Mr. ELY. I have impressions.

Mr. UNTERMYER. We would like to have your impression.

Mr. ELY. I do not know what my impressions are.

Mr. UNTERMYER. You do not know what your impressions are?

Mr. ELY. I do not care to tell my impressions.

Mr. UNTERMYER. You do not?

Mr. ELY. No, sir. I am here to state facts. My impressions are worth nothing.

Mr. UNTERMYER. Yes, your impressions are the nearest you can come, sometimes, to stating the facts.

Mr. ELY. Yes.

Mr. UNTERMYER. I want to know what your impressions are as to the relative size of the business of the two exchanges.

Mr. ELY. It is not as large as ours.

Mr. UNTERMYER. Of course not. It is a mere fraction of yours?

Mr. ELY. I do not know what fraction. I could not state that.

Mr. UNTERMYER. How small a fraction is it?

Mr. ELY. I do not know.

Mr. UNTERMYER. Tell us approximately?

Mr. ELY. I can not tell you. I do not know.

Mr. UNTERMYER. Does it do one-tenth of the business that the New York Stock Exchange does?

Mr. ELY. I can not tell you.

Mr. UNTERMYER. Does it do one-fiftieth of the business?

Mr. ELY. I do not know.

Mr. UNTERMYER. Does it do one one-hundredth of the business?

Mr. ELY. I do not know.

Mr. UNTERMYER. Does it do as much as one-half of the business?

Mr. ELY. I do not know.

Mr. UNTERMYER. Does it do as much as you do?

Mr. ELY. No; it does not do that.

Mr. UNTERMYER. It does not? I thought you said a moment ago that it did less than the New York Stock Exchange.

Mr. ELY. What is that?

Mr. UNTERMYER. I thought you said it did less than the New York Stock Exchange, a moment ago.

Mr. ELY. It is a smaller exchange than ours.

Mr. UNTERMYER. The New York Stock Exchange has a listing department, does it not?

Mr. ELY. A committee on stock list.

Mr. UNTERMYER. It also has what is known as a listing department, has it not?

Mr. ELY. Well, the committee on stock-list department; that is the same as the committee on stock list.

Mr. UNTERMYER. And it has maintained such a committee on stock list to pass on applications for admission of stocks to the list for how many years?

Mr. ELY. As long as I can remember.

Mr. UNTERMYER. What is the procedure required by the exchange in order to admit a stock to what is called the regular or official list of the exchange?

Mr. ELY. Application is made to the committee.

Mr. UNTERMYER. Written application?

Mr. ELY. Written application is made to the committee, and it is submitted to the committee, and an officer of the company appears

before the committee, and they go into the matter, and finally it is recommended to the governing committee.

Mr. UNTERMYER. This application involves a disclosure by the corporation, does it not, of its assets, its liabilities, and practically of all its affairs? Have you a form of the application here?

Mr. ELY. I have a form of requirements.

Mr. UNTERMYER. For listing?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. I offer this in evidence.

The form referred to was marked "Exhibit No. 24, June 11, 1912," and will be found printed at the end of this hearing.

Mr. UNTERMYER. Is there also a prescribed form of application?

Mr. ELY. Not prescribed, no.

Mr. UNTERMYER. Is there not a printed form of application?

Mr. ELY. No; each application is printed.

Mr. UNTERMYER. Each application is separately printed?

Mr. ELY. Is separately printed.

Mr. UNTERMYER. When a corporation desires to have its stock or its bonds or securities listed on the exchange and files its application that application then goes before the committee on stock list?

Mr. ELY. Yes.

Mr. UNTERMYER. And before going there do you examine to see whether the requirements of the exchange as to the information necessary to be given are contained in the application?

Mr. ELY. My clerk does.

Mr. UNTERMYER. Yes.

Mr. ELY. As far as possible.

Mr. UNTERMYER. What?

Mr. ELY. As far as possible, yes.

Mr. UNTERMYER. Then the committee makes a like examination, does it?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. Are the members of the exchange permitted to deal on the exchange in any securities that are not listed on the regular list?

Mr. ELY. I do not know of any.

Mr. UNTERMYER. They are forbidden to deal on the exchange in any securities other than those that are on the list?

Mr. ELY. I do not know of any law that forbids it, but it is not customary to deal in them. I do not think it would be permitted. It has not been tried.

Mr. UNTERMYER. You know, do you not, that the admission of a security to the stock list is one of the requirements made by the great banks and trust companies, as a rule, before they lend on that security?

Mr. ELY. I do not know that.

Mr. UNTERMYER. You do not know that?

Mr. ELY. No.

Mr. UNTERMYER. Do you not know that in order to make a good collateral it is necessary that the stock shall be listed?

Mr. ELY. I do not know anything about the banks' rule; no, sir.

Mr. UNTERMYER. Are all the interstate corporations of the country, the stocks of which are listed on the New York Stock Exchange,

required to make applications in conformity with this Exhibit No. 24 before their securities can be listed?

Mr. ELY. What do you mean by "interstate?"

Mr. UNTERMEYER. Do you not know what an interstate corporation is?

Mr. ELY. Do you mean a railroad corporation?

Mr. UNTERMEYER. I mean an interstate railroad corporation, or an industrial corporation engaged in interstate commerce.

Mr. ELY. Any security, to be listed, has to be applied for in that way.

Mr. UNTERMEYER. Your regular stock list includes, does it not, practically all the great interstate corporations—railroad and industrial—so far as you know?

Mr. ELY. All over the United States?

Mr. UNTERMEYER. Yes; so far as you know.

Mr. ELY. I do not know whether it does or not.

Mr. UNTERMEYER. Will you please furnish us a list of the listed securities?

Mr. ELY. The securities listed?

Mr. UNTERMEYER. Yes.

Mr. ELY. Yes.

Mr. UNTERMEYER. Have you it with you?

Mr. ELY. No.

Mr. UNTERMEYER. Please make a note and bring that to-morrow.

Mr. ELY. I will.

Mr. UNTERMEYER. Is there a printed list of that kind?

Mr. ELY. There is a regular printed list; yes.

Mr. UNTERMEYER. Separating the stocks from the bonds?

Mr. ELY. Yes, sir.

Mr. UNTERMEYER. Please let us have such of those lists as are in your possession.

Mr. ELY. Yes. I can send for it now if you want it.

Mr. UNTERMEYER. Very well, if you will; and if it will not inconvenience you.

The securities of national banks are also listed on the exchange, are they not?

Mr. ELY. We have some; yes.

Mr. UNTERMEYER. In order to secure a listing of its securities on the exchange is every corporation bound to have a transfer agent and a registrar located in the city of New York?

Mr. ELY. Yes, sir.

Mr. UNTERMEYER. And that is without regard to where the corporation is located, is it not?

Mr. ELY. Yes, sir.

Mr. UNTERMEYER. Is it also required that that transfer agent and registrar shall both be corporations?

