

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 8

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1913

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES.

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MONEY-TRUST INVESTIGATION.

SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, December 10, 1912.

The subcommittee met at 11 o'clock a. m.

Present: Messrs. Pujo (chairman), Doughton, Daugherty, Byrnes, Neeley, McMorran, Hayes, Guernsey, and Heald.

Present also: Samuel Untermyer, Esq., of New York City, counsel for the committee.

TESTIMONY OF WALTER E. FREW.

The witness was sworn by the chairman.

Mr. UNTERMYER. Will you be good enough to state your residence and occupation?

Mr. FREW. My residence is Hempstead, N. Y. My occupation is president of the Corn Exchange Bank.

Mr. UNTERMYER. May I say for your benefit and that of any other witness who may be called that you will please understand that questions put to witnesses asking their opinions as to whether certain laws or remedies would be advisable or not are not intended to suggest the views or opinions of the committee, or of some of its members, or of counsel, as to the remedies that would or might be recommended. They are put for the sole purpose of enabling the committee to hereafter impartially weigh the arguments for and against a given line of action, and are not to be given any further meaning. The committee wants to hear and dissect all that may be said against possible lines of action so as to have the benefit of that advice in its deliberations.

How long have you been president of the Corn Exchange Bank?

Mr. FREW. Since January, 1911.

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

Mr. FREW. Yes, sir.

Mr. UNTERMYER. How long have you been connected with the bank?

Mr. FREW. With the Corn Exchange Bank since September 1, 1899.

Mr. UNTERMYER. How long have you been in the banking business?

Mr. FREW. Since 1880.

Mr. UNTERMYER. Who was your predecessor in the presidency of the Corn Exchange Bank?

Mr. FREW. William A. Nash.

Mr. UNTERMYER. What, if any, position does he now hold in the bank?

Mr. FREW. He is chairman of the board of directors.

Mr. UNTERMYER. Will you be good enough to state the capital and resources of your bank?

Mr. FREW. There is \$3,000,000 capital, \$5,600,000 of surplus, net deposits of about \$60,000,000.

Mr. UNTERMYER. What are its undivided profits, in addition to its surplus?

Mr. FREW. We have no undivided profits account. We carry it all in the surplus account.

Mr. UNTERMYER. Do you carry any private account in the bank?

Mr. FREW. We do not.

Mr. UNTERMYER. You know of that custom in some banks, do you not, of carrying certain assets in a private account, that are found neither in the surplus nor in the undivided profits?

Mr. FREW. I have heard of such things, but I do not know it as a fact.

Mr. UNTERMYER. You mean you have not seen the assets? You know of the custom, do you not?

Mr. FREW. I do not know that such accounts are kept in any other bank.

Mr. UNTERMYER. But you know of the custom, do you not?

Mr. FREW. I have heard of the custom; yes.

Mr. UNTERMYER. Yours is a State bank, is it not?

Mr. FREW. Yes; it is a State bank.

Mr. UNTERMYER. Has its capital been increased in late years?

Mr. FREW. Three times. It was increased in the early part of 1899.

Mr. UNTERMYER. From what to what?

Mr. FREW. From \$1,000,000 to \$1,400,000, for the purpose of merging two other banks with it, on book value.

Mr. UNTERMYER. What were those other banks?

Mr. FREW. The Hudson River Bank and the Astor Place Bank of New York City.

Mr. UNTERMYER. Where were they located?

Mr. FREW. One, the Hudson River Bank, is located at Seventy-seventh Street and Columbus Avenue. The Astor Place Bank is located at Eighth Street and Lafayette Place.

Mr. UNTERMYER. When was the next increase of capital, if you can tell me, approximately?

Mr. FREW. Within a few years afterwards we increased it from \$1,400,000 to \$2,000,000. (Referring to book.) On March 20, 1899, it was increased to \$1,400,000, and on July 31, 1902, it was increased from \$1,400,000 to \$2,000,000.

Mr. UNTERMYER. When it was increased from \$1,000,000 to \$1,400,000, what was its surplus? That, you say, was in 1899?

Mr. FREW. Yes. I thought I had the details of that here, but I find I have not. I could not give you that. I have not got it here.

Mr. UNTERMYER. Can you remember approximately?

Mr. FREW. No, sir.

Mr. UNTERMYER. In 1902, when its capital was increased from \$1,400,000 to \$2,000,000, what was its surplus?

Mr. FREW. That is what I mean. I could not tell you.

Mr. UNTERMYER. Nor can you tell me as to its surplus in 1899?

Mr. FREW. I can not.

Mr. UNTERMYER. When was the last increase, from \$2,000,000 to \$3,000,000?

Mr. FREW. October 15, 1906. It was increased from \$2,000,000 to \$3,000,000 at that date.

Mr. UNTERMYER. When this capital was increased from \$1,000,000 to \$1,400,000, at what price was the stock sold?

Mr. FREW. The stock was sold at \$350 a share. Five thousand six hundred shares were taken by the stockholders at \$350 a share. The remaining 400 shares were disposed of by the directors for the best interests of the bank.

Mr. UNTERMYER. At the same price?

Mr. FREW. No. That was sold at auction, and it brought over \$400 a share, I believe.

Mr. UNTERMYER. At what price was the second increase sold—that is, the increase of \$600,000 of stock?

Mr. FREW. That was what I was referring to.

Mr. UNTERMYER. I am referring to the first four hundred—

Mr. FREW. That was exchanged for book value with the Hudson River Bank and the Astor Place Bank.

Mr. UNTERMYER. At what price did that figure out for the stock?

Mr. FREW. I could not tell you that. It was the exact book value of these banks. It was just exchanged.

Mr. UNTERMYER. I understand; but approximately what did it figure out; \$300 a share or \$200?

Mr. FREW. I think it was about \$250 or \$260 a share, or something like that.

Mr. UNTERMYER. The money realized from these two increases of stock, other than the par of the stock, was credited to the surplus account, was it not?

Mr. FREW. Certainly.

Mr. UNTERMYER. Has the Corn Exchange Bank branches?

Mr. FREW. Twenty-nine of them.

Mr. UNTERMYER. It is a State institution?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Are those branches all located in New York?

Mr. FREW. They are all in New York City or Greater New York.

Mr. UNTERMYER. So that its capital of \$3,000,000, spread over 29 branches, would average as to each bank a capital of how much—about \$110,000?

Mr. FREW. Its capital would average about that. "Capital and surplus" is the law.

Mr. UNTERMYER. Yes. But in determining the admissibility of a member to a clearing house the clearing house association does not take the surplus into account at all, does it?

Mr. FREW. It takes capital into account.

Mr. UNTERMYER. It does not consider the surplus?

Mr. FREW. It does not.

Mr. UNTERMYER. So that a bank might have \$9,000,000 of capital and five times that amount of surplus and still not be eligible to the clearing house association, might it not?

Mr. FREW. That is according to the present rules; yes, sir.

Mr. UNTERMYER. Do you not think they could be changed in that respect?

Mr. FREW. I do not desire to express any opinion on that point.

Mr. UNTERMYER. But we would like to have your opinion, Mr. Frew, and I think we are entitled to have you express it. You are the chairman of the clearing house committee of the New York Clearing House Association, are you not?

Mr. FREW. I am.

Mr. UNTERMYER. And, as such, the head of the institution?

Mr. FREW. I will only express a personal opinion—that I see no objection to making that capital and surplus.

Mr. UNTERMYER. Do you not think that would be a just thing?

Mr. FREW. I do.

Mr. UNTERMYER. You can see how considerable hardship will result from the present situation, can you not?

Mr. FREW. I do not.

Mr. UNTERMYER. Do you not see that a bank with \$500,000 of capital and \$1,000,000 of surplus could not get into the clearing house, and a bank with \$1,000,000 of capital and no surplus could get in?

Mr. FREW. There would be no objection to charging their surplus and increasing their capital to \$1,000,000.

Mr. UNTERMYER. That is not the question. Do you not see how unjustly that operates?

Mr. FREW. If a bank wishes to become a member it could very easily increase its capital by reducing its surplus and increasing its capital.

Mr. UNTERMYER. You mean by paying out its surplus?

Mr. FREW. By making a dividend to its stockholders and increasing its capital to \$1,000,000.

Mr. UNTERMYER. So that it would go on in business without a surplus.

Mr. FREW. You said \$500,000 capital and \$900,000 surplus?

Mr. UNTERMYER. Suppose it had \$500,000 capital and \$500,000 surplus?

Mr. FREW. I see no difference then. It would have \$1,000,000 capital, and that would be all right.

Mr. UNTERMYER. And no surplus?

Mr. FREW. And no surplus.

Mr. UNTERMYER. Do you not think that would be rather a precarious condition for a bank to do business in?

Mr. FREW. I think it would be in a better position.

Mr. UNTERMYER. You think a bank without a surplus, in case of loss, would be in a better position than a bank with a surplus out of which to make good a loss, do you?

Mr. FREW. I believe that a bank with \$1,000,000 capital and no surplus, and the liability of its stockholders—

Mr. UNTERMYER. Can you not answer my question, Mr. Frew?

Mr. FREW. Charging up losses, your position is correct.

By request, the stenographer repeated the question as follows:

Mr. UNTERMYER. You think a bank without a surplus, in case of loss, would be in a better position than a bank with a surplus out of which to make good a loss, do you?

Mr. FREW. In case of loss? No.

Mr. UNTERMYER. A bank with a surplus is in a very much safer position, is it not?

Mr. FREW. The distinction I make between what you say and your question of losses is that if a bank has a million dollars capital and has a million dollars to charge up anything to as a protection to its depositors, it also has the double liability of its stockholders for another, additional, million dollars.

Mr. UNTERMYER. Do you not see that you do not answer my questions at all, and that you are not coming anywhere near doing so?

Mr. FREW. I intend to do so.

Mr. UNTERMYER. I want you to answer as fully as possible, but I wish to have you answer my specific questions.

By request, the stenographer repeated the last question as follows:

Mr. UNTERMYER. A bank with a surplus is in a very much safer position, is it not?

Mr. UNTERMYER. Is it, or is it not?

Mr. FREW. No.

Mr. UNTERMYER. It is not?

Mr. FREW. No.

Mr. UNTERMYER. A bank is not allowed to go on in business, is it, when its capital is impaired?

Mr. FREW. It is notified to make its impairment good.

Mr. UNTERMYER. Is a bank allowed to go on in business when its capital is impaired? Is it not? That is a plain question.

Mr. FREW. No; I suppose not.

Mr. UNTERMYER. You know it is not, do you not?

Mr. FREW. That is right.

Mr. UNTERMYER. You know that it is immediately notified that it must either make good or close its doors, do you not?

Mr. FREW. No. It is immediately notified to make good its capital; to make that impairment good.

Mr. UNTERMYER. And if it does not, then its doors are closed, are they not?

Mr. FREW. That is the usual way; yes, sir. That is so.

Mr. UNTERMYER. So that you do think a bank without a surplus is in a more precarious condition than a bank which has a surplus on which to call, do you?

Mr. FREW. If it has a loss, it is. If it has not a loss, it is not.

Mr. UNTERMYER. Do not all banks have losses?

Mr. FREW. Well-managed banks do not.

Mr. UNTERMYER. Do they not have any at all?

Mr. FREW. They have some occasionally; yes.

Mr. UNTERMYER. A bank without a surplus, if it had a loss, would either have to assess its stockholders or close, would it not?

Mr. FREW. Yes.

Mr. UNTERMYER. And yet you do not think it is in a more precarious condition than a bank that has a surplus to call on, do you?

Mr. FREW. Yes; I do.

Mr. UNTERMYER. I think we might have had that some time ago.

Mr. FREW. Yes; we could.

Mr. UNTERMYER. When a bank with a surplus has a loss, it can call on its surplus and pay it out of that, can it not?

Mr. FREW. Yes.

Mr. UNTERMYER. Coming back to this regulation of the clearing house association, I will repeat the question:

Do you not think that a bank with a capital of \$500,000 and a surplus of \$500,000 is a more valuable clearing-house member than a bank with a capital of a million dollars and no surplus?

Mr. FREW. As I said before—

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. And no surplus?

Mr. UNTERMYER. Yes.

Mr. FREW. I think it is just as good as the other.

Mr. UNTERMYER. It is better, is it not?

Mr. FREW. You lose the liability of the stockholders.

Mr. UNTERMYER. How do you lose the liability?

Mr. FREW. You have in one case, behind your depositors, only a million and a half. You have your \$500,000 capital and a liability of \$500,000 of stockholders, and \$500,000 surplus. In the other case you have \$1,000,000 capital and a million dollars liability from your stockholders. Therefore you have \$2,000,000 as a protection to your depositors.

Mr. UNTERMYER. Do you not realize, Mr. Frew, that that is not the case about which we have been talking at all?

Mr. FREW. I realize that you asked me about their being members of the clearing house.

Mr. UNTERMYER. What I want to know is: Whether you do not think that, as a clearing house member, so far as solvency and responsibility of the bank is concerned, it is in a better position if it has a capital of \$500,000 and a surplus of \$500,000 than if it has a capital of \$1,000,000 and no surplus whatever?

Mr. FREW. No, sir; I do not.

Mr. UNTERMYER. You think it is not as good a member?

Mr. FREW. I believe it is not as good a member as with the liability.

Mr. UNTERMYER. So that a bank without a surplus—

Mr. FREW (interposing). And \$1,000,000—

Mr. UNTERMYER (continuing). Is a more valuable member in the clearing house than a bank with a surplus? Is that right?

Mr. FREW. No, sir; that is not the question. You said \$1,000,000 capital.

Mr. UNTERMYER. Is a bank without a surplus a better member than a bank with a surplus?

Mr. FREW. No; it is not. But your question was on \$1,000,000 capital in one case and \$500,000 capital and \$500,000 surplus in the other.

Mr. UNTERMYER. Yes.

Mr. FREW. The clearing house looks to its protection on its exchanges. The protection is the actual cash capital of the bank and the liability of the stockholders to make it up—the additional liability. In one case you have the \$1,000,000 cash, and only an additional liability of the stockholders of \$500,000. In my case, or my argument, if I may so term it, you have \$1,000,000 liability of the stockholders in addition. Therefore you have \$500,000 liability of the stockholders that you have not in the other case. That is the only point on which we differ.

Mr. UNTERMYER. Yes; but do you not see, Mr. Frew, and realize, as a member of a clearing house association, the precariousness of a bank that has no surplus, and that might the next day have a loss of \$200,000 and have to stop?

Mr. FREW. The stockholders would be compelled to pay that \$200,000 and make it good, or stop.

Mr. UNTERMYER. Only those who could respond would be compelled, would they not?

Mr. FREW. That is it.

Mr. UNTERMYER. The men who could pay would not have to pay for the men who could not pay?

Mr. FREW. No. They would have to sell the stock.

Mr. UNTERMYER. You know what happens to stock when banks fail?

Mr. FREW. It depends on how good the stockholder is.

Mr. UNTERMYER. You know from experience how valuable that has proven in times of failure, do you not?

Mr. FREW. It does not amount to very much.

Mr. UNTERMYER. No; it does not amount to very much. That has been the experience, has it not?

Mr. FREW. Yes.

Mr. UNTERMYER. The insiders, as a rule, knowing the condition of the bank, are able to dispose of their stock so that they do not remain liable?

Mr. FREW. I have no knowledge of that.

Mr. UNTERMYER. But you know it has not amounted to much?

Mr. FREW. It has not in the past; no, sir.

Mr. UNTERMYER. And yet you say that that liability of the stockholders is more valuable than a surplus?

Mr. FREW. Yes; for what it is worth.

Mr. UNTERMYER. For what it is worth, it is more valuable?

Mr. FREW. Yes.

Mr. UNTERMYER. And you say it is not worth much?

Mr. FREW. Not in all instances. In some cases it is not.

Mr. UNTERMYER. Still you are in favor of considering the surplus in determining the eligibility of members of the clearing house association?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Has that subject been agitated at all?

Mr. FREW. Not to my knowledge.

Mr. UNTERMYER. Who are the other members of the clearing-house committee of the New York Clearing House Association?

Mr. FREW. Mr. Delafield, of the Park Bank; Mr. Bannard, of the New York Trust Co.

Mr. UNTERMYER. Mr. Otto T. Bannard?

Mr. FREW. Yes. Mr. Albert H. Wiggan, of the Chase National Bank; William Woodward, of the Hanover National Bank; Mr. Francis L. Hine, as president of the association, is ex officio member of the clearing house committee.

Mr. UNTERMYER. And he is the president of the First National Bank?

Mr. FREW. He is the president of the First National Bank; yes, sir.

Mr. UNTERMYER. Those gentlemen represent leading banking institutions of New York, do they not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. They are all presidents of down-town banks; what we call Wall Street institutions?

Mr. FREW. They are all presidents of down-town banks; yes, sir.

Mr. UNTERMYER. We have had the fact, I think, that the clearing house committee has autocratic power?

Mr. FREW. I do not admit that; no, sir.

Mr. UNTERMYER. Do you not? What is there that the clearing house committee can not do, except to amend the constitution of the association?

Mr. FREW. What can it not do?

Mr. UNTERMYER. Yes.

Mr. FREW. Their powers are prescribed very well in their constitution, as to what they can do.

Mr. UNTERMYER. You are chairman of that committee. Can you think of anything that the clearing house committee, under its by-laws, can not do, except to amend its constitution?

Mr. FREW. Its powers are pretty well prescribed in its articles.

Mr. UNTERMYER. Will you not try to answer my questions, Mr. Frew?

Mr. FREW. I am trying to do so. In what sense do you mean—what can they not do? I do not quite grasp the meaning of your question.

Mr. UNTERMYER. In any and every sense, what is there that they can not do except to amend the constitution?

Mr. RUSHMORE. You mean that the association itself can do?

Mr. FREW. That is exactly what I want to know. They have the powers of the association during the interim.

Mr. UNTERMYER. To what section do you refer?

Mr. FREW. Section 3, article 6.

The clearing house committee shall have charge of the business affairs, etc., full power to appoint, if necessary, or remove managers and other employees, collect all moneys due from the association, supervise expenditures—

Mr. UNTERMYER. Do not read all that. That is not necessary.

Mr. FREW. No.

Mr. UNTERMYER. The committee itself, without regard to the association, has also the power, has it not, to establish rules and regulations?

Mr. FREW. Yes.

Mr. UNTERMYER. In all cases in which the constitution does not provide for them?

Mr. FREW. Yes. [Reading:]

To be observed at the clearing house, in cases not provided for in the constitution.

Yes, sir.

Mr. UNTERMYER. So that, as a matter of fact, speaking generally, it has all the powers of the association?

Mr. FREW. That is about what it amounts to, under certain restrictions. I would like to add that.

Mr. UNTERMYER. Will you point to any restriction on its power anywhere?

Mr. FREW. Yes.