Mr. ELY. No, sir.

Mr. UNTERMEYER. Is it required that either shall be a corporation?

Mr. ELY. What does it say there? I have forgotten what it does say.

Mr. UNTERMEYER. Do you know of any stocks of interstate corporations listed on the exchange that have a transfer agent or registrar other than a corporation?

Mr. ELY. I do not happen to think of one now.

Mr. UNTERMYER. There are stock exchanges in other great cities in this country, are there not?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. There is one in Chicago that does a large business, is there not?

Mr. ELY. There is one in Chicago.

Mr. UNTERMYER. There is one in Boston?

Mr. ELY. One in Boston, one in Philadelphia, and one in Pittsburgh.

Mr. UNTERMYER. And one in Baltimore?

Mr. ELY. I believe there is one in Baltimore.

Mr. UNTERMYER. And one in New Orleans?

Mr. ELY. Yes.

Mr. UNTERMYER. What would be the effect of all these exchanges requiring that the securities of corporations listed on its exchange should be signed by a transfer agent and registrar located in their particular city?

Mr. ELY. I do not know.

Mr. UNTERMYER. That regulation practically means, does it not, that an interstate-commerce corporation can not have its securities listed upon any exchange other than the New York Stock Exchange, if the other exchanges make the same exaction?

Mr. ELY. I do not know, really.

Mr. UNTERMYER. There is no relaxation of that rule in favor of corporations that have their business in other localities, is there?

Mr. ELY. No; not that I know of.

Mr. UNTERMYER. I notice Exhibit 24 also contains requirements with respect to the engraving of certificates. Those certificates, under the rules of the exchange, have got to be engraved by companies which are approved and admitted to the privilege of engraving by the New York Stock Exchange, are they not?

Mr. ELY. They have to be printed by such companies as the governing committee permits the committee on stock list to pass upon.

Mr. UNTERMYER. In other words, the committee on stock list can not consider the application of any corporation to list their securities on the New York Stock Exchange unless the certificates have been engraved by an engraving company that has been approved by the governing committee of the stock exchange?

Mr. ELY. Yes.

Mr. UNTERMYER. That is right?

Mr. ELY. Yes.

Mr. UNTERMYER. The same is true as to bonds, is it not?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. I offer in evidence the constitution and rules for the government of the stock exchange and ask that it be marked.

The book in question, Constitution of the New York Stock Exchange, was marked "Exhibit No. 25, June 11, 1912."

Mr. UNTERMYER. I call attention to the regulation dated May 19, 1909, on pages 87 and 88 of the book, and I ask you whether that rule is still in force in the New York Stock Exchange. It reads:

That any connection, direct or indirect, by means of public or private telephone, telegraph wire, or any electrical or other contrivance or device or pneumatic tube or other apparatus or device whatsoever, or any communication by means of messengers or clerks, or in any other manner, directly or indirectly, between the New York Stock Exchange Building, or any part thereof, or any office of any member of said

New York Stock Exchange, and any building of the Consolidated Stock Exchange, or any part thereof, or any room, place, hallway or space occupied or controlled by said Consolidated Stock Exchange, or any office of any member of said Consolidated Stock Exchange, who is engaged in business upon said Consolidated Stock Exchange, or any transmission, direct or indirect, of information from said New York Stock Exchange Building, or from the office of any member of said New York Stock Exchange, to the said Consolidated Stock Exchange, or to the office of any member of said Consolidated Stock Exchange who is engaged in business upon said Consolidated Stock Exchange, through any means, apparatus, device, or contrivance as above mentioned, is detrimental to the interest and welfare of this exchange and is hereby prohibited.

*Resolved*, That any member of this exchange who transacts any business, directly or indirectly, with or for any member of said Consolidated Stock Exchange who is engaged in business upon said Consolidated Stock Exchange, shall, on conviction thereof, be deemed to have committed an act or acts detrimental to the interest and welfare of this exchange.

Is it possible that that regulation is in existence to-day?

Mr. ELY. You read it.

Mr. UNTERMYER. I say, Is it possible that that regulation is in existence to-day?

Mr. ELY. You have just read it; yes.

Mr. UNTERMYER. Just that way, is it?

Mr. ELY. Yes; just that way, exactly.

Mr. UNTERMYER. And any man who is a member of the stock exchange, who sends a message or a clerk from his own office to the office of a man who happens to be a member of the Consolidated Exchange, is guilty of violating this rule and is liable to expulsion from the stock exchange, is he not?

Mr. ELY. That is the book, what it says there. I do not want to add to or take from it.

Mr. UNTERMYER. You know that men have been punished for it, do you not?

Mr. ELY. For that?

Mr. UNTERMYER. Yes.

Mr. ELY. Yes.

Mr. UNTERMYER. Members of the New York Stock Exchange have been punished and disciplined for sending a messenger or clerk or telephoning from their own office to the office of a man who was a member of the Consolidated Stock Exchange; that is so, is it not?

Mr. ELY. Yes. That is what the book says.

Mr. UNTERMYER. But that is what has been done, is it not?

Mr. ELY. Yes.

Mr. UNTERMYER. You talk of that as if it is a proper thing.

Mr. ELY. It is such a foolish question to ask me—if it has been done.

Mr. UNTERMYER. Will you tell me the reason for that benign resolution?

Mr. ELY. I have never heard any.

Mr. UNTERMYER. You do not know that there is any?

Mr. ELY. No.

Mr. UNTERMYER. But still they punish members of the stock exchange for that?

Mr. ELY. Yes.

Mr. UNTERMYER. And deprive them of their seats?

Mr. ELY. No.

Mr. UNTERMYER. Suspend them?

Mr. ELY. Well—

Mr. UNTERMYER. Suspend them from doing business?

Mr. ELY. Yes.

Mr. UNTERMYER. And they suspend the partner of a man who communicates from his own office to the office of a Consolidated Exchange broker, do they not? The whole firm is suspended, is it not?

Mr. ELY. Yes.

Mr. UNTERMYER. And yet you say my question is a foolish question?

Mr. ELY. Yes; because it is in there.

Mr. UNTERMYER. Anything that is in there is gospel, is it not?

Mr. ELY. As far as I am concerned, yes.

Mr. UNTERMYER. Have you ever stopped to consider whether that is a reasonable regulation?

Mr. ELY. It is not within my province.

Mr. UNTERMYER. You have never stopped to think about it?

Mr. ELY. Stopped to consider this?

Mr. UNTERMYER. Have you ever stopped to consider what that means?

Mr. ELY. It does not concern me.

Mr. UNTERMYER. You have never considered it, have you?

Mr. ELY. No.

Mr. UNTERMYER. In all the 35 or 36 years you have been there?

Mr. ELY. No. It is good enough for me.

Mr. UNTERMYER. And that sort of action of the New York Stock Exchange is not now the subject of judicial review, is it?

Mr. ELY. It is subject to judicial review. Everything that we have got there is subject to judicial review.

Mr. UNTERMYER. Do you not know that they can not interfere with those regulations?

Mr. ELY. I do not know anything of the kind. I think there was a case about it in regard to this—

Mr. UNTERMYER. In which they said they could not interfere, did they not?

Mr. ELY. I do not know what they said; but it is subject to the court's decision—

Mr. UNTERMYER. You mean any man can get into court, but he can not get any relief from court?

Mr. ELY. I do not know that.

Mr. UNTERMYER. You know men have tried to do so.

Mr. ELY. Yes.

Mr. UNTERMYER. And have not succeeded?

Mr. ELY. A good many of them have not succeeded.

Mr. UNTERMYER. You say you do not know the reason?

Mr. ELY. No; I do not know the reason.

Mr. UNTERMYER. The Consolidated Exchange is an incorporated institution, is it not?

Mr. ELY. Is it?

Mr. UNTERMYER. Do you not know?

Mr. ELY. I do not.

Mr. UNTERMYER. You never heard of it?

Mr. ELY. No; I never heard of it; I do not know.

Mr. UNTERMYER. Do you know whether it is or not?

Mr. ELY. I do not.

Mr. UNTERMYER. Mr. Taylor tells me it is not, and upon his statement I will assume that it is not.

Mr. ELY. I do not know.

Mr. UNTERMYER. You know, do you not, that there are a great number of securities on the New York Stock Exchange that are not listed on the Consolidated Stock Exchange?

Mr. ELY. I do not know what is listed on the Consolidated Stock Exchange.

Mr. UNTERMYER. Now, Mr. Ely——

Mr. ELY. I do not know, and consequently I can not answer the question.

Mr. UNTERMYER. Do you mean to have us understand that you have no information as to what securities are listed on the Consolidated Exchange?

Mr. ELY. I have no knowledge of it.

Mr. UNTERMYER. Do you not know that their quotations are a matter of daily record?

Mr. ELY. I see some quotations——

Mr. UNTERMYER. And you know, as a matter of fact, do you not, from general knowledge and information, that only a small proportion of the securities listed on the New York Stock Exchange are listed on the Consolidated Exchange?

Mr. ELY. I do not know it.

Mr. UNTERMYER. You know that they are not all listed there?

Mr. ELY. I do not know that.

Mr. UNTERMYER. You know they can not be listed in both places?

Mr. ELY. I do not know that. I do not know anything at all about what is listed there.

Mr. UNTERMYER. And you do not want to know?

Mr. ELY. I do not want to know; that is right, too. I do not want to know anything about it.

Mr. UNTERMYER. What is the matter with them?

Mr. ELY. They do not interest me.

Mr. UNTERMYER. The Consolidated Exchange has interested the New York Stock Exchange very considerably for a great many years, has it not; to such an extent that they have been litigating right along?

Mr. ELY. I do not think they have been litigating right along.

Mr. UNTERMYER. Have they not been litigating over the ticker?

Mr. ELY. Oh, that was some years ago. You asked if they had not been litigating right straight along.

Mr. UNTERMYER. When did that litigation end?

Mr. ELY. Back in the eighties, I think. I have forgotten just when.

Mr. UNTERMYER. You think it ended in the eighties?

Mr. ELY. I think somewhere along there. I really do not know just when.

Mr. UNTERMYER. Will you tell me this: How would a man who happened to be a member of the Consolidated Stock Exchange and happened to have, we will say, a hundred shares of New York Central in his own name and right be able to sell that stock to any broker of the New York Stock Exchange as the law of your exchange stands to-day?

Mr. ELY. Let him sell them in his own exchange.

Mr. UNTERMYER. Suppose they were not listed on his own exchange, where would he sell them?

Mr. ELY. He could sell them any place.

Mr. UNTERMYER. But not on the stock exchange?

Mr. ELY. He could not sell them through a member of the exchange on the floor, no; but there are a thousand other places where he could sell them.

Mr. UNTERMYER. Where?

Mr. ELY. Plenty of places over the counter——

Mr. UNTERMYER. Over whose counter?

Mr. ELY. Anybody's counter who deals in stocks.

Mr. UNTERMYER. He could not sell them to a New York Stock Exchange member over that man's counter, could he?

Mr. ELY. No, sir.

Mr. UNTERMYER. Or in his private office?

Mr. ELY. Not 100 shares of stock in his own name; no.

Mr. UNTERMYER. Or any other stock?

Mr. ELY. He could sell bonds.

Mr. UNTERMYER. A member of the Consolidated Exchange could sell bonds to a member of the New York Stock Exchange, could he?

Mr. ELY. He could; yes.

Mr. UNTERMYER. Without being disciplined?

Mr. ELY. Yes; he could.

Mr. UNTERMYER. Well, could he?

Mr. ELY. Yes.

Mr. UNTERMYER. But he could not sell stock?

Mr. ELY. Because there——

Mr. UNTERMYER. Suppose they were bonds that were listed on the New York Exchange; could he sell them to him?

Mr. ELY. Yes; he could.

Mr. UNTERMYER. Suppose a member of the Consolidated Stock Exchange owned a thousand-dollar bond that was listed on the New York Stock Exchange?

Mr. ELY. Yes.

Mr. UNTERMYER. Could he sell that bond to your stock exchange?

Mr. ELY. No; he could sell it to a member over the counter——

Mr. UNTERMYER. Could he sell it to a member of the New York Stock Exchange?

Mr. ELY. Not on the floor; no.

Mr. UNTERMYER. Suppose he had a hundred shares of stock; could he sell it anywhere to any New York Stock Exchange broker?

Mr. ELY. To a stock-exchange broker?

Mr. UNTERMYER. Yes.

Mr. ELY. Not if the stock-exchange broker knew he was a Consolidated Exchange man; but there are plenty of ways of selling——

Mr. UNTERMYER. You do not call that blacklisting a man, do you?

Mr. ELY. No.

Mr. UNTERMYER. Why should not a New York Stock Exchange broker be able in his own office to buy a hundred shares of stock from a man that happened to be a member of the Consolidated Stock Exchange?

Mr. ELY. Because it is against the law.

Mr. UNTERMYER. It is what?

Mr. ELY. It is against the law.

Mr. UNTERMYER. Because of that gospel?

Mr. ELY. Yes; that is it.

Mr. UNTERMYER. But you do not think the New York Stock Exchange ought to be incorporated, do you, and subjected to legislative and judicial control as to the kind of business it ought to do?

Mr. ELY. I have never thought about that.

Mr. UNTERMYER. You have no opinion in regard to that?

Mr. ELY. I have no opinion on that. I would like to call attention to the answer of the stock exchange to that question in the proceedings of the Hughes committee.

Mr. UNTERMYER. Where is that answer?

Mr. ELY. I gave you one.