Mr. UNTERMYER. Just look at the by-laws and constitution and tell us of any restriction on its power.

Mr. FREW. In regard to the temporary suspension of members for one thing.

Mr. UNTERMYER. Yes.

Mr. FREW. In order to do that—I read from section 8:

The conference committee shall act in conjunction with the clearing house committee in all cases involving the temporary suspension of a member.

Mr. UNTERMYER. So that when the clearing house committee wants to suspend a member then it sits with the conference committee, and it takes a majority of the two committees to put out that member?

Mr. FREW. No; that is not quite correct.

Mr. UNTERMYER. To suspend a member has about the same effect as expelling him, has it not, so far as the public is concerned?

Mr. FREW. So far as the public is concerned—no; it has not necessarily.

Mr. UNTERMYER. It has not?

Mr. FREW. No, sir.

Mr. UNTERMYER. The loss of the clearing house privileges is a pretty serious thing, is it not?

Mr. FREW. Yes; I should consider it so.

Mr. UNTERMYER. How many members are there of this conference committee?

Mr. FREW. There are five.

Mr. UNTERMYER. And there are five members of the clearing-house committee?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. So that it takes six men to suspend a member from the privileges of the clearing house?

Mr. FREW. To temporarily suspend a member?

Mr. UNTERMYER. Yes.

Mr. FREW. It says, in section 10—

Mr. UNTERMYER. Do not let us read all of the regulations.

Mr. FREW. There is a qualification in section 10. That is what I wanted to mention. [Reading:]

Whenever a member shall be temporarily suspended as aforesaid, the clearing-house committee shall forthwith call a general meeting of the association to take final action in the matter.

Mr. UNTERMYER. What do you mean by “final action”? As to whether he shall be expelled?

Mr. FREW. Action on the suspension. The association decides on it.

Mr. UNTERMYER. As to whether he shall be expelled?

Mr. FREW. As to whether he shall be suspended permanently.

Mr. UNTERMYER. Is not that expelling him?

Mr. FREW. Certainly. It is expulsion.

Mr. UNTERMYER. In other words, it does not take any action of the association to suspend a member, does it?

Mr. FREW. Not to temporarily suspend him; no.

Mr. UNTERMYER. It takes the action of the association to expel a member?

Mr. FREW. Yes.

Mr. UNTERMYER. But if these committees by a majority vote so decide, a member will be suspended until the whole association can determine whether he shall be expelled?

Mr. FREW. That is it.

Mr. UNTERMYER. And meantime he would not get any of the privileges of the clearing house, would he?

Mr. FREW. No, sir.

Mr. UNTERMYER. In most cases that would put him out of business while the association was deciding whether he should be expelled?

Mr. FREW. No, sir; it would not.

Mr. UNTERMYER. You do not think it would?

Mr. FREW. Not with a good, strong bank.

Mr. UNTERMYER. How strong would a bank have to be in order to stand up against that action of these six men of the clearing-house committee?

Mr. FREW. It depends on the character of the assets, I should say.

Mr. UNTERMYER. If they were all liquid in money, so that the bank could stand a good run, if might withstand it, might it not?

Mr. FREW. It no doubt could.

Mr. UNTERMYER. But it would have to stand up against a run, would it not?

Mr. FREW. No; not necessarily.

Mr. UNTERMYER. Probably it would, would it not?

Mr. FREW. No; it depends.

Mr. UNTERMYER. You do not think it would?

Mr. FREW. I think when a bank was suspended from the clearing house, the reason for its suspension would be known.

Mr. UNTERMYER. Known to whom?

Mr. FREW (continuing). And if the reason was insolvency, naturally that would result in a run. But if the suspension was made on a technical matter, I believe that would not be the result.

Mr. UNTERMYER. But are members suspended on technical matters?

Mr. FREW. In case of a violation of this rule of collection charges, if they are suspended on that, I see no reason for closing that institution, provided they have proper assets in liquid shape.

Mr. UNTERMYER. Where would they do their clearing in the meantime?

Mr. FREW. They would have an account with another bank and deposit their checks and draw on that account the same as the present institutions in New York are doing to-day.

Mr. UNTERMYER. Do you not know that a bank could not clear through another clearing-house bank if it had been suspended from the clearing house?

Mr. FREW. They can deposit—

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. They could not clear; no.

Mr. UNTERMYER. That is what I want to know. Now let us see if we can not get these questions answered.

Mr. FREW. Yes, sir.

Mr. UNTERMYER. I want you to have every opportunity to explain; but try, will you not, to answer the question? Otherwise we will be here the rest of our lives.

Mr. FREW. All right; they could not clear.

Mr. UNTERMYER. It could not clear; if it was suspended it could not get a clearing house bank to clear for it, could it?

Mr. FREW. To clear for it—no.

Mr. UNTERMYER. And a clearing house bank could not clear without permission of the association, could it?

Mr. FREW. No; it could not.

Mr. UNTERMYER. So that if a clearing house bank is suspended there is no way in which it can get the clearance privileges of the association, is there?

Mr. FREW. The clearance privileges—no.

Mr. UNTERMYER. That is what I asked you.

Mr. FREW. But the drawing of money from that bank and depositing, yes.

Mr. UNTERMYER. What do you mean by "the drawing of money"?

Mr. FREW. I mean what such companies as the Central Trust and the Farmers' Loan & Trust are doing to-day. They deposit their checks drawn on other banks in a clearing-house bank. When you have checks on the Farmers' Loan & Trust—

Mr. UNTERMYER. Now, we are going into a whole lot of irrelevant matter.

Mr. RUSHMORE. Will you not let him continue his answer?

Mr. FREW. Please allow me to finish my answer.

Mr. UNTERMYER. If we keep on in this way we will never be through. However, go on, Mr. Frew, until you get through.

The CHAIRMAN. Let us proceed in order.

Mr. UNTERMYER. Go on until you get through.

Mr. FREW. If I have checks on the Farmers' Loan & Trust Co., I present them there and receive a check on that clearing house bank to pay for them. That is done by 20 or 30 banks and trust companies in New York City to-day. There is no reason why another bank could not do the same thing, provided they have got the proper assets. If they are suspended for insolvency, that is a different story—if they have nonliquid assets and can not realize on them. That is the question.

Mr. UNTERMYER. Have you finished?

Mr. FREW. I have finished; yes, sir.

Mr. UNTERMYER. So that, as I understand, there is no reason why anybody should ever clear through the clearing house at all, is there.

Mr. FREW. They can get along.

Mr. UNTERMYER. Is there any reason? Will you not answer my question?

Mr. FREW. Pardon me—let me understand your question.

Mr. UNTERMYER. Just occasionally answer one question.

Mr. FREW. I will try to.

Mr. RUSHMORE. I think he has answered the question.

Mr. UNTERMYER. I must ask that these proceedings shall not be interrupted.

The CHAIRMAN. I have announced heretofore that this is an investigation, not a trial. If any witness desires to confer with counsel as to whether he shall answer a question or not, he will be recognized for that purpose. But no counsel will be recognized otherwise except the counsel for the committee.

Mr. RUSHMORE. I understand that.

Mr. UNTERMYER (to the stenographer). Will you read the question?

The CHAIRMAN. We must proceed in an orderly way.

Mr. UNTERMYER. We want to give you every courtesy, Mr. Rushmore.

Mr. RUSHMORE. It seems to me courtesy requires that the witness should be allowed to answer the question.

Mr. UNTERMYER. I will ask the stenographer to read my question, and then I will ask the witness to answer it.

The stenographer read as follows:

So that, as I understand, there is no reason why anybody should ever clear through the clearing house at all, is there?

Mr. FREW. Yes; to facilitate business.

Mr. UNTERMYER. But that is not essential, is it?

Mr. FREW. It is not.

Mr. UNTERMYER. It is not a valuable privilege, is it?

Mr. FREW. Yes; it is.

Mr. UNTERMYER. It is not a privilege which, if withdrawn, will close a bank, is it?

Mr. FREW. It is not, in my opinion.

Mr. UNTERMYER. Will you be good enough to tell us any case in the history of the clearing house association in which the association has suspended a member and the bank thus suspended has survived that act?

Mr. FREW. The clearing house—

Mr. UNTERMYER. Will you not answer the question? Give me a name. That is what I called for.

Mr. FREW. There has been no bank suspended except for insolvency.

Mr. UNTERMYER. I repeat the question, and I will ask you to answer the question—not to sum up.

By request the stenographer read the pending question.

Mr. FREW. No; there is no case.

Mr. UNTERMYER. As I understand you, you want to explain that you know of no case in which a bank has ever been temporarily suspended except when it has been claimed to be insolvent?

Mr. FREW. That is it.

Mr. UNTERMYER. Is that right?

Mr. FREW. That is the idea; yes, sir.

Mr. UNTERMYER. But whilst the clearing house was finding out whether a bank was or was not insolvent after having suspended the bank, will you give us any case in which that bank went on in business during that investigation?

Mr. FREW. There has been no bank suspended except for insolvency.

Mr. UNTERMYER. That is not the question. There is a period that elapses between suspension and expulsion, is there not?

Mr. FREW. Yes.

Mr. UNTERMYER. And the suspension takes place by the two committees, does it not?

Mr. FREW. Yes.

Mr. UNTERMYER. The expulsion takes place by the whole association, does it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Is there any case in which a bank has ever survived this temporary suspension, based on the idea that it might be insolvent?

Mr. FREW. I do not know of a case where they have been temporarily suspended until after they were closed.

Mr. UNTERMYER. Do you mean that the suspension closed the bank?

Mr. FREW. No; they closed before they were suspended from membership.

Mr. UNTERMYER. But when the privileges of the clearing house association have been taken away they have had to close on a great many occasions, have they not?

Mr. FREW. When the privileges have been taken away?

Mr. UNTERMYER. Yes.

Mr. FREW. There has been no case, to my knowledge, where the privileges have been taken away before they closed.

Mr. UNTERMYER. They have been taken away from nonmembers repeatedly, have they not?

Mr. FREW. Nonmembers? There is no such class of membership in the clearing house as nonmembers.

Mr. UNTERMYER. Is there not? I thought there was a distinct class of what are known as nonmembers recognized by the constitution and by-laws.

Mr. FREW. There are banks that clear through members. They give the privilege to banks to clear through full members.

Mr. UNTERMYER. Do you not know that banks that clear through other banks are known in the by-laws and constitution as nonmembers?

Mr. FREW. No, sir; they are stated in the by-laws as—

Mr. UNTERMYER. Will you not answer that question?

Mr. FREW. No, sir; I do not.

Mr. UNTERMYER. There is no such thing, then, as nonmembers that clear through members, is there?

Mr. FREW. There are banks that clear through members.

Mr. UNTERMYER. No; is there any such thing—

Mr. FREW. There are banks that clear through members, but they are not known—

Mr. UNTERMYER. Is there any such thing as banks that are known as nonmembers that clear through members? Will you not answer that?

Mr. FREW. There are banks that are known as banks that clear through members, but they are not known as nonmembers.

Mr. UNTERMYER. What is this paper? [Handing paper to witness.] Is that a list issued by the clearing house association?

Mr. FREW. I am sticking to the constitution.

Mr. UNTERMYER. Please answer my question.

Mr. FREW. No, sir; that is not issued by the clearing house association, as I understand it.

Mr. UNTERMYER. Who issues it?

Mr. FREW. Some outside party publishes those and sells them to the different banks.

Mr. UNTERMYER. And you use them in your bank, do you not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. What does this mean, "nonmembers and numbers of their clearing agents?"

Mr. FREW. I will have to take that back, because I see they are recognized here as nonmembers.

Mr. UNTERMYER. You will have to take what back?

Mr. FREW. The statement that there are no nonmembers.

Mr. UNTERMYER. Do you not know that the constitution and by-laws are full of references to nonmembers that clear through members?

Mr. FREW. They are so mentioned. They are treated as banks clearing through members.

Mr. UNTERMYER. You were mistaken, then, just now, as to your own constitution?

Mr. FREW. I am mistaken in that particular instance; yes, sir.

Mr. UNTERMYER. Do you not know that ever since you have been in the clearing house, every bank that clears through a clearing-house bank has been known as a nonmember bank?

Mr. FREW. So termed and known generally; but I was trying to follow the words of the constitution.

Mr. UNTERMYER. They are in there, are they not?

Mr. FREW. They are now, I have discovered.

Mr. UNTERMYER. Did you just put them in?

Mr. FREW. They were there, but I did not discover them before.

Mr. UNTERMYER. I see. You have been connected with the clearing house how many years?

Mr. FREW. As an officer?

Mr. UNTERMYER. Yes.

Mr. FREW. I have been connected with the clearing house since October of this year, as chairman of the clearing-house committee.

Mr. UNTERMYER. Yes; but you have been connected with the clearing house for a great many years?

Mr. FREW. Since 1899.

Mr. UNTERMYER. And you were a member of the loan committee of the clearing house at the time of the panic in 1907, were you not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And at that time they were closing down on nonmembers pretty actively, were they not?

Mr. FREW. No.

Mr. UNTERMYER. You closed down on how many nonmembers during that panic?

Mr. FREW. I do not remember them. The clearing house authorities—

Mr. UNTERMYER. Will you not answer my question? It is a simple question. I simply want to know on how many nonmembers you closed down. That is all I want to know—the number.

Mr. FREW. None that I know of.

Mr. UNTERMYER. Let us see about that. How many nonmembers failed during that panic?

Mr. FREW. Let me see. I suppose six or seven of them, but not through the action of the clearing house.

Mr. UNTERMYER. Let us see about that. You were on the loan committee?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. They tried to get help from you, did they not?

Mr. FREW. No.

Mr. UNTERMYER. Did they not?

Mr. FREW. Nonmembers?

Mr. UNTERMYER. What did the banks that cleared for those nonmembers, that were members, try to get help from your committee for; to tide along those nonmembers, did they not?

Mr. FREW. Not to my knowledge.

Mr. UNTERMYER. Do you not know it?

Mr. FREW. No, sir.

Mr. UNTERMYER. They did not try to get help for the Oriental Bank, for instance? That was a member, was it not?

Mr. FREW. That was a member, but they did not ask any assistance that I know of for nonmembers.

Mr. UNTERMYER. They did not ask anything from you for the Mechanics & Traders Bank, did they?

Mr. FREW. The Mechanics & Traders Bank were members.

Mr. UNTERMYER. Yes; but they were expelled from the clearing house at that time, were they not?

Mr. FREW. No; not until after the closing of the bank.

Mr. UNTERMYER. But they tried to get help from you, did they not?

Mr. FREW. They—

Mr. UNTERMYER. Will you not answer me?

Mr. FREW. They asked for help; yes.

Mr. UNTERMYER. Yes; and you were on the loan committee of which they made the request, were you not?

Mr. FREW. Yes.

Mr. UNTERMYER. Have you the data there of the Mechanics & Traders Bank?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. You have brought it with you? Then you expected to be asked about it, did you?

Mr. FREW. You told me I was going to be.

Mr. UNTERMYER. Oh, did I?

Mr. FREW. I understood you to say so.

Mr. UNTERMYER. Very well.

Mr. FREW. I am ready for it, if you would like to know.

Mr. UNTERMYER. Very well; I do not remember it.

Mr. FREW. I understood you to say so.

Mr. UNTERMYER. There was a receiver appointed for the Mechanics & Traders Bank, was there not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Do you know how long it took for the Mechanics & Traders Bank to pay out its depositors in full?

Mr. FREW. No, sir; I am not familiar with that.

Mr. UNTERMYER. Do you know how long it took to pay the clearing house in full?

Mr. FREW. I can tell you that; yes, sir.

Mr. UNTERMYER. About 20 days, did it not?

Mr. FREW. They closed January 30 with outstandings of \$2,100,000.

Mr. UNTERMYER. Outstanding what?

Mr. FREW. Certificates.

Mr. UNTERMYER. Yes.

Mr. FREW. And they were paid March 11, 1903, having closed January 30, by some trust company, I believe, or something of that kind, or some loan they made.

Mr. UNTERMYER. The clearing house had for that \$2,100,000 about \$6,000,000 of collateral, did it not?

Mr. FREW. Yes, sir. They—

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. Yes, sir; they had \$6,373,252.52, face value.

Mr. UNTERMYER. Of collateral?

Mr. FREW. Of collateral, face value.

Mr. UNTERMYER. Do you know how much of actual value they had of collateral?

Mr. FREW. Judging by a million dollars that they succeeded in collecting out of assets worth \$3,447,000, it amounted to about 33½ per cent of the amount paid. The balance went to protest.

Mr. UNTERMYER. They were good enough to permit of the payment of the entire debt to the clearing house inside of 40 days, were they not?

Mr. FREW. Inside of about three months—three to four months.

Mr. UNTERMYER. Were they? Let us see. What was the date?

Mr. FREW. Oh, you say they paid this debt? Yes; they paid it by borrowing the money elsewhere.

Mr. UNTERMYER. I did not ask you that. They paid it, did they not?

Mr. FREW. They paid it; yes, sir.

Mr. UNTERMYER. In about 40 days?

Mr. FREW. Yes, just about; from January 30 to March 11.

Mr. UNTERMYER. What was Mr. Nash's connection with the clearing-house association at the time of this panic of 1907?

Mr. FREW. He was a member of the clearing house committee.

Mr. UNTERMYER. He was one of the clearing house committee—one of the five members that ran the association?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And you were a member of the loan committee?

Mr. FREW. The loan committee.

Mr. UNTERMYER. That was a special committee for that emergency, was it not?

Mr. FREW. They associated with them five other bank officers to assist in the work.

Mr. UNTERMYER. Who did?

Mr. FREW. The clearing house committee did. They had five younger men, who did most of the detail work of the committee.

Mr. UNTERMYER. Did you understand my question?

By request the stenographer read the following question:

That was a special committee for that emergency, was it not?

Mr. FREW. Yes.

Mr. UNTERMYER. "Yes" is the answer, is it not?

Mr. FREW. Yes.

Mr. UNTERMYER. That is the full answer, is it not?

Mr. FREW. That is the full answer.

Mr. UNTERMYER. And you were one of those five men?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. So that the president of your bank was a member of the clearing house committee of five and you were a member of the loan committee of five?

Mr. FREW. That is correct.

Mr. UNTERMYER. Did Mr. Nash have charge of this Mechanics & Traders' transaction on behalf of the clearing house committee?

Mr. FREW. Not to my knowledge; no, sir.

Mr. UNTERMYER. Do you not know that he did?

Mr. FREW. As a member of the committee, I suppose he did.

Mr. UNTERMYER. No; but did not the committee delegate the work of looking into the Mechanics & Traders' Bank to Mr. Nash as one of its members?

Mr. FREW. No, sir; I do not think it did.

Mr. UNTERMYER. Do you remember?

Mr. FREW. I doubt it very much; I do not remember.

Mr. UNTERMYER. Did it delegate it to you?

Mr. FREW. It did not.

Mr. UNTERMYER. Did you not look into it?

Mr. FREW. I did not.

Mr. UNTERMYER. Did you not look into its affairs before lending this \$2,100,000?

Mr. FREW. No, sir; that was all done on the assurance of Mr. Hutchins, the bank examiner. He assured the clearing house committee that the bank was in good shape.

Mr. UNTERMYER. My question was, Did you look into it?

Mr. FREW. I did not.

Mr. UNTERMYER. You did not make any examination?

Mr. FREW. No examination whatever.

Mr. UNTERMYER. Did the Mechanics & Traders' Bank have certain branches?

Mr. FREW. It did.

Mr. UNTERMYER. What branches did it have?

Mr. FREW. I think they had seven or eight branches.

Mr. UNTERMYER. Do you mean to tell us you do not remember any of them?

Mr. FREW. I remember some of them; yes, sir.

Mr. UNTERMYER. Did not the Corn Exchange Bank move into some of them?

Mr. FREW. The Corn Exchange Bank—

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. It did move into some of them. How soon after the failure of the Mechanics & Traders' Bank did your bank move into these branches that had been occupied by the Mechanics & Traders' Bank when it closed its doors in 1907?

Mr. FREW. About four years afterwards.

Mr. UNTERMYER. It did not move in meantime at all?

Mr. FREW. No, sir.

Mr. UNTERMYER. How about the branch at Broadway and Prince Street?

Mr. FREW. We are not in the Broadway and Prince Street branch. Broadway and Spring Street is where we have our branch.

Mr. UNTERMYER. How near is that to the other branch?

Mr. FREW. One block; and we had been there as long as the Mechanics & Traders Bank was there.

Mr. UNTERMYER. That is one block away, is it?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. That is in the center of the city, the dry goods district, is it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And your two branches were competing for business there. were they not?

Mr. FREW. Yes, sir; in that field.

Mr. UNTERMYER. You were competitors?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And as a result of the failure of that bank you lost a competitor, did you not?

Mr. FREW. We did not. The Metropolitan Bank took the same field.

Mr. UNTERMYER. Did it take that branch?

Mr. FREW. It took that branch, and has got it there to-day.

Mr. UNTERMYER. What about the Brooklyn main office of the Mechanics & Traders' Bank?

Mr. FREW. We have just taken the lease of that building, about six months ago.

Mr. UNTERMYER. Was that formerly occupied by the Mechanics & Traders' Bank?

Mr. FREW. By the Mechanics & Traders' Bank, and then by its successor, the Union Bank.

Mr. UNTERMYER. Now, you are in there, are you?

Mr. FREW. We are in there; yes, sir.

Mr. UNTERMYER. Did you have a branch near there?

Mr. FREW. Within two blocks of it.

Mr. UNTERMYER. While the Mechanics & Traders' Bank were in operation you were competitors, were you not?

Mr. FREW. The same as we were with anybody in that financial center.

Mr. UNTERMYER. But you were competitors?

Mr. FREW. We were competitors.

Mr. UNTERMYER. Understand, Mr. Frew, I am not for a moment suggesting that the Corn Exchange Bank did anything improper, or that it was improperly trying to get the other bank's business. All I am trying to do is to establish that they were competitors.

Mr. FREW. We were competitors, the same as any other banks are competitors; yes, sir.

Mr. UNTERMYER. You understand me, do you not?

Mr. FREW. Yes, sir; perfectly.

Mr. UNTERMYER. I want to disavow any other intention. Did the Mechanics & Traders' Bank have a Green Point branch?

Mr. FREW. It did.

Mr. UNTERMYER. Did your bank have one near there?

Mr. FREW. We bought out the old Mechanics & Traders' Bank of Brooklyn.

Mr. UNTERMYER. And did you have one near their Green Point branch?

Mr. FREW. Within a block; yes, sir.

Mr. UNTERMYER. Within a block?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And when the Mechanics & Traders' Bank closed, what became of its Green Point branch?

Mr. FREW. Its Green Point branch was taken by the Union Bank of Brooklyn, its successor. The Union Bank of Brooklyn afterwards closed its doors.

Mr. UNTERMYER. It closed its doors at the same time, did it not?

Mr. FREW. Oh, no, no.

Mr. UNTERMYER. In what year did they close? Was it not in the panic of 1907?

Mr. FREW. The Mechanics & Traders' Bank of New York was allowed to be reopened, I believe, by the superintendent of the banking department, and part of it was taken over by the Union Bank of Brooklyn. The Brooklyn part was taken by the Union Bank of Brooklyn.

Mr. UNTERMYER. Did they not fail?

Mr. FREW. And then they afterwards closed their doors.

Mr. UNTERMYER. But did not the Mechanics & Traders' Bank and the Union Bank of Brooklyn both close their doors in the panic of 1907?

Mr. FREW. No, sir. The Union Bank of Brooklyn did not close its doors until some time in the latter part of 1908, I think.

Mr. UNTERMYER. Are you sure about that?

Mr. FREW. Yes; I believe that is it.

Mr. UNTERMYER. The Mechanics & Traders' Bank reopened, did they not, later on?

Mr. FREW. No; they reopened as the Union Bank of Brooklyn. The Mechanics & Traders' Bank of New York was taken over by the Metropolitan. The Brooklyn branch of the Mechanics & Traders' Bank was taken over by the Union Bank of Brooklyn. That reopened and went on for some time, and then closed in the latter part of 1908.

Mr. UNTERMYER. Can you tell me at what points, in how many of the branches of the Corn Exchange Bank, you were a competitor of the Mechanics & Traders' Bank?

Mr. FREW. The three points you name.

Mr. UNTERMYER. But what other points?

Mr. FREW. The Green Point—

Mr. UNTERMYER. No; I mean other than those that we have been naming.

Mr. FREW. I do not know of any other point.

Mr. UNTERMYER. Do you know how much of their business you got, if any?

Mr. FREW. I could not tell; no, sir.

Mr. UNTERMYER. You could not tell. Does not that situation suggest to you the justice of having some authority other than members of the clearing house itself pass judgment on whether a bank should be closed or not?

Mr. FREW. Not at all.

Mr. UNTERMYER. Is not that a pretty good illustration? You were interested, were you not, in a way—no matter how honest might have been your motives—in increasing your business?

Mr. FREW. Yes; but do you mean to infer—

Mr. UNTERMYER. No; I do not mean to infer anything of the kind. I do not mean to infer anything.

Mr. FREW. The question would indicate it.

Mr. UNTERMYER. No; I beg your pardon; it does not indicate it. Will you read the question?

The stenographer read the last few questions and answers.

Mr. UNTERMYER. Do you think that question implied anything, Mr. Frew?

Mr. FREW. Well, no, sir; I do not say that it does, but—

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

Mr. FREW. I withdraw it. I will say that I was naturally interested in increasing my business, but not in that particular. I am always interested in increasing my business.

Mr. UNTERMYER. What were the deposits at these three branches of the Mechanics & Traders' Bank? Do you remember?

Mr. FREW. No; I do not. I do not know.

Mr. UNTERMYER. Were not the deposits at the Green Point branch \$2,000,000?

Mr. FREW. Not to my knowledge.

Mr. UNTERMYER. Do you know whether they were or not?

Mr. FREW. I doubt it very much.

Mr. UNTERMYER. Do you know?

Mr. FREW. I do not know.

Mr. UNTERMYER. Were its deposits at its Brooklyn main office about \$3,000,000?

Mr. FREW. I do not know.

Mr. UNTERMYER. Do you know approximately what its deposits were at its Broadway and Prince Street branch?

Mr. FREW. I do not know, sir.

Mr. UNTERMYER. The three branches together had a very substantial business, did they not?

Mr. FREW. I think their entire bank had deposits around ten or twelve millions, if I remember correctly.

Mr. UNTERMYER. But which was its main office?

Mr. FREW. That I can not tell, for I do not know.

Mr. UNTERMYER. Where did they have their main office?

Mr. FREW. Oh, their main office? I think the main office of the Mechanics & Traders Bank was at Broadway and Prince Street.

Mr. UNTERMYER. Yes. That was the next block to one of your branches?

Mr. FREW. Yes, sir; that is right.

Mr. UNTERMYER. In your judgment, then, the determination of whether, in a crisis, a bank should be helped or whether it should be denied clearing house privileges and close its doors can be safely intrusted to its competitors, without any State control or supervision or Federal control or supervision? Is that your judgment?

Mr. FREW. My judgment is, if you will allow me to answer the question in my own way—

Mr. UNTERMYER. Yes; certainly.

Mr. FREW (continuing). That the history of the New York Clearing House will show that it has been managed by men who have acted from the best motives, and have protected their competitors as well as themselves. But I can not possibly see the objection to control from others if it is desired.

Mr. UNTERMYER. You have no objection to the incorporation of the clearing house association, have you?

Mr. FREW. Under certain conditions, no.

Mr. UNTERMYER. No; and you would see no objection, would you, to requiring the approval of the State banking department as to a State bank, or of the Comptroller of the Currency as to a national bank, before closing a bank—expelling it?

Mr. FREW. Not in the least.

Mr. UNTERMYER. You would not see any objection to it?

Mr. FREW. No, sir.

Mr. UNTERMYER. As chairman of the clearing house committee of the New York Clearing House Association, do you speak officially or simply for yourself?

Mr. FREW. Only my own personal opinion.

Mr. UNTERMYER. Do you know whether that is the judgment of the committee?

Mr. FREW. I have never inquired. I do not know.

Mr. UNTERMYER. What is your judgment as to a requirement that there should be a uniform rule as to the admission of members to the clearing house? Do you see any objection to that?

Mr. FREW. Uniform rule?

Mr. UNTERMYER. Yes. Do you see any objection to it?

Mr. FREW. We have a uniform rule to-day.

Mr. UNTERMYER. But do you see any objection to a bank having the right to become a clearing-house member?

Mr. FREW. I think the rules should be such that they will prevent inexperienced people and men of poor character—bad character, I will say—getting in.

Mr. UNTERMYER. Everbody who wants to go into the banking business is inexperienced as against the man who is in it. Is he not?

Mr. FREW. That is very true.

Mr. UNTERMYER. Yes. Then would that mean that you would like to prevent anybody who is not in the banking business from going in?

Mr. FREW. No; I mean men who are inexperienced in business affairs and liable to get their banks into trouble through that inexperience. That is all.

Mr. UNTERMYER. Do you think the clearing-house committee should have the absolute power to determine the qualifications as to experience that people should have who want to go into the banking business and get the privileges of the clearing house?

Mr. FREW. No; I think possibly that would not be quite proper.

Mr. UNTERMYER. No; then you think some authority ought to have the right to revise their judgment; do you not?

Mr. FREW. Why, I think they have the authority there to-day.

Mr. UNTERMYER. No; I say, do you not think that authority ought to rest somewhere—either in the courts or in the banking department or somewhere—to review their action in refusing admission to a bank?

Mr. FREW. As the clearing house—

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. I will answer it in this way, if you will allow me—

Mr. UNTERMYER. Yes.

Mr. FREW. That the experience of the clearing-house committee has been such that it has only taken in good people, but I do not doubt it would be perfectly willing to allow any action that it has taken to be reviewed by anybody.

Mr. UNTERMYER. Now, I will put my question again. It is not as to what they are willing to do, but I want to know what the justice of the thing is, and I would like to get an answer to my question.

Mr. FREW. All right, sir.

Mr. UNTERMYER. We will admit that the clearing-house people, as you say, are the best people in the world, and that they never make

any mistakes, and that they can govern everything better than anybody else, if you please, but that is not the question. Will you read the question?

The stenographer read as follows:

Do you not think that authority ought to rest somewhere, either in the courts or in the banking department or somewhere, to review their action in refusing admission to a bank?

Mr. FREW. I do not see the necessity, but I have no objection to it.

Mr. UNTERMYER. Are you a director of the Bankers Trust Co. Mr. Frew?

Mr. FREW. I am, sir.

Mr. UNTERMYER. And have been from the time of its organization, have you not?

Mr. FREW. No, sir.

Mr. UNTERMYER. How recently have you become a director in the Bankers Trust Co.?

Mr. FREW. I do not know. I became a director a year or two after its organization. I have forgotten how long it has been organized.

Mr. UNTERMYER. It was organized in March, 1903, if I may say so.

Mr. FREW. Then I have been a director from about 1904 or 1905; about 1905, I imagine.

Mr. UNTERMYER. Have you any stock?

Mr. FREW. I have.

Mr. UNTERMYER. How many shares?

Mr. FREW. Two hundred and seventy shares, sir.

Mr. UNTERMYER. You do not mean stock, do you? You mean——

Mr. FREW. I mean 10 of the shares of stock and 260 shares of the voting certificates.

Mr. UNTERMYER. Yes. When you became a member did you get 10 shares of stock?

Mr. FREW. I did.

Mr. UNTERMYER. And did you turn them back?

Mr. FREW. I did.

Mr. UNTERMYER. Who invited you to become a member?

Mr. FREW. Mr. H. P. Davison, sir.

Mr. UNTERMYER. Mr. H. P. Davison, of J. P. Morgan & Co.?

Mr. FREW. Of the First National Bank at that time.

Mr. UNTERMYER. And he was not a voting trustee, was he?

Mr. FREW. I have forgotten who the voting trustees are.

Mr. UNTERMYER. In 1904, do you not know who they were?

Mr. FREW. No; I have forgotten it. There were three or four gentlemen.

Mr. UNTERMYER. Mr. Davison is a member of J. P. Morgan & Co., is he not?

Mr. FREW. He is now; yes, sir. He was not at the time.

Mr. UNTERMYER. Were not the voting trustees Henry P. Davison, George W. Perkins, and Daniel G. Reid?

Mr. FREW. I think those are the names; yes, sir.

Mr. UNTERMYER. Mr. Perkins was then a member of J. P. Morgan & Co., was he not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Mr. Daniel G. Reid is a member of the executive committee of the United States Steel Corporation, is he not?

Mr. FREW. Not to my knowledge; no, sir.

Mr. UNTERMYER. Did you not know that?

Mr. FREW. I did not know that.

Mr. UNTERMYER. Did you not know he was one of the organizers of the company?

Mr. FREW. Oh, yes; pardon me. I do, yes. That is so. He was in that business.

Mr. UNTERMYER. Did you not know he was an organizer of the company, and that he turned over the tin plate company to the Steel Corporation?

Mr. FREW. Yes. I had forgotten it. I thought he was in the Rock Island Road.

Mr. UNTERMYER. And that he is a member of the executive committee?

Mr. FREW. I did not know he was a member of the executive committee. I know he was identified with that business; yes, sir.

Mr. UNTERMYER. And you know, do you not, that he is a director in the First National Bank?

Mr. FREW. Of New York?

Mr. UNTERMYER. Yes.

Mr. FREW. No, sir; I did not know that.

Mr. UNTERMYER. Did you not know that? Well, is he?

Mr. FREW. I do not know.

Mr. UNTERMYER. When you became connected with the Bankers Trust Co. was it operating under a voting trust by which these three men named all the directors?

Mr. FREW. These three men were the voting trust.

Mr. UNTERMYER. And they named all the directors, did they not?

Mr. FREW. They elected the directors, I imagine so; yes, sir.

Mr. UNTERMYER. They selected them, did they not?

Mr. FREW. I suppose so. I do not know whether they were selected by them or by the executive committee of the Bankers Trust Co.

Mr. UNTERMYER. The executive committee of whom?

Mr. FREW. Of the Bankers Trust Co.

Mr. UNTERMYER. Did you not sign the voting-trust agreement?

Mr. FREW. I signed it. They have the selection; yes, sir.

Mr. UNTERMYER. Do you not know what a voting-trust agreement is?

Mr. FREW. Yes. They have the selection; yes, sir.

Mr. UNTERMYER. Who have the selection?

Mr. FREW. The voting trustees.

Mr. UNTERMYER. You knew that perfectly well, did you not?

Mr. FREW. Yes; I did.

Mr. UNTERMYER. Then what do you mean by talking about the executive committee of the bank?

Mr. FREW. I was wondering whether they were selected by them to name to the voting trustees, and then whether the voting trustees elected them; I do not know.

Mr. UNTERMYER. But you know that the entire management of the Bankers Trust Co. is in the hands of those three men?

Mr. FREW. No; I do not.

Mr. UNTERMYER. Do you not know that they name all the directors?

Mr. FREW. I know that they elect them; yes.

Mr. UNTERMYER. They name them, do they not?

Mr. FREW. Yes; they do.

Mr. UNTERMYER. They select them, do they not?

Mr. FREW. I suppose so.

Mr. UNTERMYER. Do you know whether or not that has been true since the Bankers Trust Co. was organized up to the present time?

Mr. FREW. Since I have been a member of the directors it has been true.

Mr. UNTERMYER. Do you not know that that voting trust in which is vested the power of selecting these directors and of managing this trust company was created when the company was organized and has continued up to this time?

Mr. FREW. That I do not know; no.

Mr. UNTERMYER. You did not know that?

Mr. FREW. Since I have been a director or a stockholder it has been in existence.

Mr. UNTERMYER. Yes. Do you know the relations between the First National Bank and Mr. Baker and J. P. Morgan & Co.?

Mr. FREW. I understand Mr. Baker and Mr. Morgan are directors in the First National Bank.

Mr. UNTERMYER. Do you not know their lifelong relations since you have been down town?

Mr. FREW. I only know they are good friends. I do not know anything further.

Mr. UNTERMYER. Do you not know that they are jointly interested in nearly every venture?

Mr. FREW. I do not; no, sir.

Mr. UNTERMYER. Do you know whether they are or not?

Mr. FREW. I do not.

Mr. UNTERMYER. They are in every venture you know of in which one is interested, are they not?

Mr. FREW. No; I can not say that.

Mr. UNTERMYER. Do you know whether they are or not?

Mr. FREW. I do not.

Mr. UNTERMYER. The rise of the Bankers Trust Co. has been phenomenal in the financial world, has it not?

Mr. FREW. It has been extraordinary; yes, sir.

Mr. UNTERMYER. It is the most extraordinary condition you have ever heard of, is it not?

Mr. FREW. No.

Mr. UNTERMYER. Will you give us another instance quite as extraordinary?

Mr. FREW. I think the Union Sulphur Co. was the most remarkable investment I have ever heard of.

Mr. UNTERMYER. Is that a bank?

Mr. FREW. No; that is not a bank.

Mr. UNTERMYER. Do you mean they found the big sulphur deposit?

Mr. FREW. They certainly did.

Mr. UNTERMYER. Yes; I see. You mean they struck a mine?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. I am not speaking of mines; I am speaking of financial institutions. My question asked whether the rise of the Bankers Trust Co. and its success after it started out under this voting trust at the time of its organization is not the most phenomenal thing you ever heard of.

Mr. FREW. It certainly is in financial circles; yes, sir.

Mr. UNTERMYER. Do you know what its deposits are now?