Mr. UNTERMYER. You did not give me an answer.

Mr. ELY. Yes; I gave you an answer.

Mr. UNTERMYER. Well, will you furnish another?

Mr. ELY. I gave you an answer.

Mr. UNTERMYER. Will you furnish another?

Mr. ELY. Oh, yes.

Mr. UNTERMYER. In order that a man may become a member of the New York Stock Exchange, there has to be a vacancy or he has to buy somebody else's membership, does he not?

Mr. ELY. Yes.

Mr. UNTERMYER. Then he can only be admitted after he has been voted on. Is not that so?

Mr. ELY. He is admitted by a ballot of the committee.

Mr. UNTERMYER. The governing committee?

Mr. ELY. The committee on admission.

Mr. UNTERMYER. What is the membership of the committee?

Mr. ELY. Fifteen.

Mr. UNTERMYER. Does he have to pass the governing committee, too?

Mr. ELY. No.

Mr. UNTERMYER. In order to be admitted to membership, what vote does he have to have?

Mr. ELY. He must receive 10 white ballots.

Mr. UNTERMYER. Before he can become a competitor of the members who are in the exchange?

Mr. ELY. Before he can be admitted to membership.

Mr. UNTERMYER. That is, before he is allowed to compete?

Mr. ELY. Before he can become a member.

Mr. UNTERMYER. I want you to answer the question I ask.

Mr. ELY. I have nothing to say about competing. Let me ask you—

Mr. UNTERMYER. I want you to answer my questions. Now, he can not compete with the existing members until he becomes a member, can he?

Mr. ELY. He can not become a member until he receives 10 white ballots.

Mr. UNTERMYER. Until he becomes a member he can not compete for business, can he?

Mr. ELY. He can not do any business on the exchange.

Mr. UNTERMYER. You look on this exchange as a sort of a private club, do you not?

Mr. ELY. No.

Mr. UNTERMYER. Do you not realize that it has a vast and important public function to perform in interstate commerce?

Mr. ELY. I do not know.

Mr. UNTERMYER. Have you not thought of that?

Mr. ELY. No; I have not thought of that.

Mr. UNTERMYER. Do you not know that the market value of securities is fixed by the quotations on the exchange?

Mr. ELY. That is a matter of opinion.

Mr. UNTERMYER. Do you not know that the market value is fixed by the prices that are quoted on the exchange?

Mr. ELY. I do not know that they are.

Mr. UNTERMYER. Do you not know that the market values are?

Mr. ELY. No; they may be controlled by the sales in the street. They may be dealing in them over the counter.

Mr. UNTERMYER. But you do not understand that the market value of active listed securities on the New York Stock Exchange is fixed by the quotations on the exchange? You do not know that, with your years of experience?

Mr. ELY. That is a matter of opinion.

Mr. UNTERMYER. No; I ask you whether you know it or not.

Mr. ELY. Whether I know it is?

Mr. UNTERMYER. Yes.

Mr. ELY. The market value may be, during one day; yes.

Mr. UNTERMYER. From day to day?

Mr. ELY. From day to day.

Mr. UNTERMYER. Well, that is enough; that is what we call market value.

Mr. ELY. The market changes.

Mr. UNTERMYER. And so do the quotations. The market value changes with the quotations, does it not?

Mr. ELY. Certainly, it does.

Mr. UNTERMYER. Do you not know that the quotations on the exchange are taken by the banks as the value for loaning purposes?

Mr. ELY. I do not know that.

Mr. UNTERMYER. Do you mean to tell us seriously that living in this community, and being in that relation to the exchange, you do not know that as a matter of general reputation?

Mr. ELY. No; I do not know it. I presume it is.

Mr. UNTERMYER. Well, that being so, do you not see that the stock exchange has a vast and important function to perform with relation to interstate corporations and securities that are listed on the exchange?

Mr. ELY. The stock exchange? No.

Mr. UNTERMYER. With respect to the securities there listed?

Mr. ELY. No.

Mr. UNTERMYER. And of vast responsibility?

Mr. ELY. For quotations?

Mr. UNTERMYER. No; not for quotations. But a vast responsibility as to the information it gathers before it lists the securities.

Mr. ELY. Before it lists the securities?

Mr. UNTERMYER. Yes.

Mr. ELY. Yes.

Mr. UNTERMYER. It has a vast responsibility, to see to it that the quotations are genuine and not manipulated; do you not realize that?

Mr. ELY. There is a law against that.

Mr. UNTERMYER. I say, do you not realize that the stock exchange has a vast responsibility to see that values and quotations are not manipulated?

Mr. ELY. That is a matter of opinion.

Mr. UNTERMYER. You do not think it has any such responsibility?

Mr. ELY. I do not know about that. The stock exchange is not engaged in business.

Mr. UNTERMYER. Not in any business?

Mr. ELY. No.

Mr. UNTERMYER. Then, why does it make all these requirements of interstate corporations before it lists their securities?

Mr. ELY. In order that the public that transacts business in these securities may have all the information it can get.

Mr. UNTERMYER. That is the business it is engaged in, is it not?

Mr. ELY. That is not a business.

Mr. UNTERMYER. What do you call it?

Mr. ELY. Listing securities a business?

Mr. UNTERMYER. Yes.

Mr. ELY. No; I do not call that a business.

Mr. UNTERMYER. What fee does it exact?

Mr. ELY. \$50 a million.

Mr. UNTERMYER. \$50 a million of capitalization?

Mr. ELY. Yes.

Mr. UNTERMYER. So that in case of a company like the Steel Corporation, with \$1,100,000,000, how much would the initial fee be for listing?

Mr. ELY. I do not know.

Mr. UNTERMYER. Figure it. It would be \$55,000 for listing these securities, would it not?

Mr. ELY. Whatever it is.

Mr. UNTERMYER. Figure it, please.

Mr. ELY. It stands for itself.

Mr. UNTERMYER. Figure it, will you?

Mr. ELY. How many millions?

Mr. UNTERMYER. \$1,100,000,000, I think it was.

Mr. ELY (after figuring). Yes.

Mr. UNTERMYER. How much is it?

Mr. ELY. \$55,000.

Mr. UNTERMYER. \$55,000 for listing that security; and that is not business, is it?

Mr. ELY. No; I do not call that business.

Mr. UNTERMYER. You call that pleasure, I suppose?

Mr. ELY. Yes.

Mr. UNTERMYER. What are the other fees that the stock exchange exacts in connection with these transactions in which they deal?

Mr. ELY. What transactions?

Mr. UNTERMYER. Does it require any annual fee?

Mr. ELY. Of members?

Mr. UNTERMYER. No; for the listing of securities.

Mr. ELY. No.

Mr. UNTERMYER. Does it get any other fees out of the corporations whose securities are listed except for the listing privilege?

Mr. ELY. No, sir.

Mr. UNTERMYER. What does it charge for listing bonds?

Mr. ELY. It is the same thing.

Mr. UNTERMYER. \$50 on every \$1,000,000 par value; is that it?

Mr. ELY. Yes; that is it.

Mr. UNTERMYER. Then it also gets fees from members, does it not?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. What are they?

Mr. ELY. \$100 a year, is it not [addressing a gentleman]?

Mr. UNTERMYER. Do you not know what it is?

Mr. ELY. Let me see——

Mr. UNTERMYER. Do you mean to tell us you do not know the annual dues of the members?

Mr. ELY (referring to a book). \$100 a year; \$50 semiannually.

Mr. UNTERMYER. And how much initiation fee?

Mr. ELY. \$2,010; \$2,000 initiation and \$10 to the gratuity fund.

Mr. UNTERMYER. What is a stock exchange seat worth now?

Mr. ELY. The last sale was \$72,000.

Mr. UNTERMYER. It has been as high as \$95,000?

Mr. ELY. \$94,000.

Mr. UNTERMYER. But there is no business connected with all this, is there?

Mr. ELY. The stock exchange is not engaged in business.

Mr. UNTERMYER. I see. Does it rent telephone service, too, for its members?

Mr. ELY. The New York Telephone Co.

Mr. UNTERMYER. Does not the stock exchange control the telephone service of its own building?

Mr. ELY. They own the stock of the telephone company of the New York Telephone Co. and then there is also the Golden Stock Co.

Mr. UNTERMYER. The stock exchange owns the ticker and it owns the telephone service?

Mr. ELY. No; not the telephone service; the ticker.

Mr. UNTERMYER. Does it rent the ticker?

Mr. ELY. It owns the stock in the ticker company. I made a mistake there. You said telephone. It does not own any telephone at all.

Mr. UNTERMYER. But it owns the stock in the ticker company?

Mr. ELY. Yes.

Mr. UNTERMYER. And the ticker company rents its tickers to the members, does it not?

Mr. ELY. The ticker company; yes.

Mr. UNTERMYER. And to people outside?

Mr. ELY. No; The Golden Stock rent their tickers to the people outside.

Mr. UNTERMYER. And the New York Stock Exchange owns the Golden Stock?

Mr. ELY. No; not the Golden Stock.

Mr. UNTERMYER. It owns only the New York Stock Exchange tickers?

Mr. ELY. That is it.

Mr. UNTERMYER. What does it charge its members for the rent of the tickers?

Mr. ELY. I do not know.

Mr. UNTERMYER. You do not know?

Mr. ELY. No; I do not know anything about it.

Mr. UNTERMYER. There is another pleasantry. Does it rent telephone service in its building for members?

Mr. ELY. The telephone company gets the service. They rent the service.

Mr. UNTERMYER. They rent the service to whom?

Mr. ELY. To the members.

Mr. UNTERMYER. Through the New York Stock Exchange?

Mr. ELY. Yes.

Mr. UNTERMYER. Through your contracts?

Mr. ELY. Yes. We have a contract with them—with the telephone company.

Mr. UNTERMYER. And what do you charge the members?

Mr. ELY. We do not charge the members; they charge the members.

Mr. UNTERMYER. You have a contract with the telephone company?

Mr. ELY. Yes.

Mr. UNTERMYER. And then they charge the members, and you control the telephone communication?

Mr. ELY. Not the communication; no.

Mr. UNTERMYER. Do you not?

Mr. ELY. No.

Mr. UNTERMYER. Do you not control the communication so that nobody can use those telephones except members?

Mr. ELY. They have their own clerks in there.

Mr. UNTERMYER. Do you not control the telephone service there, through your contract with the company, so that nobody but members can use those phones?

Mr. ELY. Yes; that is right. I did not understand you.

Mr. UNTERMYER. What is it Mr. Ely, that gives this great value to a seat on the stock exchange?

Mr. ELY. Supply and demand, I presume.

Mr. UNTERMYER. You mean the limitation on the membership?

Mr. ELY. No; I mean the demand and supply.

Mr. UNTERMYER. Is not that the same thing as the limitation on the membership?

Mr. ELY. That is not my answer; no.

Mr. UNTERMYER. I am asking you.

Mr. ELY. I do not know.

Mr. UNTERMYER. If there were no limitation on the membership there would be no such value to a seat, would there?

Mr. ELY. I do not know.

Mr. UNTERMYER. What?

Mr. ELY. Yes; I do not know.

Mr. UNTERMYER. Suppose anybody who paid \$250 initiation fee and \$100 a year and was a man in good standing, reputable, responsible, could go into the stock brokerage business and become a member of the New York Stock Exchange; do you not know that a seat would have no such value?

Mr. ELY. I do not know anything about it.

Mr. UNTERMYER. You are not willing to admit, are you, that the limitation on the membership is what gives this value to the seat?

Mr. ELY. I do not know.

Mr. UNTERMYER. You can not tell us what does give it its value?

Mr. ELY. Supply and demand.

Mr. UNTERMYER. You say that the value of it is regulated by supply and demand?

Mr. ELY. Yes.

Mr. UNTERMYER. Tell us what is the supply.

Mr. ELY. I do not know.

Mr. UNTERMYER. What is the demand?

Mr. ELY. I do not know that.

Mr. UNTERMYER. How do you know, then, that the value is regulated by supply and demand?

Mr. ELY. That is usually the case, is it not, with everything?

Mr. UNTERMYER. You mean you are judging on the basis of economics in general?

Mr. ELY. Yes.

Mr. UNTERMYER (referring to paper). Is the paper you now produce a list of the listed stocks and bonds on the New York Stock Exchange?

Mr. ELY. Yes, sir.

Mr. UNTERMYER. That is issued how frequently?

Mr. ELY. Every day.

Mr. UNTERMYER. To the members?

Mr. ELY. The printer issues that every day to members.

Mr. UNTERMYER. I offer that in evidence.

The paper referred to was marked "Exhibit 26, June 11, 1912."

Mr. UNTERMYER. Who is it, Mr. Ely, who could tell us why the stock exchange passed and enforces this rule forbidding messengers, telephone communication, or dealings of any kind in or out of the exchange between members of the New York Stock Exchange and members of the Consolidated?

Mr. ELY. I do not know.

Mr. UNTERMYER. You do not know who there is in the exchange who can give a reason for such a regulation?

Mr. ELY. No; I do not think they can.

Mr. UNTERMYER. You do not think anybody can?

Mr. ELY. It is to prevent that.

Mr. UNTERMYER. Why prevent it?

Mr. ELY. I do not know.

Mr. UNTERMYER. You can not tell us of anybody who does?

Mr. ELY. No.

Mr. UNTERMYER. What has been the income of the New York Stock Exchange during the past five years from the item of fees on listing alone without regard to anything else?

Mr. ELY. I do not know.

Mr. UNTERMYER. Can you tell us approximately?