Mr. FREW. One hundred and thirty millions; something of that kind.

Mr. UNTERMYER. Why, they are nearly 170 millions, are they not?

Mr. FREW. Not net, are they?

Mr. UNTERMYER. Yes; \$168,000,000, are they not?

Mr. FREW. I think you will find those are the gross deposits.

Mr. UNTERMYER. What is the difference between gross deposits and net deposits?

Mr. FREW. Gross deposits show the gross credit; but from that they have the right to deduct their exchanges, which gives them their net deposits.

Mr. UNTERMYER. I do not think I understand that. You have seen some balance sheets in your life, have you not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And they generally contain the item "deposits," do they not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. You never see the item "gross deposits" or "net deposits" on the balance sheet, do you?

Mr. FREW. You do on all reports to the clearing house; yes, sir.

Mr. UNTERMYER. Do you?

Mr. FREW. It is all net deposits there.

Mr. UNTERMYER. Of course, that is the daily clearing-house settlement sheet, is it not, that you are talking about?

Mr. FREW. No; it is the weekly report.

Mr. UNTERMYER. The weekly report to the clearing house?

Mr. FREW. Yes.

Mr. UNTERMYER. But in the commercial and financial world what we understand by deposits are the moneys that are owing to depositors, are they not?

Mr. FREW. Yes; that is right.

Mr. UNTERMYER. What was the amount of the deposits of the Bankers Trust Co. when you last heard about it?

Mr. FREW. I must say I have forgotten. It is very large.

Mr. UNTERMYER. You say you are a director?

Mr. FREW. Yes; but I can not tell you offhand.

Mr. UNTERMYER. Do you ever go to meetings?

Mr. FREW. I go to a meeting twice a month.

Mr. UNTERMYER. Twice a month. Are you a member of any committees?

Mr. FREW. No, sir.

Mr. UNTERMYER. You do not take any active part in the management of the trust company?

Mr. FREW. No, sir; not particularly.

Mr. UNTERMYER. Will this statement of September 9, 1912, enable you to tell what the deposits of the Bankers Trust Co. were at that time?

Mr. FREW. Yes, sir—\$168,066,206.44.

Mr. UNTERMYER. That is about \$30,000,000 more than you thought they were; is it not?

Mr. FREW. Yes. This is gross, and I was thinking of net.

Mr. UNTERMYER. Just a minute.

Mr. FREW. That is all right.

Mr. UNTERMYER. No; it is not, because I would like to know what you mean by saying you were thinking of "net." What were you thinking of deducting from that?

Mr. FREW. The exchanges from the clearing house, \$2,353,000.

Mr. UNTERMYER. \$2,353,000?

Mr. FREW. Yes. That would make \$165,500,000, or \$165,700,000.

Mr. UNTERMYER. So when you said you thought they were \$130,000,000 net, you were just about \$30,000,000 out on the deposits of one of your own trust companies?

Mr. FREW. That is about it; yes, sir.

Mr. UNTERMYER. Of which you are a director?

Mr. FREW. Of which I am a director.

Mr. UNTERMYER. I will ask you to look at the various statements that I show you, beginning with March 30, 1903, and going down to the last one that I just showed you, of September 9, 1912, and tell me whether they are the statements of the condition of the Bankers Trust Co. that were issued from time to time, beginning with the first statement after its organization?

Mr. FREW. Yes, sir; I should say they were.

Mr. UNTERMYER. I will ask to have them marked in evidence.

The statements in question, being printed statements of the condition of the Bankers Trust Co., were marked, respectively, as Exhibits Nos. 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 66-a, 66-b, 66-c, 66-d, and 66-e, of December 10, 1912.

Mr. UNTERMYER. At the time of the organization of the Bankers Trust Co. its capital was \$1,000,000, was it not?

Mr. FREW. I so understood it; yes, sir.

Mr. UNTERMYER. And its surplus was \$500,000?

Mr. FREW. I believe that was it.

Mr. UNTERMYER. What were its deposits at that time? I want to trace its progress from October, 1903, down to the present time.

Mr. FREW. \$5,748,000.

Mr. UNTERMYER. What is the date of the next statement?

Mr. FREW. The next statement is the condition on December 31, as reported to the banking department.

Mr. UNTERMYER. 1903?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. What were its deposits then?

Mr. FREW. \$10,085,000.

Mr. UNTERMYER. Then they had risen in how many months from five million to ten million?

Mr. FREW. Six months.

Mr. UNTERMYER. In six months. What were its profits for that first year or nine months of its organization?

Mr. FREW. It showed undivided profits of \$2,851,000 on June 30—

Mr. UNTERMYER. No; I am speaking of December, 1903.

Mr. FREW. \$57,064.

Mr. UNTERMYER. And had it added anything to its surplus?

Mr. FREW. Nothing.

Mr. UNTERMYER. That was its first nine months' business, then, was it not?

- Mr. FREW. Yes, sir.
- Mr. UNTERMYER. When is the next statement?
- Mr. FREW. The next statement is on June 30, 1904.
- Mr. UNTERMYER. That is the next six months, is it not?
- Mr. FREW. Yes, sir.
- Mr. UNTERMYER. What were its deposits then?
- Mr. FREW. \$15,304,000.
- Mr. UNTERMYER. They doubled then every six months, did they?
- Mr. FREW. Close to it; yes, sir.
- Mr. UNTERMYER. Is there any statement of its profits at that time?
- Mr. FREW. \$126,219—that is, from its organization.
- Mr. UNTERMYER. Yes; and was there anything added to the surplus?
- Mr. FREW. Nothing.
- Mr. UNTERMYER. What is the next statement you have there?
- Mr. FREW. December 31, 1904.
- Mr. UNTERMYER. What were its deposits then?
- Mr. FREW. \$18,497,000.
- Mr. UNTERMYER. What were its undivided profits at that time?
- Mr. FREW. \$203,000.
- Mr. UNTERMYER. Was anything added to its surplus?
- Mr. FREW. Nothing.
- Mr. UNTERMYER. What is the next statement you have there?
- Mr. FREW. The next statement is June 7, 1905.
- Mr. UNTERMYER. What was its condition then?
- Mr. FREW. \$24,899,000?
- Mr. UNTERMYER. Those were its deposits?
- Mr. FREW. Its deposits; and it had undivided profits of \$236,000.
- Mr. UNTERMYER. Was anything added to the surplus?
- Mr. FREW. Nothing; no, sir.
- Mr. UNTERMYER. The next statement?
- Mr. FREW. The next statement was November 9, 1905. At that time the deposits were \$22,595,000.
- Mr. UNTERMYER. Yes; and the undivided profits?
- Mr. FREW. \$328,000.
- Mr. UNTERMYER. Now, the next?
- Mr. FREW. April 28, 1909. At that time its deposits were \$40,566,000 and its undivided profits \$932,000.
- Mr. UNTERMYER. Was anything added to its surplus?
- Mr. FREW. Nothing.
- Mr. UNTERMYER. What is the next?
- Mr. FREW. The next statement is October 11, 1909. At that time its deposits were \$44,690,000, its capital was \$3,000,000, its surplus was \$4,500,000, and its undivided profits were \$1,564,000.
- Mr. UNTERMYER. Do you remember when it issued that additional \$2,000,000 of capital? Do you remember the facts?
- Mr. FREW. No; I do not remember the facts.
- Mr. UNTERMYER. You were a director, then?
- Mr. FREW. I was a director; yes, sir.
- Mr. UNTERMYER. Do you remember at what price that additional \$2,000,000 was issued?
- Mr. FREW. No; I have forgotten it.
- Mr. UNTERMYER. Go on. So its surplus, then, was \$4,500,000, was it?

Mr. FREW. The surplus was \$4,500,000.

Mr. UNTERMYER. There were undivided profits of how much?

Mr. FREW. It increased its capital from \$1,000,000 to \$3,000,000.

Mr. UNTERMYER. How much were its undivided profits then?

Mr. FREW. Its undivided profits were \$1,564,000.

Mr. UNTERMYER. Now, the next statement.

Mr. FREW. The next statement is November 16, 1909. The deposits at that time were \$44,431,000, and the undivided profits were \$1,716,000.

Mr. UNTERMYER. Was anything more added to the surplus?

Mr. FREW. Nothing. There was the same surplus—\$4,500,000.

The next statement is June 30, 1910. At that time the deposits were \$68,408,000, and the undivided profits were \$1,631,000. There was no increase in the surplus.

The next statement was November 10, 1910. At that time the deposits were \$63,060,000, and the undivided profits were \$2,019,000, and its surplus the same.

The next was February 28, 1911. At that time the deposits were \$76,074,000 and the undivided profits \$2,322,000; the surplus was the same.

The next is August 10, 1911. At that time the deposits were \$155,047,000, the capital \$5,000,000, the surplus \$10,000,000, and the undivided profits \$2,946,000.

Mr. UNTERMYER. The next?

Mr. FREW. The next statement is December 21, 1911. At that time its deposits were \$136,396,000, undivided profits \$3,211,000, surplus \$10,000,000, and capital \$5,000,000.

September 9, 1912, its deposits were \$168,066,000, undivided profits \$5,084,000, surplus \$10,000,000, and capital \$10,000,000.

Mr. UNTERMYER. Mr. Frew, to what do you attribute this phenomenal rise of the Bankers Trust Co.?

Mr. FREW. A large proportion of that is due to the merger with the Mercantile Trust Co.

Mr. UNTERMYER. Is that to what you attribute it?

Mr. FREW. One portion of it, and the other is good management.

Mr. UNTERMYER. Is that to what you attribute it?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Let us see about that. The Bankers Trust Co. has absorbed two other trust companies, has it not, the Manhattan Trust Co. and the Mercantile?

Mr. FREW. Yes; the Manhattan and the Mercantile. Yes, sir.

Mr. UNTERMYER. Do you remember when it absorbed the Manhattan Trust Co.?

Mr. FREW. Not so very long ago.

Mr. UNTERMYER. Was the Manhattan Trust Co. one of the old New York trust companies?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Has it been a properous concern ever since you have been down town?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Do you know what its deposits were at the time it was absorbed?

Mr. FREW. No; I do not.

Mr. UNTERMYER. Do you know the price that was paid for it?

Mr. FREW. I do not.

Mr. UNTERMYER. You were a director of the Bankers Trust Co. when it was done, were you not?

Mr. FREW. I was; yes.

Mr. UNTERMYER. Were you not consulted?

Mr. FREW. It was reported to the board.

Mr. UNTERMYER. Was it?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Were you present? You heard it reported, did you?

Mr. FREW. I do not know whether I was or not. I have forgotten.

Mr. UNTERMYER. Do you mean to say that as a director of the company an important transaction such as the purchase of a great trust company would be conducted without your knowing anything about it?

Mr. FREW. It was conducted and reported to the board and passed.

Mr. UNTERMYER. You do not know how much was paid for it?

Mr. FREW. I have forgotten what the amount was.

Mr. UNTERMYER. Is it not a fact that under the voting trust agreement that company was acquired, and its property taken under the terms of that agreement, without submitting the question to the board, but through the voting by the voting trustees of the stock?

Mr. FREW. Well, no; that merger had to be made by a vote of the boards.

Mr. UNTERMYER. You remember that it was, do you?

Mr. FREW. The merger was made; yes, sir. There was a meeting but what the terms of that meeting were I do not know—the terms of the merger.

Mr. UNTERMYER. But do you remember that there ever was a meeting for the purpose of acquiring that company or the Mercantile Co.?

Mr. FREW. Why, certainly there was; in both cases.

Mr. UNTERMYER. Were you there?

Mr. FREW. I think I was. I am not sure, but I believe I was.

Mr. UNTERMYER. But you can give us no idea as to——

Mr. FREW. As to the terms; no.

Mr. UNTERMYER. How long ago were these mergers?

Mr. FREW. I have forgotten. I think one of them was only about a year ago.

Mr. UNTERMYER. The other one was about two years ago?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Or less. They have both been within two years?

Mr. FREW. Within a short time; yes, sir.

Mr. UNTERMYER. Now, as to the absorption of the Mercantile Trust Co. That was one of the oldest trust companies in New York, too, was it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And do you remember that it had been formerly owned by the Equitable Life Insurance Co.?

Mr. FREW. I do not know it; I have heard people say it was—that they owned a large block of stock in it.

Mr. UNTERMYER. Is your bank down in the Wall Street section?

Mr. FREW. It is at the corner of William and Beaver Streets, if you call that the Wall Street section.

Mr. UNTERMYER. That is the Wall Street section, is it not? Right within a block of it?

Mr. FREW. Within a block and a half of it.

Mr. UNTERMYER. You know what is going on down there, do you not, occasionally?

Mr. FREW. Very little.

Mr. UNTERMYER. Very little, indeed. You lend out a good deal of money on the stock exchange, do you not?

Mr. FREW. Not so much.

Mr. UNTERMYER. I say you do, do you not?

Mr. FREW. We loan some; yes, sir.

Mr. UNTERMYER. About what proportion of your deposits?

Mr. FREW. About 25 per cent of our deposits. No—on stock exchange collateral?

Mr. UNTERMYER. Yes.

Mr. FREW. We loan about 30 to 40 per cent, I think.

Mr. UNTERMYER. Of your whole deposits?

Mr. FREW. Of our whole deposits; yes, sir.

Mr. UNTERMYER. When you deduct the reserve you have to keep in your bank you loan over half your deposits on Wall Street collateral, do you not?

Mr. FREW. Half of the loanable funds.

Mr. UNTERMYER. Yes; half of the loanable funds of the bank.

Mr. FREW. Yes, sir.

Mr. UNTERMYER. So that you are not ignorant of what is going on down in that section, are you?

Mr. FREW. Not of everything; no, sir.

Mr. UNTERMYER. And you did not know that the Mercantile Trust Co. was controlled by the Equitable Life Insurance Co.?

Mr. FREW. I did not know it as a fact; no, sir.

Mr. UNTERMYER. Did you know it as a rumor?

Mr. FREW. I heard such rumors; yes, sir.

Mr. UNTERMYER. Did you not know that the Equitable Life Insurance Co. owned a large part of the stock of the Mercantile Trust Co.?

Mr. FREW. I heard that the Equitable Life had a large interest in the Mercantile Trust Co.; yes, sir.

Mr. UNTERMYER. Did you know whether it was a controlling interest or not?

Mr. FREW. No, sir; I did not.

Mr. UNTERMYER. Do you know whether the Mercantile Trust Co., when it was bought by the Bankers' Trust Co., was bought through the Equitable Life, or whether the Equitable Life's interest was acquired?

Mr. FREW. No; I do not know how that was handled.

Mr. UNTERMYER. But you were a director of the Bankers' Trust Co.?

Mr. FREW. I had nothing to do with those negotiations, and knew absolutely nothing about them except to attend the meeting and pass on that merger.

Mr. UNTERMYER. This took place within what length of time—within about six months, was it not?

Mr. FREW. No; it was longer than that. I guess about a year and a half or two years, I think. If you have the statements there they will probably give you an idea of it.

Mr. UNTERMYER. Was the capital of the Bankers' Trust Co. increased at that time?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. That would show it, would it not?

Mr. FREW. That would indicate it; yes, sir.

Mr. UNTERMYER. The first statement showing the present capital of the Bankers Trust Co. is August 10, 1911.

Mr. FREW. It was before that. When the merger was made that capital was increased from \$3,000,000 to \$5,000,000, I think it was.

Mr. UNTERMYER. Was not that increase made when the Manhattan Trust Co. was acquired?

Mr. FREW. No; the Manhattan Trust Co. was acquired last, if I remember correctly.

Mr. UNTERMYER. Since the Mercantile Trust Co. was acquired?

Mr. FREW. Yes.

Mr. UNTERMYER. Then the Mercantile Trust Co. was acquired something over a year ago?

Mr. FREW. Something of that kind.

Mr. UNTERMYER. Between one and two years ago?

Mr. FREW. Yes, sir; before the Equitable fire.

Mr. UNTERMYER. I want to know how it is that you, as a director of the Bankers Trust Co., can not tell us anything about what the Bankers Trust Co. paid for the Mercantile Trust Co.?

Mr. FREW. It is probably because I am very busy about other affairs, and I do not attend so much to my duties there as I should.

Mr. UNTERMYER. Was it \$10,000,000 or \$50,000,000, or between the two?

Mr. FREW. I have no idea. I am not guessing at the figures, sir.

Mr. UNTERMYER. You have not any conception of what they paid?

Mr. FREW. No; I have a conception, but I will not guess at it. I want to tell you the facts if I can.

Mr. UNTERMYER. Do you know what the deposits of the Mercantile Trust Co. were at the time it was taken over by the Bankers Trust Co.?

Mr. FREW. No; but if you will let me look at those statements I can give you an idea, I think.

Mr. UNTERMYER. That would be a guess, too, would it not?

Mr. FREW. It would be a guess, yes, sir; very true.

Mr. UNTERMYER. Because you would not know how much of that increased deposit came from there and how much came from other sources, would you?

Mr. FREW. No, sir.

Mr. UNTERMYER. Do you know how much the deposits of the Manhattan Trust Co. were when it was taken over?

Mr. FREW. I should say, if I remember correctly, around eighteen or twenty million dollars.

Mr. UNTERMYER. I find that the Mercantile Trust Co. was merged with the Bankers Trust Co. on August 10, 1911, and the Manhattan Trust Co. was merged with the Bankers Trust Co. on March 10, 1912.

Mr. FREW. Yes.

Mr. UNTERMYER. I am reading from a letter from the State Banking Department of New York dated the 3d of December, 1912.

Mr. FREW. Yes, sir.

Mr. UNTERMYER. You are just as little able to give us any data as to the Manhattan Trust Co., which was merged this year, as you are as to the other one?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. The fact is that you never knew it, is it not?

Mr. FREW. About the merger?

Mr. UNTERMYER. No; I mean about the terms of the merger.

Mr. FREW. That is true; yes, sir; except what is stated in the merger agreement on file in the office of the superintendent of the banking department.

Mr. UNTERMYER. Did you see that?

Mr. FREW. I passed on it at the meeting; they passed on it there. I have forgotten the terms. The merger agreement has to be passed on by the directors, and also confirmed by the stockholders, which was done, I suppose.

Mr. UNTERMYER. Do you know anything about what was done?

Mr. FREW. I know it was done so far as the directors were concerned. Naturally it was done by them, or the superintendent would not have approved the merger.

Mr. UNTERMYER. The stockholders had to vote on it. did they not?

Mr. FREW. Yes.

Mr. UNTERMYER. Who were the stockholders?

Mr. FREW. I suppose the voting trust, and each director voted his particular share.

Mr. UNTERMYER. Do you know the three gentlemen who held all the stock, Mr. Davison, Mr. Reid, and——

Mr. FREW. And Mr. Perkins.

Mr. UNTERMYER. Mr. Perkins, after he went out of Mr. Morgan's firm, resigned from that voting trust, did he not?