Mr. ELY. No.

Mr. UNTERMYER. Can you give us the name of anybody who can tell us?

Mr. ELY. I will look at the books there and see.

Mr. UNTERMYER. The books are under your control?

Mr. ELY. They are under my control. That is, if you want to find out?

Mr. UNTERMYER. I want to find out the income of the New York Stock Exchange from the listing of securities.

Mr. ELY. From listing fees?

Mr. UNTERMYER. Yes; from listing fees alone. Let us start in 1898; that will be the last 14 years.

Mr. ELY. All right.

Mr. UNTERMYER. The exchange owns its building, does it not?

Mr. ELY. Yes.

Mr. UNTERMYER. Free of mortgage?

Mr. ELY. No; I do not think it is free of mortgage yet.

Mr. UNTERMYER. Do you not know?

Mr. ELY. I do not think it is yet.

Mr. UNTERMYER. Is the building incorporated as a separate institution?

Mr. ELY. Yes; it is owned by the New York Stock Exchange Building Co.

Mr. UNTERMYER. And who owns the New York Stock Exchange Building Co.?

Mr. ELY. The members own stock in it.

Mr. UNTERMYER. Each one of the 1,100 members?

Mr. ELY. No. The exchange owns stock in it.

Mr. UNTERMYER. The exchange owns all the stock of the building company, does it?

Mr. ELY. Practically, yes.

Mr. UNTERMYER. Is there any agreement in writing fixing the interests of the members of the exchange in the property of the exchange?

Mr. ELY. Not that I know of.

Mr. UNTERMYER. You say the exchange owns the ticker stock and it owns the stock of the building. Is there no document of any kind in existence prescribing or regulating the interest in which that is owned?

Mr. ELY. I do not know of any.

Mr. UNTERMYER. Are there any trustees who hold the securities for the members?

Mr. ELY. Trustees of the New York Stock Exchange Building.

Mr. UNTERMYER. Who are they?

Mr. ELY. I will have to furnish you with their names.

Mr. UNTERMYER. Will you?

Mr. ELY. Yes.

(The following are the names of the directors of the New York Stock Exchange Building Co., as subsequently furnished by Mr. Ely: Francis L. Eames, Ernest Groesbeck, Rudolph Keppler, R. H. Thomas, J. T. Atterbury, J. B. Mabon, R. P. Doremus, Warren B. Nash.)

NOTE No. 1.—The above-named gentlemen hold stock in the New York Stock Exchange Building Co. in their own names, and not as trustees of the New York Stock Exchange Co., the residue of the stock being owned by the New York Stock Exchange Co., and held in the name of the "Treasurer, New York Stock Exchange."

Mr. UNTERMYER. And do those same trustees own the ticker stock?

Mr. ELY. No.

Mr. UNTERMYER. Are there other trustees who own that?

Mr. ELY. I will have to get that information for you.

(The following are the names of the directors of the New York Quotation Co., as subsequently furnished by Mr. Ely: A. B. Chandler, H. G. S. Noble, F. K. Sturgis, Ernest Groesbeck, J. T. Atterbury, W. H. Baker.)

NOTE No. 2.—The above-named gentlemen hold their stock in the same manner as described in note No. 1, and the same is true of the treasurer of the New York Stock Exchange Co., acting for that company.

Mr. NEELY. I desire to make a protest, at this point, against the spirit of levity manifested by some of the witnesses and some of the

occupants of this room. This is in the nature of a judicial proceeding and it ought to be conducted with the decorum consistent with such a proceeding, and I for one insist on that.

The CHAIRMAN. The chairman has said on one or two occasions that the proceedings must be orderly. Sometimes the matter of laughter on the part of the witness is due to nervousness or temperament or something of that kind. I do expect all present and all testifying to treat the proceeding with dignity and respect, to which it is entitled. This is not in the nature of a reproof to anyone, but a general statement to the committee and those present.

Mr. ELY. I am very sorry if I have offended at all.

The CHAIRMAN. It was not directed to you.

Mr. ELY. I did not intend to.

Mr. UNTERMYER. I am sure Mr. Ely had no intention of offending the committee.

Witness excused.

Thereupon, at 3.55 o'clock p. m., the committee adjourned until to-morrow, Wednesday, June 12, 1912, at 11 o'clock a. m.

EXHIBIT No. 24, JUNE 11, 1912.

NEW YORK STOCK EXCHANGE,  
COMMITTEE ON STOCK LIST,  
March 2, 1908.

This committee will meet every Monday at 3.30 p. m. in the room of the committee.

An application signed by an executive officer of a corporation must be filed with the secretary of the exchange, and on notice from him six additional printed or type-written copies must be filed on or before the Wednesday prior to date set for its consideration.

Every application must be accompanied by a check for \$50 for each \$1,000,000, or portion thereof, of the par value of each class of security. Check should be drawn to the order of treasurer of the New York Stock Exchange and will immediately become the property of the exchange.

REQUIREMENTS FOR ORIGINAL LISTINGS.

*Railroad corporations.*—Application for an original listing of the securities of a railroad company shall recite the title of the company, date of organization, and authority for same; amount of authorized capital stock and amount issued, par value, rate of dividend; voting power; if full or partly paid; if personal liability attaches to ownership; if preferred stock is authorized, whether cumulative or noncumulative and nature of preference as to dividend, voting power, and distribution of assets; location and route of road; description of property and total mileage in operation; contemplated extensions; total equipment; amount of mortgage lien, date of maturity, and rate of interest; amount of other indebtedness or liability, jointly or severally, for leases, guaranties, rentals, and car trusts, and terms of payment thereof; distribution of securities; disposition of proceeds of sale; name and location of transfer agent and registrar; address of main office of company, list of officers and directors (classified), date of annual meeting, end of fiscal year; agreement with the exchange to publish annual reports, to maintain a transfer office in New York City, and to give at least 10 days' notice in advance of the closing of the books for any purpose.

BONDS.

Application must recite the full title of the bonds, denominations, amounts of authorized and outstanding issue, date, and maturity; amount applied for and numbers, with a full description of the bonds, names of trustees, rate of interest, when and where payable; whether the bonds are subject to redemption by sinking fund or otherwise; terms of exchange or convertibility, if any, into other securities; whether issued in coupon or registered form, or both, and if the latter, whether they are interchangeable; if coupon bonds only are issued, whether they have privilege of registration as to principal; purposes of issue and disposition of proceeds; terms of issue of additional amounts as provided for in the mortgage or trust deed. Special clauses

of the mortgage reciting terms of issue and redemption and restrictions or limitations of unusual character should be outlined.

A tabulated statement must be furnished with the list of properties owned, acquired, and operated by the company, showing those covered by the mortgage or other indenture under which the bonds are issued; those covered by prior liens; bonded indebtedness of acquired or operated companies with details; whether such companies are owned in fee, or by ownership of bonds and stocks, and the amount of such bonds and stocks owned, authorized and issued; also certified copy of action of stockholders and directors authorizing the reservation of stock equal to amount of convertible bonds.