Mr. FREW. That I do not know.

Mr. UNTERMYER. Was not Mr. George B. Case put in his place?

Mr. FREW. That I do not know.

Mr. UNTERMYER. Mr. George B. Case is a lawyer. is he not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Of White & Case?

Mr. FREW. Of White & Case; yes, sir.

Mr. UNTERMYER. And they act for these interests. do they not?

Mr. FREW. They are the counsel of the Bankers Trust Co.

Mr. UNTERMYER. They are the counsel of the Bankers Trust Co., and they act with the First National Bank and Messrs. Morgan & Co. and those people?

Mr. FREW. That I do not know.

Mr. UNTERMYER. You do not know anything about that?

Mr. FREW. No, sir.

Mr. UNTERMYER. You never heard of it?

Mr. FREW. I know they are counsel for the Bankers Trust Co. Whether they are counsel for the First National Bank or not I do not know.

Mr. UNTERMYER. No; but I mean whether they act with them and the Morgans or not. Mr. Case had no interest in the Bankers Trust Co., had he?

Mr. FREW. I guess he is a stockholder there. I know he is counsel for it.

Mr. UNTERMYER. Do you know anything about it?

Mr. FREW. No, sir; I do not know as a fact.

Mr. UNTERMYER. Why do you guess about it then?

Mr. FREW. I imagine he is; that is all.

Mr. UNTERMYER. Now, Mr. Chairman, I want to put in evidence these voting-trust agreements, the first dated the 18th of March, 1903, between all the stockholders of the Bankers Trust Co. and Henry P. Davison, George W. Perkins, and Daniel G. Reid, the survivors and survivor of them, as voting trustees, for a term of five years; the next one between the same parties, dated March 18, 1908, for the further term of five years, that being the limitation of time under the statutes of New York for which a voting trust may be created; and the third being the agreement of March 9, 1912, between the stockholders of the Bankers Trust Co. and Henry P. Davison, George B. Case, and Daniel G. Reid, trustees.

I do not want what I am going to read put on the record, but I am going to read to the committee some of the provisions of these voting-trust agreements. They are all in substantially the same form.

Mr. Untermeyer here read extracts from the agreements referred to, which were marked by the stenographer, as follows:

The agreement of March 18, 1903, was marked "Exhibit No. 54, December 10, 1912."

The agreement of March 18, 1908, was marked "Exhibit No. 55, December 10, 1912."

The agreement of March 9, 1912, was marked "Exhibit No. 56, December 10, 1912."

The above exhibits will be found printed in full at the end of this day's proceedings.

Mr. UNTERMYER. Have you ever before heard of a banking corporation being managed under a voting trust?

Mr. FREW. No; I have not.

Mr. UNTERMYER. Have you ever before, in the history of finance in this country, heard of the stockholders of a corporation surrendering all their rights in the management of the company into the hands of three men, giving them the right not only to vote the stock and select the directors, but to buy and merge other banks without the stockholders being consulted?

Mr. FREW. At the time I signed that, at the time I went on the board of directors, no.

Mr. UNTERMYER. You have only heard of it once since, have you not?

Mr. FREW. Yes; that is all.

Mr. UNTERMYER. That is all. And that was in the case of the Guaranty Trust Co., was it not?

Mr. FREW. Yes.

Mr. UNTERMYER. That is another Morgan institution?

Mr. FREW. I do not know.

Mr. UNTERMYER. You never heard of it, did you?

Mr. FREW. I have heard rumors to that effect.

Mr. UNTERMYER. Do you not know that two out of three directors are members of the firm of J. P. Morgan & Co.?

Mr. FREW. I do not know how many of them—

Mr. UNTERMYER. And when you say that, do you not know that it is a Morgan institution?

Mr. FREW. When you say "Morgan institution," you mean that it is controlled by Mr. Morgan?

Mr. UNTERMYER. No; you infer that. If I said that it was a Morgan & Co. institution, you would say that it is?

Mr. FREW. I would say no, because people can use their own things as individuals and not as a firm.

Mr. UNTERMYER. Let us see what you mean by that. The three men who absolutely control the Guaranty Trust in the selection of these directors, are they not George F. Baker, Henry P. Davison, and William H. Porter?

Mr. FREW. Yes. But was Mr. William H. Porter a member of the firm of J. P. Morgan & Co. at that time?

Mr. UNTERMYER. He is at this time a member of the firm of J. P. Morgan & Co.

Mr. FREW. Yes, at this time.

Mr. UNTERMYER. Is William H. Porter at this time a member of that firm?

Mr. FREW. He is at the present time.

Mr. UNTERMYER. Do you know how long he has been?

Mr. FREW. Ever since two years ago.

Mr. UNTERMYER. This is dated January 3, 1910.

Mr. FREW. Two years; yes, two years.

Mr. UNTERMYER. Is it not three years?

Mr. FREW. No; it is two years.

Mr. UNTERMYER. Mr. George F. Baker, of the First National Bank?

Mr. FREW. Yes.

Mr. UNTERMYER. I think I asked you about him and his relations to J. P. Morgan & Co. Did I understand you to say that you did not know?

Mr. FREW. You understood me to say that I did not know.

Mr. Morgan is a director of the First National Bank, and they are very close friends. How closely they are allied I do not know.

Mr. UNTERMYER. Is Baker one of the directors, selected by Mr. Morgan, of the United States Steel Corporation?

Mr. FREW. I do not know.

Mr. UNTERMYER. Do you know how those directors were selected?

Mr. FREW. No, sir.

Mr. UNTERMYER. You never heard of that?

Mr. FREW. I do not know; no, sir.

Mr. UNTERMYER. Mr. Baker is a very big man down town, is he not?

Mr. FREW. Yes.

Mr. UNTERMYER. And the First National Bank is a very powerful institution?

Mr. FREW. It is.

Mr. UNTERMYER. Do you know the railroad affiliations between the Morgan firm and Baker and the First National Bank?

Mr. FREW. I do not.

Mr. UNTERMYER. You do not know the extent of them?

Mr. FREW. No, sir.

Mr. UNTERMYER. Coming back to my question—because we are not dealing with the Guaranty Trust situation just now; we will come to that a little later—you have not heard, have you, in your experience in the financial world, of any financial institution being operated under a voting trust until this experience with the Bankers Trust Co.?

Mr. FREW. Not in a bankers' association, a banking corporation; no, sir.

Mr. UNTERMYER. Any financial institution; have you ever heard of it?

Mr. FREW. No, sir; no financial institution.

Mr. UNTERMYER. Being so operated?

Mr. FREW. No, sir.

Mr. UNTERMYER. The only other instance you know of, up to the present time, is the instance of the Guaranty Co.?

Mr. FREW. That is all; yes, sir.

Mr. UNTERMYER. The Guaranty Trust has had a rise quite as phenomenal as the Bankers Trust?

Mr. FREW. I do not consider it as having had a rise as phenomenal as the Bankers Trust.

Mr. UNTERMYER. The two are the two largest in the United States, are they not?

Mr. FREW. I believe they are.

Mr. UNTERMYER. Between them they have a good deal over \$300,000,000 of deposits?

Mr. FREW. I think that is correct.

Mr. UNTERMYER. Is the Guaranty Trust larger than the Bankers Trust?

Mr. FREW. I believe they are, a little; not much.

Mr. UNTERMYER. They alone have a good deal over \$200,000,000, have they not?

Mr. FREW. Close to that. I am not positive about that.

Mr. UNTERMYER. Both those trust companies are very large lenders of money on Wall Street, are they not?

Mr. FREW. I should say so; yes, sir.

Mr. UNTERMYER. They lend on stock-exchange collateral?

Mr. FREW. They do.

Mr. UNTERMYER. To what do you attribute the phenomenal rise of those two institutions? Do you attribute it to their connection with Morgan?

Mr. FREW. No, sir.

Mr. UNTERMYER. Not at all?

Mr. FREW. No; I could not say that, for I do not know.

Mr. UNTERMYER. You mean you do not know to what you attribute it?

Mr. FREW. I attribute it to the activity of the management.

Mr. UNTERMYER. By "the management" you mean the men named by the voting trustees, do you?

Mr. FREW. No; by the officers, very largely.

Mr. UNTERMYER. Are they not named by the voting trustees?

Mr. FREW. Yes; but—

Mr. UNTERMYER. Well?

Mr. FREW. Well, that is it; yes; named by the voting trustees.

Mr. UNTERMYER. Then what you mean by the activity of the management is the activity of the men who are selected by the voting trustees of the two institutions?

Mr. FREW. The trustees select the directors.

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

Mr. FREW. That is the actual fact.

Mr. UNTERMYER. And if you had the selection of the directors of a financial corporation, you would know pretty well who the officers were going to be, would you not?

Mr. FREW. I believe I would, but I do not know what they think.

Mr. UNTERMYER. Yes. You want to be understood as stating here before the committee that you have no opinion as to what has caused this phenomenal rise and prosperity of these two great financial institutions?

Mr. FREW. I do not. So far as the Bankers Trust Co. is concerned—I know nothing about the Guaranty—I should say it was caused by the merger of two trust companies with very good business and with a large trust business, which has the natural banking affiliations that go along with a business of that character, and also the wonderful activity and ability of its officers.

Mr. UNTERMYER. Let us see. Do you know who controlled the Equitable Life at the time the Mercantile Trust Co. was turned over to the Bankers Trust Co.?

Mr. FREW. I do not know. I understood from the daily press that Mr. Morgan did.

Mr. UNTERMYER. Mr. Morgan owned the Equitable Life. And do you know whether the Equitable Life controlled the Mercantile Trust at the time it was turned over to the Bankers Trust Co.?

Mr. FREW. I do not know whether they owned the control or not.

Mr. UNTERMYER. It was generally supposed so, was it not?

Mr. FREW. I could not say whether it was or not.

Mr. UNTERMYER. Did you not tell us a while ago—

Mr. FREW. I told you a while ago that it was considered they were large stockholders in the Mercantile Trust. Whether they controlled it or not I do not know.

Mr. UNTERMYER. Do you not know that ever since you have been down town it has been considered that the Mercantile Trust was controlled and managed by the Equitable Life?

Mr. FREW. I do not.

Mr. UNTERMYER. You never heard that?

Mr. FREW. I know they had a large interest in it. Whether they controlled it or not I do not know.

Mr. UNTERMYER. You do not know? You never heard that?

Mr. FREW. I never did—whether they controlled it.

Mr. UNTERMYER. You never heard that they had practically the same directors—that is, directors of the Equitable Life put into the Mercantile Trust—and the same counsel?

Mr. FREW. No.

Mr. UNTERMYER. You never knew that?

Mr. FREW. It may possibly have been done by the directors themselves, who were identified with the Equitable Life Co., being stockholders in the Mercantile Trust, and they would be interested in the Mercantile Trust and would be able to elect those directors.

Mr. UNTERMYER. I am not asking you about possibilities. I have asked you, as a man who has been down town all his life in that section of the city, whether you do not know that the Mercantile Trust has always been considered a part of the Equitable Life?

Mr. FREW. No; I do not know that.

Mr. UNTERMYER. And has been so run and conducted?

Mr. FREW. No; I know it has always been considered that the Equitable Life were large holders of the stock of the Mercantile Trust; but how much I have not the slightest idea.

Mr. UNTERMYER. I did not ask you how much.

Mr. FREW. A control represents a majority of the stock.

Mr. UNTERMYER. You think control represents only a majority of the stock; is that your idea of control?

Mr. FREW. That is my idea of control.

Mr. UNTERMYER. Do you not know that the great corporations of this country are controlled with a very small part of the stock?

Mr. FREW. I would not want to say that; no.

Mr. UNTERMYER. Do you not know that that is a fact?

Mr. FREW. No; I do not know. If the others combined against them, they would not control.

Mr. UNTERMYER. Have you ever heard of their combining, in any great corporation?

Mr. FREW. I can not tell you an instance of it, but it is possible.

Mr. UNTERMYER. We are not talking about possibilities; we are inquiring about the course of events and the human experience in the financial district.

Mr. FREW. Yes.

Mr. UNTERMYER. And in human experience in the financial district, do you not know that the railroad corporations of this entire country, the great railroad systems, are controlled, and have been for years, by less than 20 per cent of the stock?

Mr. FREW. Yes; by the use of proxies from the other stockholders—delegated.

Mr. UNTERMYER. And that control has lasted through a series of years?

Mr. FREW. It certainly has, by stockholders delegating that power to them.

Mr. UNTERMYER. In the Mercantile Trust you know there was a big block of stock owned by the Equitable Life?

Mr. FREW. Yes.

Mr. UNTERMYER. Whether that stock represented a majority or otherwise; you do not know?

Mr. FREW. No, sir.

Mr. UNTERMYER. You do know, do you not, that it represented practical control?

Mr. FREW. I do not know that.

Mr. UNTERMYER. You do not know whether it did or not?

Mr. FREW. I do not know whether they got the stockholders—whether they gave them proxies to vote their ballots or not.

Mr. UNTERMYER. At any rate Mr. Morgan, you understood, controlled the Equitable Life when the Mercantile Trust was turned over to the Bankers' Trust Co.?

Mr. FREW. I so heard; that is all. I have no actual knowledge.

Mr. UNTERMYER. Is that all you know about it?

Mr. FREW. Yes; that is all I know about it.

Mr. UNTERMYER. Have you any idea of what were the deposits of the Manhattan Trust and the Mercantile Trust when they were merged with the Bankers Trust?

Mr. FREW. I have not of the Mercantile. And of the Manhattan, I believe they were \$18,000,000 to \$20,000,000.

Mr. UNTERMYER. Were not the deposits of the Mercantile something under \$30,000,000?

Mr. FREW. I think it was larger than that. I am simply estimating, but I should estimate it to be between \$40,000,000 and \$50,000,000.

Mr. UNTERMYER. Suppose it was \$50,000,000. Then the deposits of those two companies would be \$68,000,000; would they not?

Mr. FREW. If it was \$50,000,000?

Mr. UNTERMYER. Yes.

Mr. FREW. It would be \$70,000,000.

Mr. UNTERMYER. No; \$68,000,000.

Mr. FREW. \$68,000,000?

Mr. UNTERMYER. \$68,000,000 all together?

Mr. FREW. Yes.

Mr. UNTERMYER. And the Bankers Trust Co. has deposits of \$168,000,000; has it not?

Mr. FREW. Yes.

Mr. UNTERMYER. Do you attribute the other \$100,000,000 of deposits to its merger with the Mercantile Trust and the Manhattan; or to its own business?

Mr. FREW. Very largely to its own business, increasing in the same ratio as they have been increasing their entire business; and to the influence of their various directors.

Mr. UNTERMYER. You do not attribute this growth and prosperity at all to the influence of J. P. Morgan & Co., do you?

Mr. FREW. No.

Mr. UNTERMYER. Not at all?

Mr. FREW. I do not know whether it is or not.

Mr. UNTERMYER. You do not know? You have got a pretty shrewd suspicion about it, have you not?

Mr. FREW. Yes; certainly I have.

Mr. UNTERMYER. What is that?

Mr. FREW. There are three or four of the members of the firm who are directors in that company, and, naturally, they would try to increase the deposits of the company in which they are directors.

Mr. UNTERMYER. You mean three or four members of the firm of J. P. Morgan & Co. are directors of the Bankers Trust Co.?

Mr. FREW. Yes.

Mr. UNTERMYER. And in the Guaranty Trust?

Mr. FREW. I do not know about the Guaranty Trust. Some of them are in there, I believe.

Mr. UNTERMYER. And you do not attribute the prosperity of those two companies, and their marvelous growth, to the influence of Morgan and his partners?

Mr. FREW. Not at all.

Mr. UNTERMYER. Not at all?

Mr. FREW. To some extent; yes.

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 the recess.

TESTIMONY OF WALTER E. FREW—Continued.

Mr. UNTERMYER. Mr. Frew, I want to come back to the affairs of the New York Clearing House Association, which is the main topic on which we want you at this time. I want to ask you whether you remember the time prior to the enactment of the rule with respect to out-of-town collections, when every bank was free to make its own arrangements with customers?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. During those years your bank accumulated a very considerable surplus, did it not?

Mr. FREW. It did; yes, sir.

Mr. UNTERMYER. And you paid dividends on your stock at what rate?

Mr. FREW (referring to book). We paid ranging from 4 per cent to 12 per cent; on the lower capitalization, of course.

Mr. UNTERMYER. When did they begin to pay 12 per cent?

Mr. FREW. They commenced to pay 12 per cent August 1, 1890.

Mr. UNTERMYER. And has the bank kept up that rate of dividends?

Mr. FREW. It has increased it.

Mr. UNTERMYER. What rate of dividends does it pay now?

Mr. FREW. It pays a rate of 16 per cent on \$3,000,000 of capitalization, when in those days it paid 12 per cent on a capitalization of \$1,000,000. It commenced paying dividends in 1854—

Mr. UNTERMYER (interposing). Do not let us go back so far.

Mr. FREW. How far would you like to go back?

Mr. UNTERMYER. 1854 is a little bit too far back to go.

Mr. FREW. Do you wish to go back as far as 1890?

Mr. UNTERMYER. Let us see. During the time it was paying these dividends it has accumulated over \$3,000,000 of surplus, has it not?

Mr. FREW. From earnings?

Mr. UNTERMYER. Partly from earnings.

Mr. FREW. Partly from earnings, but a very large per cent from—

Mr. UNTERMYER (interposing). As well as the stock?

Mr. FREW. The stock and mergers of other institutions.

Mr. UNTERMYER. How much of the surplus has been accumulated from earnings?

Mr. FREW. I should think about \$1,000,000.

Mr. UNTERMYER. Let us see about that, Mr. Frew. Its capital was \$1,000,000, was it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And you issued an additional \$2,000,000; is that right?

Mr. FREW. Yes; an additional \$2,000,000.

Mr. UNTERMYER. That \$2,000,000 was sold at an average of about how much per share? You must have the figures there, have you not?

Mr. FREW. Six hundred thousand at \$350 and one million at \$200.

Mr. UNTERMYER. So that, with respect to one million of the two million increase, it only added a million to the surplus?

Mr. FREW. Yes; to the one million it added a million.

Mr. UNTERMYER. With respect to six hundred thousand of the remaining million it added fifteen hundred thousand, did it not?

Mr. FREW. Yes; that is, two million and a half.

Mr. UNTERMYER. With respect to the remaining four hundred thousand of that increase, at what price did it sell that? That, I understand, went to acquire other institutions on book value? We are talking about the four hundred thousand.

Mr. FREW. About seven hundred and twenty.

Mr. UNTERMYER. What do you mean by "seven hundred and twenty"?

Mr. FREW. \$720,000 was added to the surplus.

Mr. UNTERMYER. Out of the four hundred thousand?

Mr. FREW. Yes; that is, in round figures.