Opinion of counsel should approximate the following form:

"We have examined the mortgage, dated \_\_\_\_\_, made by the \_\_\_\_\_ Co. to the \_\_\_\_\_ Trust Co. of \_\_\_\_\_, as trustee, to secure an issue of \_\_\_\_\_ bonds of said company to an amount not to exceed \$\_\_\_\_\_. We are of opinion that the actions of the directors and stockholders in respect to this mortgage were in conformity with the laws of the State of \_\_\_\_\_, and are in accordance with the laws of all States in which the property so mortgaged is situated, and that the mortgage and bonds therein referred to are in all respects valid and binding obligations of said company."

When bonds are intended to replace one or more prior issues, the committee will require evidence of the satisfaction of prior liens.

A copy of the mortgage must be furnished with a copy of certificate from the county clerk in each county in which the mortgaged property is located that the mortgage has been recorded in such county. Should the laws of the State not require a record to be made in the several counties, a copy of certificate of the secretary of the State showing the legal record shall be filed. This copy of the mortgage must be certified by the trustee to be a true copy.

When a trust indenture provides that bonds may be issued in coupon and registered form, each registered bond issued thereunder shall declare that it is issued in lieu of, or in exchange for, coupon bonds whose numbers are distinctly stated in, or are indorsed upon, said registered bond, and that said numbered coupon bonds are not contemporaneously issued and outstanding.

When any coupon bond or bonds shall be surrendered in exchange for registered bonds, there shall be issued a like amount of registered bonds bearing statement therein, or indorsed thereon, of the serial number or numbers borne by the coupon bonds so surrendered for exchange, which coupon bonds shall be immediately canceled by the trustee.

In each case of transfer of a registered bond, the bond issued because of such transfer shall have recorded therein, or indorsed thereon, the same serial numbers of coupon bonds as are recited in the surrendered bond as being specially reserved for said surrendered bond.

In any exchange of registered bonds for coupon bonds, the numbers of the coupon bonds so issued shall correspond with those stated in the surrendered registered bond.

#### PAPERS TO BE FILED WITH APPLICATIONS.

For listing stocks:

Seven copies of the charter or articles of incorporation, one copy to be attested by the secretary of the State in which the company is incorporated.

Seven copies of by-laws, one copy to be attested by secretary of company.

Seven copies of leases and special agreements, one copy of each to be attested by the secretary of the company.

Seven copies of income account, covering at least one year of actual operation of the company, and seven copies of the balance sheet at the end of said year; one copy of each to be certified by an authorized public accountant or the auditor of the company.

One copy of resolutions of stockholders authorizing issue and of the action of the directors thereunder, attested by secretary of the company.

Opinion of counsel as to legality of authorization and issue of securities.

Certificate of registrar as to amount of securities registered at date of application.

Certified copy of agreement to publish annual reports, to maintain a transfer office in New York City, and to give at least 10 days' notice in advance of the closing of the books for any purpose.

Report of a duly qualified civil engineer covering the actual physical condition of the property as of recent date.

Map of the road and contemplated extensions.

Full set of specimens of securities of the company.

In addition to the foregoing, for listing bonds:

Six additional copies of the mortgage or trust deed.

Opinion of counsel shall cover (a) as to organization, (b) as to validity of issue, (c) as to real estate in fee. Trustees' certificate shall cover (a) as to acceptance, (b) as to issuance under the terms of the mortgage, (c) as to securities held, (d) as to cancellation or cremation of underlying and unissued securities, prior liens, etc.

#### CORPORATIONS OTHER THAN RAILROADS.

Application for an original listing of securities of corporations other than railroads must recite the title of the company, date of organization and authority for same; amount of authorized capital stock and amount issued, par value, rate of dividend; voting power; if full or partially paid; if personal liability attaches to ownership; if preferred stock is authorized, nature of preference as to dividends, whether cumulative or noncumulative, voting power and distribution of assets; whether an original organization or a consolidation of several previously existing firms or corporations; if a consolidation, a concise history of its organization, and the names and locations of constituent companies; whether the constituent companies are owned in fee or otherwise and amounts of authorized, issued, and owned stocks of same; a full description of property, real, personal, and leased; if real estate is owned in fee, the acreage thereof and the character of buildings thereon; nature and character of product; business proposed to be transacted; duration of charter and charters of subsidiary companies; statement of special rights and privileges conveyed to the company under its charter, or to its directors under the by-laws; agreement with the exchange by which the company binds itself to the following:

That it will not dispose of its interest in any constituent company or allow any of said companies to dispose of its interests in other companies except on direct authorization of stockholders.

That it will not speculate in its own or constituent companies' securities or permit similar speculations by any of its constituent companies.

That it will publish at least once in each year and submit to the stockholders at the annual meeting of the company a detailed statement of its physical and financial condition, an income account covering the previous fiscal year, and a balance sheet showing assets and liabilities at the end of the year; also income account and balance sheet of any subsidiary company.

Papers properly attested, as set forth in list to be filed with applications of railroad companies, must also be filed

#### REORGANIZED CORPORATIONS

Application to list securities of a corporation which has been insolvent or has been reorganized must contain a concise history of the corporation and of its predecessor, together with a statement of the reason for its reorganization; history of proceedings if property was sold under foreclosure; amount and description of all securities which have been authorized and issued by the new company; amount of those issued in lieu of or exchange for any of the preceding issues; purposes and terms in detail under which additional securities of the reorganized company may be issued; amount and description of the various securities which have been retired, canceled, deposited, or otherwise held or are still outstanding.

The following papers must be filed in addition to those previously referred to:

Certified copies of legal proceedings and order of court confirming sale.

Income account of the predecessor company for a period of at least one year prior to reorganization and final balance sheet; also a balance sheet of the new company at date of reorganization, all of which shall be certified by an authorized public accountant or the auditor of the company.

Opinion of counsel that the proceedings have been in conformity with legal requirements, that the title to the property is vested in the new corporation and is free and clear from all liens and encumbrances except as distinctly specified.

Certificate of cancellation, deposit, or holding of prior issues.

Certified copies of new mortgages or deeds of trust.

#### ADDITIONAL AMOUNTS OF LISTED SECURITIES

State amount and character of such additional issues, public distribution, and disposition of proceeds of sale; amounts covered by prior applications for listing to which reference should be made by giving numbers and dates of applications; amount description, and disposition of securities exchanged for new issues; describe additional property acquired and its present physical condition; file attested copies of resolutions of stockholders and action of directors as to issuance of the additional securities and opinion of counsel as to validity of issue; if authorized capital stock is increased, a certificate of such increase from the secretary of state; certified copies of income account and balance sheet of recent date.