Mr. UNTERMYER. So that the surplus has been augmented by the increase of stock to the extent of \$3,220,000, has it not?

Mr. FREW. That is right.

Mr. UNTERMYER. How much is the surplus?

Mr. FREW. The surplus is \$8,600,000, and there was about \$1,800,000 surplus in 1899.

Mr. UNTERMYER. We are not speaking of that now. You are getting things confused.

Mr. FREW. That was before this rule started.

Mr. UNTERMYER. \$5,400,000 of your present surplus comes from accumulated profits, does it not?

Mr. FREW. Yes.

Mr. UNTERMYER. When you said \$1,000,000 came from accumulated profits, then, you were mistaken, were you not?

Mr. FREW. \$5,400,000 did not come from accumulated profits; no, sir.

Mr. UNTERMYER. Where did it come from, when only \$3,200,000 of that \$8,600,000 came from the sales of stock? Where did the other \$5,400,000 come from?

Mr. FREW. \$5,400,000 of that is surplus and \$3,000,000 of that is capital. There is a capital of \$3,000,000 and a surplus of \$5,600,000.

Mr. UNTERMYER. I thought you said the surplus was \$8,600,000.

Mr. FREW. If I did, it was incorrect. It is \$3,000,000 capital and \$5,600,000 surplus.

Mr. UNTERMYER. So that there is \$2,400,000 of accumulated profits in the surplus?

Mr. FREW. That is right.

Mr. UNTERMYER. So when you said there was \$1,000,000 of accumulated surplus from the profits, you were wrong, were you not?

Mr. FREW. From the beginning of the bank; I did not figure that.

Mr. UNTERMYER. I have asked that.

Mr. FREW. I made a mistake on that, yes. There is \$2,200,000 from the beginning of the bank from earnings.

Mr. UNTERMYER. Are we right, then, in assuming that in addition to the dividends you have paid upon this stock you have added \$2,400,000 out of profits to your surplus?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. In 1899, when this regulation was passed in the clearing house requiring all banks connected with the clearing house to charge a uniform rate, your capital was \$1,000,000, was it not?

Mr. FREW. It was \$1,000,000; yes, sir.

Mr. UNTERMYER. Your accumulated surplus, then, out of profits, was \$1,800,000, was it not?

Mr. FREW. That is right.

Mr. UNTERMYER. Is that right?

Mr. FREW. That is about right; yes, sir.

Mr. UNTERMYER. And at that time and up to that time your bank had been left free to deal with its customers with respect to out of town collections as it saw fit, had it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Were you charging them any collection fee at that time?

Mr. FREW. At that time?

Mr. UNTERMYER. Yes.

Mr. FREW. I was not connected with the bank at that time. I do not believe they were.

Mr. UNTERMYER. It was not the custom up to that time, was it?

Mr. FREW. It was not the custom; no.

Mr. UNTERMYER. In 1899 were you paying a dividend of 12 per cent on your then issued stock in addition to having accumulated this surplus of \$1,800,000?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Your bank was not suffering very much in the way of loss of its general business from the fact of having to collect out-of-town checks without pay, was it?

Mr. FREW. As to its general business, no.

Mr. UNTERMYER. Whatever money your bank was making it was making out of your deposits, was it not?

Mr. FREW. Yes; from its loanable funds.

Mr. UNTERMYER. Yes; and in return for the value that you got from your customers, and the benefits from the use of those funds, you were keeping their accounts and allowing them to check against them, and you were collecting the out-of-town checks free of charge?

Mr. FREW. Yes.

Mr. UNTERMYER. You were very prosperous at that business, were you not?

Mr. FREW. In that department we were losing money.

Mr. UNTERMYER. You were very prosperous in your general business, were you not?

Mr. FREW. In our general business; yes, sir.

Mr. UNTERMYER. You say you were losing money in that department? Let us look at that for a moment. Suppose you kept a dry-goods store and your customers bought their goods at your store and you had to deliver them, you would have to pay for your expenses of delivery, would you not?

Mr. FREW. I am not familiar with the dry-goods business.

Mr. UNTERMYER. You know that, however, do you not?

Mr. FREW. I do not; no. I suppose they would pay for their own express charges.

Mr. UNTERMYER. Is it your idea that customers in the city have to pay for having the goods delivered to them?

Mr. FREW. Customers buy goods—

Mr. UNTERMYER. Will you not please answer my question? Your idea is that if a man goes into a store and buys something and it is delivered to him, he has to pay for delivering it?

Mr. FREW. It is not the custom; no, sir.

Mr. UNTERMYER. Do you not know that the expense of delivering the goods by the department stores, say, is a very large item?

Mr. FREW. Within a limited territory; yes.

Mr. UNTERMYER. But you would not call that a loss to the business, would you, any more than the hiring of clerks?

Mr. FREW. They add that to their profit in selling the goods.

Mr. UNTERMYER. Yes; and you get your profit from your customer when you collect his out-of-town checks for him, do you not?

Mr. FREW. It depends on how much he deposits of country checks whether you make a profit.

Mr. UNTERMYER. Your custom up to 1899 was to use your customer's money and lend it out?

Mr. FREW. Yes.

Mr. UNTERMYER. And then you would collect the checks and keep his account?

Mr. FREW. That is right.

Mr. UNTERMYER. And you had to hire clerks and an office in order to do it.

Mr. FREW. We did.

Mr. UNTERMYER. Would you call the expense of maintaining clerks and an office a loss to the bank, too?

Mr. FREW. It is an expense; yes, sir. That is an expense.

Mr. UNTERMYER. And it is an expense in the same way that the collection of out-of-town checks is an expense, is it not?

Mr. FREW. Each department has its own expenses.

Mr. UNTERMYER. Yes; each department has its own expenses. So that if you were making money out of your customers' money and out of their accounts, and in the conduct of your general business, would it be right to take each department of expense and call each one a loss?

Mr. FREW. Yes.

Mr. UNTERMYER. It would?

Mr. FREW. Yes.

Mr. UNTERMYER. Do you call all the expenses of doing business a loss?

Mr. FREW. No; I do not.

Mr. UNTERMYER. But you differentiate—

Mr. FREW. I would consider each department as to whether it pays or does not pay.

Mr. UNTERMYER. For instance, the department of clerk hire and rent does not pay, does it?

Mr. FREW. No; it does not. It is a part of the expenses of the bank.

Mr. UNTERMYER. And the expense of collecting out-of-town checks was a part of the expenses of a bank, was it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. The purpose of this rule was, was it not, to cut off that expense incident to the collection of out-of-town checks and to land that on the customer?

Mr. FREW. It was to save——

Mr. UNTERMYER (interposing). Was not that the purpose?

Mr. FREW. Yes; to make the customer pay that.

Mr. UNTERMYER. In addition to all the money you were making out of his account?

Mr. FREW. Exactly.

Mr. UNTERMYER. Yes. Do you seek to justify that?

Mr. FREW. I do.

Mr. UNTERMYER. You do?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. On what ground do you seek to justify taking that item of expense out of the general expenses of a bank and landing it on the customer, when you are already making these large sums in your general business with the money of that customer?

Mr. FREW. If a customer deposits money with me, I expect him to deposit something worth 100 cents on the dollar. In the collection of out-of-town checks prior to 1899 it would very frequently cost from \$1 to \$2.50 to get a check back in New York. You would receive a check for \$990, or about that amount, instead of your full 100 cents—a thousand dollars.

Mr. UNTERMYER. How much did it cost you to keep his account in the bank—in the way of bookkeepers, and so on?

Mr. FREW. When a man——

Mr. UNTERMYER. Will you not answer that, please?

Mr. FREW. A proportionate share of that would be charged up against him.

Mr. UNTERMYER. Would you charge that against him? Do you charge that against him?

Mr. FREW. I do not charge it against him; no.

Mr. UNTERMYER. Do you charge your rent against him?

Mr. FREW. No; I do not. In our particular bank we know what it costs. In the general calculations previous to that time that department in our particular bank showed a loss of \$40,000 a year.

Mr. UNTERMYER. You mean it showed an expense?

Mr. FREW. An expense; yes.

Mr. UNTERMYER. A part of your general expense?

Mr. FREW. Yes.

Mr. UNTERMYER. How do you undertake to cut off that expense and land it on the customer, and not make him pay your rent and your clerk hire, and then give you his money to lend out and make money on it for yourself?

Mr. FREW. He draws it out, as a rule, and uses it for his own purposes, and I have to pay for it.

Mr. UNTERMYER. But he keeps a balance there?

Mr. FREW. Some do and some do not.

Mr. UNTERMYER. If he did not keep a balance there you would not keep his account?

Mr. FREW. If a customer——

Mr. UNTERMYER. Will you not answer my question?

Mr. FREW. I want to answer so that I may answer intelligently.

Mr. UNTERMYER. If a customer does not keep a balance with you you would not keep his account?

Mr. FREW. He keeps a balance, but it is composed of other things besides country checks.

Mr. UNTERMYER. I understand that.

Mr. FREW. It is based on cash and checks on New York. When a man deposits in New York he is supposed to deposit New York funds, not Kalamazoo funds.

Mr. UNTERMYER. He was not supposed to do that up to 1899. He was supposed to deposit funds from anywhere he chose, was he not?

Mr. FREW. But he did not do it. That is where the loss came in. It is that wrong that we tried to remedy.

Mr. UNTERMYER. You insist on calling the service you perform for a customer as against his giving you his business and his money to use, a loss.

Mr. FREW. I consider it an expense.

Mr. UNTERMYER. An expense; yes. But against that you have the use of his money.

Mr. FREW. I do if it is in New York funds, but not if it is out-of-town money.

Mr. UNTERMYER. You do not get the use of his out-of-town money?

Mr. FREW. Not until its return.

Mr. UNTERMYER. When it returns you get the use of it?

Mr. FREW. I get the use of it then; but, in the meantime, there is that expense that I am trying to offset.

Mr. UNTERMYER. I know.

Mr. FREW. There is that expense of what it costs me to get it back into New York funds.

Mr. UNTERMYER. In other words, you are trying to get whatever you can out of the customer?

Mr. FREW. That is not true; no.

Mr. UNTERMYER. Is there anything you can get out of him that you are not trying to get out of him?

Mr. FREW. I do not think it is necessary for me to answer that.

Mr. UNTERMYER. What I want to know is this—I do not say it offensively, but the point is this: Up to 1899 you regarded the commissions on the collection of out-of-town checks as a part of the general expense of your business, did you not?

Mr. FREW. We did it because—

Mr. UNTERMYER (interposing). Did you or did you not do it?

Mr. FREW. Yes; we did.

Mr. UNTERMYER. In many cities the clearing houses have not attempted to put that burden upon the customer, have they?

Mr. FREW. No; I believe not.

Mr. UNTERMYER. Besides Philadelphia, there have been a number of large cities in which they did not put that expense back on the customer, have there not?

Mr. FREW. I do not know. I know Philadelphia has not.

Mr. UNTERMYER. You know that Boston has not, too, do you not?

Mr. FREW. I think Boston charges, does it not?

Mr. UNTERMYER. Do you not know that they do not?

Mr. FREW. I do not know; no.

Mr. UNTERMYER. Do you not know that is one of the discretionary points, so called?

Mr. FREW. You mean, one of the New York banks' discretionary points?

Mr. UNTERMYER. Yes.

Mr. FREW. Yes; I do.

Mr. UNTERMYER. Do you not know that Newark, N. J., makes no charge?

Mr. FREW. That they do not charge their customers?

Mr. UNTERMYER. Yes; for collecting their checks.

Mr. FREW. I do not believe they do.

Mr. UNTERMYER. Do you not know that they do not?

Mr. FREW. They do not for people having accounts in New York. For some people they do and for some they do not.

Mr. UNTERMYER. Do you not know that a vast amount of business has gone away from the New York banks to banks in the surrounding cities because of this collection charge?

Mr. FREW. I believe there has been a considerable amount; yes.

Mr. UNTERMYER. You know there has, do you not?

Mr. FREW. Yes; I do.

Mr. UNTERMYER. Were you not a member of this recent committee on inland exchange?

Mr. FREW. I was.

Mr. UNTERMYER. Did you not investigate the subject?

Mr. FREW. We did.

Mr. UNTERMYER. And do you not know the cities in which there was no charge made for collecting customers' out-of-town checks and never has been any such charge?

Mr. FREW. We know, as a matter of fact, that Philadelphia has not charged. Has not Newark a clearing house? I do not know that.

Mr. UNTERMYER. You say you have just investigated this subject?

Mr. FREW. Yes; from the standpoint of ourselves, not of Newark.

Mr. UNTERMYER. Did you not find out in your investigation which of the cities have not put this rule into effect?

Mr. FREW. I believe we had a record of that kind.

Mr. UNTERMYER. Will you please produce it?

Mr. FREW. We have not got it with us. We have a record of the arrangements of all the clearing houses and what they do, and so on.

Mr. UNTERMYER. Have you no recollection now, Mr. Frew, of any of the cities that have continued down to the present time to collect out-of-town checks without charge?

Mr. FREW. Yes; Albany is one.

Mr. UNTERMEYER. Yes.

Mr. FREW. I understand Boston has a clearing house department, and on points that they clear through that department I believe they do not charge, but on certain other points I believe they do charge.

Mr. UNTERMYER. The charge is very trifling, is it not?

Mr. FREW. Yes. It is very trifling.

Mr. UNTERMYER. It is only a fraction of what you insist on, is it not?

Mr. FREW. Yes.

Mr. UNTERMYER. And they can meet their expenses with that trifling charge?

Mr. FREW. Yes.

Mr. UNTERMYER. And within the New England radius they do not charge at all, do they?

Mr. FREW. For those that clear through the department; no.

Mr. UNTERMYER. They do not charge at all, in all New England?

Mr. FREW. No.

Mr. UNTERMYER. How is it in Providence?

Mr. FREW. That is the same way; yes.

Mr. UNTERMYER. They do not charge at all?

Mr. FREW. No.

Mr. UNTERMYER. They do not charge their customers anything for collecting their out-of-town checks?

Mr. FREW. I believe not.

Mr. UNTERMYER. How is it about Troy?

Mr. FREW. I understand that is the same way.

Mr. UNTERMYER. They make no charge against their customers?

Mr. FREW. They make no charge.

Mr. UNTERMYER. How about Jersey City?

Mr. FREW. That is the same way.

Mr. UNTERMYER. It makes no charge?

Mr. FREW. Except banks which deal through other members of the clearing house.

Mr. UNTERMYER. You know Jersey City has gotten considerable business in that way, do you not?

Mr. FREW. I believe they have; yes.

Mr. UNTERMYER. Away from New York?

Mr. FREW. Yes; away from New York.

Mr. UNTERMYER. How do you justify interfering with the liberty of each bank in doing as it pleases with its customers with respect to whether it will charge them or will not charge them, depending in each case on whether the account is valuable or is not valuable?

Mr. FREW. Because each bank voluntarily assented to it.

Mr. UNTERMYER. How many banks are there that are nonmember banks?

Mr. FREW. Twenty-two, I believe.

Mr. UNTERMYER. Twenty-seven, are there not?

Mr. FREW. I believe I have the list, which shows that there are 22 that clear through other members.

Mr. UNTERMYER. That clear through members?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Did those 22 banks assent to being subjected to this uniform rate?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Did they have any vote on the subject?

Mr. FREW. No, sir. That is the point I made about nonmembers; they do not participate in the meetings of the association at all.

Mr. UNTERMYER. But the point I am making about nonmembers is, what do you mean by saying that they assented to it, when they had no vote on it?

Mr. FREW. I say the members assented to it.

Mr. UNTERMYER. But the question is as to those 27 or 22 nonmembers. They never assented to it, did they?

Mr. FREW. By a resolution passed in their boards; yes.

Mr. UNTERMYER. Each one of them did, did they?

Mr. FREW. Each one of them did.

Mr. UNTERMYER. Where is that resolution?

Mr. FREW. I think it is in the constitution.

Mr. UNTERMYER. In the constitution of the banks or of your clearing house?

Mr. FREW. Of the clearing house; or a rule; I have forgotten which:

Mr. UNTERMYER. But you have just told us that each of these 22 banks had its board of directors pass a resolution assenting to being bound by this rule?

Mr. FREW. It is in the rules and regulations regarding collections outside of the city of New York.

Mr. UNTERMYER. Read it.

Mr. FREW (reading):

Whereas this corporation has acquired the privilege of clearing and making exchanges of its checks through the New York Clearing House Association, and is subject to its rules and regulations: Now, therefore,

Be it resolved, That this corporation hereby in all respects assents to and agrees to be bound by and to comply with the rules and regulations regarding collections outside of the city of New York—

Mr. UNTERMYER. I do not want to interrupt you, but that is not a resolution passed by any bank, is it? The clearing house passed a rule, did it not, directing nonmember banks to pass such a resolution. Is not that right?

Mr. FREW. There is a rule of the clearing house committee—

Mr. UNTERMYER. Answer me, will you, please.

Mr. FREW (continuing). That requested that of every nonmember.

Mr. UNTERMYER. You mean the clearing house committee requested it?

Mr. FREW. Yes; the clearing house committee requested it.

Mr. UNTERMYER. What you are reading from is a rule of the clearing house association, is it not?

Mr. FREW. I am reading from the rules and regulations made by the clearing house committee, governing the collection of out-of-town checks.

Mr. UNTERMYER. You have not been reading us a resolution of any bank, have you?

Mr. FREW. I am reading—

Mr. UNTERMYER. Can you not answer my question?

Mr. FREW. I am reading you the form of a resolution passed by each nonmember bank.

Mr. UNTERMYER. Are you not reading me a resolution passed by the clearing-house committee?

Mr. FREW. It is the form of resolution that the clearing-house committee requires every nonmember bank to pass in their bank in order to handle this particular business.

Mr. UNTERMYER. But you are not reading me any bank's resolution?

Mr. FREW. No; I am not.

Mr. UNTERMYER. You told us that every nonmember bank had passed that resolution.

Mr. FREW. They have passed it; yes.

Mr. UNTERMYER. Have you any copy of any resolution passed by any nonmember bank?

Mr. FREW. They are all on file at the clearing house.

Mr. UNTERMYER. You have seen them, have you?

Mr. FREW. No, sir; I have not seen them. They are there.

Mr. UNTERMYER. You think they are there?

Mr. FREW. I know they are there, or they would not clear.

Mr. UNTERMYER. You mean that if a nonmember bank, which did not have the right to vote on whether it would enforce this collection

charge against its customer, did not pass that resolution that you require of them, they could not clear through a clearing-house bank; is not that it?

Mr. FREW. That is practically what it amounts to; yes, sir.

Mr. UNTERMYER. In other words, not having any right to vote on whether such an arrangement should be put into effect or not, the clearing house requires them to consent to it under the penalty of losing their rights of clearance; is that it?

Mr. FREW. Yes, sir; the clearing house committee.

Mr. UNTERMYER. That committee of the clearing house; not even the association?

Mr. FREW. No, sir.

Mr. UNTERMYER. So that if a bank did not obey——

Mr. FREW. Pardon me. Indirectly through the association, on account of the power given in section 6 of the constitution to the clearing house committee to make any rules on this matter of collection charges.

Mr. UNTERMYER. Still, the fact is, that it was a resolution of the committee and not of the association?

Mr. FREW. Yes; that is a fact.

Mr. UNTERMYER. And these 5 gentlemen having told these 22 banks that had no vote on the subject that they must pass this resolution or else lose their right of clearance, those banks passed the resolution; is that right?

Mr. FREW. Yes; that is right.

Mr. UNTERMYER. And is that what you meant when you told the committee a few moments ago that all nonmember banks assented to imposing this charge on their customers?

Mr. FREW. They did.

Mr. UNTERMYER. That is what you mean?

Mr. FREW. That is what I mean. They passed this resolution.

Mr. UNTERMYER. They did not have any choice about it, did they?

Mr. FREW. I should say no. They could not clear otherwise.

Mr. UNTERMYER. You do not see any hardship or injustice in that situation, do you?

Mr. FREW. No; I do not.

Mr. UNTERMYER. You do not?

Mr. FREW. No.

Mr. UNTERMYER. You think it is perfectly proper that these banks, in order to get the right of clearance, should be compelled to enforce that charge on their customers under the penalty of losing their right of clearance through a clearing-house bank; is that right?

Mr. FREW. Yes.

Mr. UNTERMYER. That is to say, even though they were making money before that on their general business?

Mr. FREW. Yes.

Mr. UNTERMYER. And that, you think, is entirely just and right?

Mr. FREW. Yes.

Mr. UNTERMYER. Up to that time the banks were competing with one another in getting customers, were they not, by giving privileges of that sort?

Mr. FREW. Yes.

Mr. UNTERMYER. And the clearing house association by this arrangement stopped that competition, did it not?

Mr. FREW. It stopped that element of that competition which they considered ruinous.

Mr. UNTERMYER. To what bank had it ever been ruinous? They had all been making money, had they not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. It was not ruinous to your bank, was it?

Mr. FREW. No.

Mr. UNTERMYER. You mean that it was ruinous in the sense that you would have an expense in the business that you could avoid?

Mr. FREW. That is it.

Mr. UNTERMYER. What is the matter with your assessing on your customers now all the expense of running your bank? You could avoid that, too, if you chose, could you not?

Mr. FREW. That is unreasonable.

Mr. UNTERMYER. But you could avoid it, could you not?

Mr. FREW. No.

Mr. UNTERMYER. You mean to say if the clearing house passed a resolution to the effect that the customer should have charged against him his proportionate amount of the expense of running the bank that the other banks in the clearing house would not have to subscribe to it?

Mr. FREW. You would not have any customers in the banks.

Mr. UNTERMYER. Where would they go?

Mr. FREW. They would go to about 40 banks that are outside of the clearing house that did not do it.

Mr. UNTERMYER. Let us see. Do you say there are 40 banks in the city of New York outside of the clearing house?

Mr. FREW. I understand there is quite a number. I would not say 40.

Mr. UNTERMYER. Then, you want to take that back, do you not?

Mr. FREW. I do not know the exact number. I have not got it here.

Mr. UNTERMYER. I say, you would like to withdraw that statement, would you not?

Mr. FREW. I will say that it would go to a number of banks that are not in the clearing house.

Mr. UNTERMYER. Yes. Have you any memorandum of what they are—the banks that do not clear through members?

Mr. FREW. I can tell you a good many.

Mr. UNTERMYER. There are a few big trust companies, are there not?

Mr. FREW. Trust companies and banks are in the same category.

Mr. UNTERMYER. They are so powerful that you can not do anything with them, can you?

Mr. FREW. I can not say that it is on account of their power or strength, or anything of that kind.

Mr. UNTERMYER. Is it not on account of their power? Take the Central Trust Co., for instance. The Central Trust Co. does not clear through your clearing house association, does it?

Mr. FREW. No, sir.

Mr. UNTERMYER. It clears over its counter?

Mr. FREW. It redeems its checks over its counter, yes.

Mr. UNTERMYER. And it is a very powerful institution, is it not?

Mr. FREW. It is very strong; yes, sir.

Mr. UNTERMYER. You have tried to get them in, have you not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Can you give us the name of any comparatively weak bank that—

Mr. FREW. I can not.

Mr. UNTERMYER. A weak bank has to come into the arrangement, has it not?

Mr. FREW. Not necessarily; no.

Mr. UNTERMYER. How is it, then, that all of them are in?

Mr. FREW. I did not know there were any in.

Mr. UNTERMYER. They are all strong that are in, is that it? I am speaking of the banks that clear through other banks. All the smaller banks are in, are they?

Mr. FREW. No; there are some out.

Mr. UNTERMYER. Give us the name of one.

Mr. FREW. The Harriman National Bank.

Mr. UNTERMYER. That is quite a large bank, is it not?

Mr. FREW. No. It keeps different hours.

Mr. UNTERMYER. Is not that a night and day bank?

Mr. FREW. Partially that.

Mr. UNTERMYER. Is it not specifically a night and day bank, and not partially that?

Mr. FREW. No. It is doing a general business like the rest, but it has longer banking hours.

Mr. UNTERMYER. What are its banking hours?

Mr. FREW. I believe it keeps open until 12 o'clock at night.

Mr. UNTERMYER. It would not be practicable for a bank that had late hours to clear through the clearing house, would it?

Mr. FREW. I do not know any reason why they should not.

Mr. UNTERMYER. What would they do with their clearances that came in during the night?

Mr. FREW. They would put them through the exchanges the next morning.

Mr. UNTERMYER. You would not allow them to do so, would you?

Mr. FREW. Why not?

Mr. UNTERMYER. Have you ever offered to do so?

Mr. FREW. We are perfectly ready to do it.

Mr. UNTERMYER. Have you ever offered to do it?

Mr. FREW. They have been offered the same as any other bank.

Mr. UNTERMYER. Have you ever offered to clear their night checks?

Mr. FREW. Certainly.

Mr. UNTERMYER. You have offered it?

Mr. FREW. No; we never offered it, for the reason—

Mr. UNTERMYER (interposing). Give me the name of any other bank that you call a small bank.

Mr. FREW. The National Reserve Bank are not members.

Mr. UNTERMYER. Do they clear?

Mr. FREW. I believe not.

Mr. UNTERMYER. Do you not know whether they do or not?

Mr. FREW. I do not think they do.

Mr. UNTERMYER. Do you not know that they clear through another bank?

Mr. FREW. Let me see.

Mr. UNTERMYER. The National Reserve is a reorganization. is it not?

Mr. FREW. The National Reserve Bank does not clear.

Mr. UNTERMYER. Is it a reorganized bank?

Mr. FREW. Yes, sir; I believe it is.

Mr. UNTERMYER. What was it originally?

Mr. FREW. The Consolidated National Bank, I think.

Mr. UNTERMYER. Is it not a consolidation of a number of banks—two or three banks?

Mr. FREW. Not to my recollection. I do not know whether it took in a bank or not.

Mr. UNTERMYER. I am coming back to the question that I have asked you, I think, twice, and that is this: What right do you say the clearing house association has to tell the banks that clear through the clearing house member, and to tell its members, what they shall charge their customers for doing their out of town business? On what theory do you assume any such right?

Mr. FREW. The right of the members consists in their gathering together and passing these amendments authorizing these rules—a voluntary act of the membership.

As regards the nonmembers, they desire the privilege of clearing, and if they pass that resolution and want to enjoy those privileges, clearing their checks through the other members, they should conform to the same rules as the members do.

Mr. UNTERMYER. Whether they want to or whether they do not? Is that right?

Mr. FREW. That is about it. If they do not want to they need not clear.

Mr. UNTERMYER. Why should not a bank have the right to clear if it is solvent and meets the other requirements? Why should it not have a legal right to clear, and not do so merely as a matter of favor?

Mr. FREW. It is important for the members to know in clearing that the bank is strong and well managed. If it is strong and well managed and has assets in good condition, I can not see where there is any possible objection.

Mr. UNTERMYER. Suppose a bank is strong and well managed, that it has assets in good condition and wants the right to clear, but does not want to surrender its liberty in dealing with its customers. Why should it not have the right to clear under those conditions?

Mr. FREW. Because these rules were formulated for the purpose of trying to get this business on a scientific basis.

Mr. UNTERMYER. Scientific, you call it?

Mr. FREW. I call it that. It has eliminated, in the first place, the expense, getting down to a point where they are collecting just about cost.

Mr. UNTERMYER. You think it is right to enforce that rule on a bank as a condition of clearance?

Mr. FREW. I can not say it is right to enforce it; no. I do not think it is enforced.

Mr. UNTERMYER. Were you here yesterday when the regulations of the Salt Lake City Clearing House Association were read?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. What is your judgment as to them?

Mr. FREW. I think they absorbed too much power.

Mr. UNTERMYER. You think they absorbed too many powers?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. You think they do not leave the bank and its directors power to do anything?

Mr. FREW. That is just what I think.

Mr. UNTERMYER. While you are criticizing them for absorbing too much power, can you conceive of the fact that somebody might criticize you for absorbing too much power?

Mr. FREW. No; I can not; because I believe, as I said, that handling all these checks—

Mr. UNTERMYER. Do you not know that the Merchants' Bank and the Farmers' Bank and the Lincoln Bank, of Pittsburgh, criticize the clearing house association there for absorbing the same power that you are absorbing in New York?

Mr. FREW. I think it is a little more than the same power, is it not? Does it not go into the regulating of the interest on accounts?

Mr. UNTERMYER. Yes. But one of the complaints, you know, is that they were trying to force them to make a uniform rate of charge on out-of-town collections.

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Suppose your association should take it into its head, some day, to regulate the interest on deposits.

Mr. FREW. I do not think it would be carried—

Mr. UNTERMYER. Just a moment. You would make money would you not?

Mr. FREW. No; it is doubtful. You are supposing what would not happen.

Mr. UNTERMYER. Up to 1899 you did not suppose that would happen which happened then, did you?

Mr. FREW. It was years—

Mr. UNTERMYER. Did you suppose it would happen?

Mr. FREW. I thought it would come about some day; yes, sir.

Mr. UNTERMYER. There is a great deal of competition now among the banks in the clearing house on the question of the amount of interest they will allow on deposits, is there not?

Mr. FREW. I think there is considerable competition among the banks of the clearing house in regard to that; yes.

Mr. UNTERMYER. Some of the banks do not allow any interest on deposits, do they?

Mr. FREW. That is right.

Mr. UNTERMYER. And some of the banks allow a less rate than others?

Mr. FREW. That is right.

Mr. UNTERMYER. Other banks allow interest to some customers, in order to keep the account, and do not allow it to others?

Mr. FREW. That is it.

Mr. UNTERMYER. If you could get a uniform rule on that, it would be a good thing for the banks, would it not?

Mr. FREW. Well, they—

Mr. UNTERMYER. I say, would it?

Mr. FREW. No; I do not believe it would.

Mr. UNTERMYER. You do not think it would, if the clearing house association—

Mr. FREW (interposing). Allow me to explain, just for a moment.

Mr. UNTERMYER. Very well. Go on.

Mr. FREW. This element of checks, and that of rates of interest on accounts, are two different subjects. I consider the clearing house is looking after the check proposition and not the interest on accounts. Getting the banks on a uniform basis of charge is about the first step, to my mind—I am not speaking of the clearing house committee—to a scientific handling of this embarrassing subject, as it has been to banks for a great many years.

Mr. UNTERMYER. But, Mr. Frew, we are going on——

Mr. FREW. Allow me to finish, please, will you not?

Mr. UNTERMYER. Yes; go on and finish. But we will never get through if you keep on in this way.

Mr. FREW. If you will not shut me off——

Mr. UNTERMYER. Go on.

Mr. FREW. The second step was the consideration by this committee on inland exchange of the subject, which has enabled us in certain limited territory around New York to put any bank that is willing to remit immediately on receipt at par, on the discretionary list in New York City. That eliminates the great cause of complaint which occurred in 1899, which was the cost of collection and the long time required to collect checks. To my mind, if that works out successfully in those five States, we get a basis of a large number of banks returning their receipts to New York City, which is the central point in the large metropolitan district. We get that down to a par basis. The next step forward would be to organize a department of clearing houses to do the actual physical handling of the check, and transfer it from the bank to the clearing house, where it properly belongs.

Mr. UNTERMYER. Now, Mr. Chairman, I must insist upon an answer to my question. [To the stenographer:] Will you read the question?

The stenographer stated that the question referred to had been taken by the preceding stenographer, who had just left the room.

Mr. UNTERMYER. That simply illustrates the difficulty of getting answers to my questions, Mr. Chairman. It makes it impossible to conduct the examination. Do you realize, Mr. Frew, that you have not answered the question at all?

Mr. RUSHMORE. Mr. Frew asked you if he might explain, and you said yes.

Mr. UNTERMYER. No, no; just a minute. You understand, Mr. Frew, do you not, that you have been accorded the liberty of going over your testimony at the end of the questioning, and of making any and every explanation that you see fit to make? Do you not so understand?

Mr. FREW. You mean I have the opportunity of reading it?

Mr. UNTERMYER. Yes; you understand that you have been told that you will have an opportunity to read your testimony and to make any explanation you see fit to make?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Under those circumstances, do you not think you could manage to answer the questions and go into your other affairs later on?

Mr. FREW. I only wanted to show you the view I had of the difference between the check part of the proposition that you make and the interest-on-accounts part.

Mr. UNTERMYER. You say there is a difference?

Mr. FREW. That is the only difference I see.

Mr. UNTERMYER. You say there is a difference between your enforcing upon your customers a charge for collecting their out-of-town checks and enforcing upon them a uniform rate of interest on deposits, do you? Do you say there is a difference?

Mr. FREW. I do; yes.

Mr. UNTERMYER. In principle?

Mr. FREW. In principle; merely that one should tend toward clearing house work, and the other should be carried on independently.

Mr. UNTERMYER. Will you tell us what the collection of out-of-town checks has to do with the business of a clearing house association?

Mr. FREW. The collection of out-of-town checks?

Mr. UNTERMYER. Yes. It does not go through the clearing house, does it?

Mr. FREW. It does not at present; no.

Mr. UNTERMYER. But you still enforce this charge, do you not?

Mr. FREW. Yes.

Mr. UNTERMYER. The function of the clearing house association is to exchange and balance accounts between the members of the clearing house, is it not?

Mr. FREW. That is right; and to promote—

Mr. UNTERMYER. You exchange checks drawn on one another, do you not?

Mr. FREW. And to promote the general interests of the members.

Mr. UNTERMYER. It would promote the general interests of the members very much more if you paid nobody any interest on deposits, would it not?

Mr. FREW. Certainly.

Mr. UNTERMYER. Certainly; but you do not think you ought to promote their interests in that way, do you?

Mr. FREW. No.

Mr. UNTERMYER. Have you talked about doing it?

Mr. FREW. No; it has never been suggested.

Mr. UNTERMYER. But if you conclude some day that you want to limit the interest that you will pay your customers on their accounts you will do it by the same process by which you imposed this charge, will you not?

Mr. FREW. We would not do it; there is no doubt about that.

Mr. UNTERMYER. But you do not know what you may do next year, do you?

Mr. FREW. The history of the clearing house warrants us in stating that we never would do any such thing as that.

Mr. UNTERMYER. Do you not know that there are clearing houses in the country that do?

Mr. FREW. Yes; I do. I think it would be wise to stop them from doing it, probably.

Mr. UNTERMYER. You understand that this committee is asked to recommend legislation for all clearing houses, do you not?

Mr. FREW. I understand so; yes, sir.

Mr. UNTERMYER. And you recommend that there should be legislation to stop the practice of uniform rates of interest on deposits?

Mr. FREW. I do not recommend it at all.

Mr. UNTERMYER. I thought you just said that you would recommend that that should be stopped.

Mr. FREW. If you had an incorporation, I should think that would be a proper thing to prevent.

Mr. UNTERMYER. Did I not understand you to say just now that you would recommend that that practice should be stopped?

Mr. FREW. Yes; you can take it that way.

Mr. UNTERMYER. But you do not recommend that the practices of your clearing house should be stopped?

Mr. FREW. I do not recommend that the practice of making charges on country checks should be stopped; no.

Mr. UNTERMYER. Do you recommend that the practice of non-members should be stopped?

Mr. FREW. No.

Mr. UNTERMYER. Why should not every bank that is solvent, and that is sufficiently solvent to be able to clear through a member of the clearing house, be able to clear directly as a member and have a vote in the clearing house?

Mr. FREW. Because when they clear through members, the member they clear through is usually a large bank with a large capital and is responsible for that nonmember. Until that nonmember gets in good, strong condition, with a large capital, and is doing a large business and takes the checks of the other members, it should have some one behind it that would be responsible to the other members in case anything happened to it.

Mr. UNTERMYER. Let us analyze that a minute. Your idea is, then, that only the large banks should have the right of membership in the clearing house? Is that right?

Mr. FREW. My idea is—

Mr. UNTERMYER. No; is that your idea or is it not?

Mr. FREW. No. By "large banks" I would mean a bank that had a million dollars capital and surplus.

Mr. UNTERMYER. Is it not possible that a small bank can be as sound as a large bank?

Mr. FREW. Yes; it is possible.

Mr. UNTERMYER. It is frequently more so, is it not?

Mr. FREW. Yes; that is true.

Mr. UNTERMYER. Its liabilities are in the proportion of its smaller assets, are they not?

Mr. FREW. Certainly.

Mr. UNTERMYER. So that it is just as safe, is it not, to have a small sound bank in a clearing house as a large sound bank; is it not?

Mr. FREW. That is true.

Mr. UNTERMYER. Then why should not small sound banks be in the clearing house, instead of being required to clear through clearing-house members, if they are sound and safe and conservative?

Mr. FREW. I can not see any very great objection to it.

Mr. UNTERMYER. Why have you not admitted them?

Mr. FREW. I will admit them.

Mr. UNTERMYER. You will? You say you will admit them?

Mr. FREW. You asked. did you not, why they had not been admitted?

Mr. UNTERMYER. Yes.

Mr. FREW. I suppose that is the reason—that they wanted larger banks. But I, personally, would not object to small, good, strong banks coming into the clearing house.

Mr. UNTERMYER. Then you have no objection, personally, to abrogating the present rule putting a limitation of a million dollars' capital, have you?

Mr. FREW. I have no objection.

Mr. UNTERMYER. Do you speak for the committee of which you are chairman?

Mr. FREW. I do not.

Mr. UNTERMYER. Or only for yourself?

Mr. FREW. Only for myself.

Mr. UNTERMYER. Have you discussed that subject in the clearing house?

Mr. FREW. We have not.