The registrar shall not register any additional stock until notified by the committee that such stock has been duly listed.

Thirty days' notice of any proposed increase of capital stock of a corporation shall be given to the exchange before such increase will be eligible for listing.

When the capital stock of a corporation is increased through conversion of convertible bonds, already listed, the issuing corporation shall give immediate notice to the exchange, and this committee may thereupon authorize the registration of such shares and add them to the list.

The governing committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the exchange, or it may summarily remove any security from the list.

#### TRUSTEES OF MORTGAGES

The committee recommends that a trust company or other corporation be appointed trustee of each mortgage or trust deed; when a State law requires the appointment of a local individual trustee, that a trust company or other corporation be appointed as cotrustee.

The committee will not approve of an officer of an applicant corporation as a trustee of securities issued by it, nor will it regard such officer or director as qualified to give opinion as counsel on any legal question affecting the corporation.

In all cases where two or more liens have been placed upon the same real property of a corporation, each lien must be represented by a trustee or trustees entirely separate and distinct from those to whom any other liens upon the same real property, either in part or in entirety, have been intrusted.

The trustee must present a certificate acknowledging the acceptance of the trust and giving the numbers and amount of bonds executed in accordance with the terms of the mortgage; if the trust deed required the deposits of collateral as securities for the mortgage, the trustee shall certify to the deposit of such collateral, specifying it in detail. In the matter of additional issues of bonds the trustee must certify that such increase has been made in conformity with the terms of the trust deed, and that the lien of the mortgage has been duly recorded against any new property acquired, or that the required additional collateral has been duly deposited.

#### TRANSFER AND REGISTRY.

A corporation is required to maintain a transfer agency and a registry office in the city of New York, Borough of Manhattan. Both the transfer agency and the registrar must be acceptable to the committee on stock list; the registrar must file with the secretary of the exchange an agreement to comply with the requirements of the exchange in regard to registration.

A trust company or other agency or individual shall not at one and the same time act as transfer agent and registrar of a corporation.

When a company has its stock transferred at its own office, a transfer agent or transfer clerk shall be appointed by authority of the board of directors to countersign certificates, who shall be an individual other than an officer authorized by the by-laws of the company to sign certificates of stock.

The entire amount of the capital stock of a corporation listed upon the exchange must be directly transferable at the transfer office of the company in the city of New York.

When a corporation also makes transfer of its shares in other cities, the certificates issued therefrom shall be interchangeable, and be identical in form and color with the New York certificates, except as to the names of the transfer agent and the registrar.

Certifications of registry shall provide for the signature of an executive officer of the corporation acting as registrar, i. e., an officer having general powers to sign for the corporation.

A change in the form of certificate, or of the transfer agency, or the registrar, or the trustee of bonds shall not be made without the approval of this committee.

#### ENGRAVED CERTIFICATES REQUIRED

Every bond, coupon, or certificate of stock must be printed from steel plates, which have been engraved in the best manner and which have such varieties of work as will afford the greatest security against counterfeiting.

For each document or instrument there must be at least two steel plates, viz, a face plate containing the vignettes and lettering of the descriptive or promissory portion of the document, which should be printed in black or in black mixed with color; also a tint plate, from which should be made a printing in an antiphotographic color, so arranged as to underlie important portions of the face printing.

These two printings must be so made upon the paper that the combined effect of the whole, if photographed, would be a confused mass of lines and forms, and so give

as effectual security as possible against counterfeiting by any scientific or other process. The imprint of each denomination of bonds must be of such distinctive appearance and color as to make it readily distinguishable from other denominations and issues. It is required for each class of stock issued that there shall be a distinctively engraved plate for 100 shares with said denomination engraved thereon in words and figures. For certificates issued for smaller amounts, there shall be a similar plate, distinctive in design and color, for each issue; there shall be engraved thereon some device whereby the exact denomination of the certificate may be distinctly designated; also conspicuously the words, "Certificate for less than one hundred shares."

It is recommended that the terms of redemption by sinking fund or otherwise and of conversion into other forms of securities be shown in the test of bonds; also that the terms of preference or other privilege in the issues of stocks be stated on the face of the certificates.

All certificates should bear upon their face the following:

"This certificate is not valid until countersigned by the transfer agent and the registrar."

It is required that a specimen of each issue of stocks or bonds shall be referred to the committee for acceptance as to form, character, and workmanship prior to application for their listing; no form of stock certificate or bond will be accepted unless it has been engraved by some bank-note engraving company whose work this committee has been authorized by the governing committee to pass upon.

The name of the engraving company must appear upon the face of each bond and certificate of stock, and also upon the face of each coupon and the title panel of the bond.

The committee will object to any security upon which an impress is made by a stamp. A power of attorney indorsed upon a certificate of stock must be irrevocable with bill of sale and power of substitution. The following form is suggested:

For value received \_\_\_\_\_ hereby sell, assign, and transfer unto \_\_\_\_\_, \_\_\_\_\_ shares of the capital stock represented by the within certificate and do hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the said stock on the books of the within-named company with full power of substitution in the premises.

Dated \_\_\_\_\_, 19\_\_\_\_.

In presence of—  
\_\_\_\_\_

#### CERTIFICATES OF DEPOSIT IN TRUST.

Institutions, firms, or corporations, depositaries of securities under plans of reorganization, protective or associate action, are requested to accept on deposit only such securities as are a delivery in the exchange: *Provided*, That in any case where said depositaries find it necessary to accept securities which are not a delivery, they shall issue therefor a distinctive certificate which will indicate the irregularity. Agreements for deposit of securities for protective or associate action must be limited to a specified time for continuance, within which a plan of reorganization or adjustment will be presented to the certificate holders for acceptance, or in default thereof such holders will be granted opportunity to withdraw the securities represented by their certificates and terminate their agreement. Penalty for delay in depositing securities under any agreement should not be imposed until all holders of such securities have had reasonable opportunity for depositing, after the listing of the certificates of deposit.

When bonds are deposited with institutions, firms, or corporations, which are depositaries under plans of reorganization, protective or associate action, certificates therefor will be considered as representing the deposit of coupon bonds. Certificates issued for deposit of registered bonds or bonds not a delivery in the exchange must bear on their face evidence of such fact. Certificates of deposit for securities, whether for reorganization, protective or associate action, or for voting trustees, must bear the counter-signature of some institution as registrar, in same manner as certificates for stock.

#### ANNUAL REPORTS.

The exchange requires of all corporations whose securities are admitted to the stock list, that they shall print, publish, and distribute to stockholders, at least 15 days prior to annual meetings, a full report of their operations during the preceding fiscal year; complete and detailed statements of all incomes and expenditures; and a balance sheet showing their financial condition at the close of the given period. The exchange requests that stockholders of corporations take such action as may be necessary to make this requirement effective.

WM. W. HEATON, *Chairman*.  
GEORGE W. ELY, *Secretary*.