Mr. UNTERMYER. Then, you do not know whether the other members would be willing or not, do you?

Mr. FREW. I do not; no, sir.

Mr. UNTERMYER. Is it not a much safer situation for the community that banks should be in the clearing house than that some of them should be dependent upon clearing house banks for clearance?

Mr. FREW. I do not see that.

Mr. UNTERMYER. Let us see if that is not so. If a bank is a nonmember, and is dependent upon a clearing-house member for clearances, the clearing-house member can alone stop clearing for that bank at any time; can it not?

Mr. FREW. It can; yes, sir.

Mr. UNTERMYER. And if it does stop clearing for that nonmember, it is likely to end the existence of that nonmember; is it not?

Mr. FREW. No.

Mr. UNTERMYER. It has in every case, has it not?

Mr. FREW. No; I do not think so.

Mr. UNTERMYER. Will you name a case in which one of your members has refused to clear for a nonmember, and announced the fact, when that nonmember could go on in business?

Mr. FREW. I do not know of any.

Mr. UNTERMYER. No. In every case in which those refusals have been made, the nonmembers have stopped business; have they not?

Mr. FREW. Yes; I do know one.

Mr. UNTERMYER. What one?

Mr. FREW. That they have declined, refused to clear for, you mean?

Mr. UNTERMYER. That they have refused to clear, stopped clearing for.

Mr. FREW. I do not know about refusing. I know some that have withdrawn.

Mr. UNTERMYER. Oh, yes; but that is by arrangement with some other bank; someone else has taken it over.

Mr. FREW. No; I mean they have given up clearing entirely. There are 17 trust companies that have done that.

Mr. UNTERMYER. Oh, you mean the time when all the big trust companies went out of the clearing house, do you?

Mr. FREW. Seventeen trust companies withdrew from the clearing house and kept on doing business.

Mr. UNTERMYER. They went out in a body, did they not?

Mr. FREW. At different times.

Mr. UNTERMYER. But they went out all together?

Mr. FREW. Not all at once.

Mr. UNTERMYER. How many went out at once?

Mr. FREW. That I do not know.

Mr. UNTERMYER. Sixteen of the seventeen?

Mr. FREW. No; I do not think so. I think it was simply a matter of—

Mr. UNTERMYER. No; how many of them went out at once?

Mr. FREW. That I could not tell you.

Mr. UNTERMYER. And you think that is a fair answer to my question, do you?

Mr. FREW. Your question was whether they could get out of the clearing house without failing, was it not?

Mr. UNTERMYER. My question was, if you knew of a single case in which a nonmember had been refused further clearances by a member bank and had been able to go on. That was my question. Do you think you have answered it at all? Do you think you have?

Mr. FREW. I do not know of a case of that kind.

Mr. UNTERMYER. You have not answered my question.

Mr. FREW. No; I did not; I answered about withdrawing.

Mr. UNTERMYER. You answered about some other thing. If a nonmember has to clear through a member, you say that that member's refusal has resulted in closing up the nonmember; has it not?

Mr. FREW. No; I do not know of any such case.

Mr. UNTERMYER. Do you know of a case in which it has not?

Mr. FREW. I do not know of a case where a member bank has refused to clear for a nonmember without going to another bank.

Mr. UNTERMYER. Do you not? Let us take the case of the St. Nicholas Bank and the Madison Square Bank. Do you remember that?

Mr. FREW. That was years before I had anything to do with it.

Mr. UNTERMYER. Let us take a recent case. Do you know what started the panic of 1907?

Mr. FREW. Yes; I think I do. I do not know.

Mr. UNTERMYER. It was the failure of the Knickerbocker Trust Co., was it not?

Mr. FREW. No.

Mr. UNTERMYER. Was there any other bank that failed before it?

Mr. FREW. There was no bank that failed before it, as I understand, but there was uncertainty in regard to other banks.

Mr. UNTERMYER. What precipitated the panic if it was not the closing of the Knickerbocker Trust Co.?

Mr. FREW. I think there was a great deal of uncertainty about some of these other banks that closed, and then the Knickerbocker Trust Co. closed.

Mr. UNTERMYER. Do you not know that the Knickerbocker Trust Co. was the first one that closed?

Mr. FREW. The first one that closed; yes.

Mr. UNTERMYER. And do you not know that the panic of 1907 was precipitated by the closing of the Knickerbocker Trust Co.?

Mr. FREW. Yes; I guess that would probably be considered the one that precipitated it; but the uncertain feeling was caused by these other banks having been in difficulties.

Mr. UNTERMYER. Do you mean to say it was understood that banks were in difficulties before the Knickerbocker Trust Co. failure occurred?

Mr. FREW. It was not understood; it was known.

Mr. UNTERMYER. And you say the panic was precipitated by the closing of the Knickerbocker Trust Co. Was not the closing of the Knickerbocker Trust Co. precipitated by the failure of the National Bank of Commerce to clear for it, or its refusal to clear for it?

Mr. FREW. I do not know the facts.

Mr. UNTERMYER. You were right in the middle of that thing, were you not?

Mr. FREW. I was not present when that was considered.

Mr. UNTERMYER. I know you were not present; but you were very active in the clearing house, were you not?

Mr. FREW. I was in charge of—

Mr. UNTERMYER. Answer me a question or two occasionally, will you not, just as an exception?

Mr. FREW. Yes; I understand that the Bank of Commerce declined to continue to clear for it, and in that case the Bank of Commerce—

Mr. UNTERMYER. Mr. Frew, these are patent things that must be within your memory, are they not?

Mr. FREW. Yes.

Mr. UNTERMYER. It was a very trying time, was it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And you have a very vivid picture of it in your mind, have you not?

Mr. FREW. I remember a great many things about it; yes, sir.

Mr. UNTERMYER. Do you not remember that the Bank of Commerce was the clearing-house agent of the Knickerbocker Trust Co.?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And do you not remember that one afternoon the Bank of Commerce, without any notice, said it would not clear any longer for the Knickerbocker Trust Co.?

Mr. FREW. I so understood.

Mr. UNTERMYER. Yes; and you remember that the Knickerbocker Trust Co. closed the next morning, do you not?

Mr. FREW. I believe it did.

Mr. UNTERMYER. Yes; as a result of that action?

Mr. FREW. No; I do not know about that. There was a run on it. Whether it closed then or not I can not say.

Mr. UNTERMYER. There was a run on it as the result of the refusal of the Bank of Commerce further to clear, was there not?

Mr. FREW. Oh, I would not want to say that is the absolute fact, for I do not know. I know the Bank of Commerce declined to clear for it longer.

Mr. UNTERMYER. If the Knickerbocker Trust Co., instead of having to clear through the Bank of Commerce, had been a member of the clearing house, its clearance privilege could not have been stopped in that way, could it?

Mr. FREW. No.

Mr. UNTERMYER. Do you not think that would have been a protection to the community?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. That is the point I am trying to bring out.

Mr. FREW. I see.

Mr. UNTERMYER. And the point is, is it not, Mr. Frew, that the safety of the community would be promoted by allowing solvent institutions to be members of the clearing house, instead of requiring them to clear through members?

Mr. FREW. In the case of well-managed banks I do not think the community is injured by allowing them to clear through members.

Mr. UNTERMYER. I did not hear that.

Mr. FREW. I say I do not think the community is injured by allowing them to clear, which our system has demonstrated right straight along for a great many years.

Mr. UNTERMYER. You admit very frankly that if the Knickerbocker Trust Co. had been a clearing-house member it could not have been closed up by the act of one bank, do you not?

Mr. FREW. I do not admit that, because I do not know whether the act of that one bank closed up the Knickerbocker Trust Co.

Mr. UNTERMYER. If the Bank of Commerce had continued clearing, and had not refused to clear, the Knickerbocker Trust Co. would not have closed?

Mr. FREW. There may have been other reasons which I do not know.

Mr. UNTERMYER. Would it, so far as you know?

Mr. FREW. So far as I know—I do not know anything about it in that regard.

Mr. UNTERMYER. It would not. The Knickerbocker Trust Co. re-organized, did it not?

Mr. FREW. I believe it did.

Mr. UNTERMYER. And it paid all its debts, did it not?

Mr. FREW. I so understand.

Mr. UNTERMYER. Yes; and paid them in advance of the time fixed for their payment?

Mr. FREW. I understand it did.

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

Mr. FREW. It is supposed to be so.

Mr. UNTERMYER. And had a very large surplus?

Mr. FREW. That I do not know.

Mr. UNTERMYER. Do you not remember anything about these things?

Mr. FREW. I do not remember anything about the Knickerbocker Trust Co. except that I have been told that they paid all their debts and they had a surplus over.

Mr. UNTERMYER. They had a big surplus, and went on doing business?

Mr. FREW. Yes.

Mr. UNTERMYER. And afterwards consolidated with the Columbia Trust Co.?

Mr. FREW. Yes.

Mr. UNTERMYER. Is not that right?

Mr. FREW. Yes.

Mr. UNTERMYER. So that, so far as their solvency was concerned, in 1907 they were perfectly solvent?

Mr. FREW. I do not know how much additional money was paid in.

Mr. UNTERMYER. Do you not know that there was not a dollar of additional capital?

Mr. FREW. I do not know anything about it.

Mr. UNTERMYER. Do you not remember the reorganization?

Mr. FREW. I do not remember much about the reorganization; no, sir.

Mr. UNTERMYER. Do you not recall that there was no new capital asked of anybody?

Mr. FREW. If you say that is the case, no doubt it is so.

Mr. UNTERMYER. But do you not, as a financial man, recall it?

Mr. FREW. I do not remember whether an assessment was made on it or not.

Mr. UNTERMYER. Do you not remember that there was no assessment?

Mr. FREW. If you say so, it is all right.

Mr. UNTERMYER. Who was assessed?

Mr. FREW. The stockholders, if anybody was, I suppose.

Mr. UNTERMYER. Do you not know that the creditors simply extended, and took extension papers?

Mr. FREW. Extension of time? That is probably so.

Mr. UNTERMYER. It is a far safer thing, is it not—

Mr. FREW. It would be a very much better thing to have every bank that is well managed in the clearing house.

Mr. UNTERMYER. Then, why have you not all done it?

Mr. FREW. Because, I suppose, they considered the capital requirement was very important—that a large capital requirement of \$1,000,000 was very important.

Mr. UNTERMYER. You do not agree to that so long as the bank is sound?

Mr. FREW. I say, personally, I do not.

Mr. UNTERMYER. Do you not think that if we had some sort of regulation of these matters, instead of leaving them all to the discretion of the banks themselves, we might get a better situation out of this?

Mr. FREW. That is possible, but I can not see where, during the 50 years of existence of that clearing house, you have had very many cases where you could consider that the clearing house authorities have not acted right.

Mr. UNTERMYER. Do you know anything about that?

Mr. FREW. Only for a few years.

Mr. UNTERMYER. Would you like to go into it, or shall we skip that?

Mr. FREW. It is immaterial to me whether you go into it or not.

Mr. UNTERMYER. Did you hear Mr. Hepburn testify before this committee?

Mr. FREW. No; I did not.

Mr. UNTERMYER. Did you hear what he said about the Oriental Bank being closed by the clearing house?

Mr. FREW. I do not remember.

Mr. UNTERMYER. I say did you hear what he said on the subject?

Mr. FREW. I did not.

Mr. UNTERMYER. Did you read his testimony?

Mr. FREW. Mr. Hepburn was in Europe at that time.

Mr. UNTERMYER. Did you read his testimony?

Mr. FREW. I did; some of it.

Mr. UNTERMYER. You know that the clearing house has made mistakes, do you not—as everybody does?

Mr. FREW. I have some doubts that they made any mistake in that case, sir.

Mr. UNTERMYER. You do not think they have ever made any mistakes?

Mr. FREW. I do.

Mr. RUSHMORE. May I suggest to counsel, while he is on that subject, that he be examined in regard to his knowledge concerning the Oriental Bank?

Mr. UNTERMYER. I would be very glad to go into all these cases of failures if it is considered desirable, but I do not think it is desirable to go into it. I simply asked the witness whether he had read Mr. Hepburn's testimony or not, and he said he had not.

Mr. FREW. I said I had.

Mr. UNTERMYER. You said you had?

Mr. FREW. Pardon me, yes; that part referring to the Oriental Bank.

Mr. UNTERMYER. You have read it?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. He said it was a mistake, did he not?

Mr. FREW. He said it was a mistake.

Mr. UNTERMYER. Did he not say it was a mistake?

Mr. FREW. He said it was a mistake, but I do not agree with him.

Mr. UNTERMYER. I understand.

Mr. RUSHMORE. If you want the facts, Mr. Untermyer—

Mr. UNTERMYER. We do not want to extend this inquiry forever.

The CHAIRMAN. Let us proceed with the examination. That is the best way.

Mr. FREW. The clearing house authorities offered aid—

Mr. UNTERMYER. Mr. Frew, I do not think it is profitable to go into all those cases, because if we did we would be here all the week.

Mr. FREW. Very well, sir; but the record stands on the statement of a man who was in Europe at the time. That is the only point.

Mr. UNTERMYER. Mr. Hepburn testified he was in Europe at the time.

Mr. FREW. Yes.

Mr. UNTERMYER. And it would not have happened if he had been here.

Mr. FREW. That was something that was not correct.

Mr. UNTERMYER. Very well. You take the position, do you, that there was no mistake? Do you or not?

Mr. FREW. I do.

Mr. UNTERMYER. That is all.

Mr. RUSHMORE. If you want the facts, Mr. Untermyer, why will you not get them from this witness, who knows the facts?

The CHAIRMAN. The Chair has ruled that we will proceed through counsel for the committee without interruption.

Mr. RUSHMORE. All right.

The CHAIRMAN. The witness has a right to answer "yes" or "no" or that he does not know or does not remember, and he can make any explanation germane to the question, which counsel has always permitted the witness to make.

Mr. UNTERMYER. You know that in the panic of 1907 there were a number of banks closed, were there not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. How many were there?

Mr. FREW. There were three or four—four clearing house banks and about six or seven others—more than that; probably five clearing house banks.

Mr. UNTERMYER. And how many nonmembers?

Mr. FREW. And five or six nonmembers, I believe, or seven or eight.

Mr. UNTERMYER. Or more, were there not?

Mr. FREW. I have forgotten exactly how many.

Mr. UNTERMYER. Did the closing of those banks or the aiding of those banks rest with your loan committee or with the clearing house committee?

Mr. FREW. The aiding of banks, you mean? It rested with the clearing house committee, which was part of the loan committee, of which I was an associate.

Mr. UNTERMYER. Were not the two committees consolidated then?

Mr. FREW. The two committees consolidated in making the loan committee.

Mr. UNTERMYER. Did you attend the meetings of the consolidated committee?

Mr. FREW. Some of them; yes, sir.

Mr. UNTERMYER. Then you and Mr. Nash were both there at those meetings?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Were you ever there when Mr. Morgan was there?

Mr. FREW. No.

Mr. UNTERMYER. Do you remember Mr. Morgan sitting with the clearing house committee?

Mr. FREW. No, sir; not to my knowledge.

Mr. UNTERMYER. At that time?

Mr. FREW. No. He may have been there, but—

Mr. UNTERMYER. You were not present at any such meeting?

Mr. FREW. No, sir.

Mr. UNTERMYER. And you do not remember any such meeting?

Mr. FREW. No, sir.

Mr. UNTERMYER. Is that right?

Mr. FREW. That is correct.

Mr. UNTERMYER. There was a vast amount of discussion and negotiation with reference to all these banks that were in trouble, was there not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. It would take us a long time to go into it all, would it not?

Mr. FREW. It certainly would; but on account of that particular one—the Oriental Bank—getting on the record I thought that point might be cleared up.

Mr. UNTERMYER. Well, I have not any objection, Mr. Frew, if it does not take too long—if you can do it briefly—to your saying anything you want about it. It is only a question of time with the committee as to going into these other things.

Mr. FREW. I only wanted to make one statement about it.

Mr. UNTERMYER. Go ahead and make it.

Mr. FREW. It is in reference to the statement that they came to the clearing house for help on that morning of January 30. They applied to the acting chairman of the clearing house committee for assistance, and he requested me to get up a fund for them, in the presence of Mr. Kelly, the president.

Mr. UNTERMYER. How much of a fund?

Mr. FREW. I was just going to say what it was. Mr. Kelly, Mr. Erskine Hewitt, and Mr. Beekman were present. I asked Mr. Kelly what fund he wanted to have, and he named \$1,000,000 as the amount he would want; and I went around and asked the various bankers that were present at the clearing house, and telephoned to another, and asked them if they would subscribe \$100,000 apiece; and I succeeded in getting a fund of \$1,000,000 subscribed. We told these people that provided they would bring their security, what they had—we had gotten to the end of the panic, carried them through it, and it was the point where every clearing house in the country, pretty nearly, had cleared its clearing house certificates but us; and they, having their run, and all, requested this assistance. We told them to bring down their assets, such as they were, and to guarantee any deficiency that might occur by their board of directors. They expressed great satisfaction with that, and Mr. Erskine Hewitt suggested that instead of signing the guaranty he would put up \$100,000 in cash. They left the clearing house with the idea of holding a meeting and providing us with that guaranty. It did not arrive, and late that night I called up Mr. Kelly and asked him if he was going to avail himself of that loan. He stated that it was too late; that it was unfortunate, as his directors would not go on the guaranty on account of certain firm agreements, etc. I suggested his coming to the clearing house the next morning, and probably it could be arranged in some way or other. He said that he would think it over and let me know. The next morning his bank closed. Now, we have always felt that if they had availed themselves of that million, they would have gotten more help, too.

Mr. UNTERMYER. Let us see about that, now. Have you read the testimony of Mr. Erskine Hewitt, of Mr. Beekman, and the letter of Mr. Kelly, since dead?

Mr. FREW. I have.

Mr. UNTERMYER. In this record?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. You have read it. It does not agree with your statement?

Mr. FREW. It does not; no, sir. That is the reason I was anxious to state it.

Mr. UNTERMYER. All three of those gentlemen tell an entirely different story from yours, do they not?

Mr. FREW. They certainly do.

Mr. UNTERMYER. The assets that were offered by the Oriental Bank were ample security for that million dollars, were they not?

Mr. FREW. We were making a loan——

Mr. UNTERMYER. Will you not answer me?

Mr. FREW. I can not say that I considered them such; no.

Mr. UNTERMYER. You did not?

Mr. FREW. No.

Mr. UNTERMYER. Do you not know that the Metropolitan Trust Co. within two weeks after that took those assets and paid off every deposit in full?

Mr. FREW. By a guarantee from the directors——

Mr. UNTERMYER. Answer me. Do you not know that the assets paid off everybody in full?

Mr. FREW. After they had made a loan with the guarantee of the directors, exactly the same as the clearing house proposed.

Mr. UNTERMYER. Will you not answer my question, sir?

Mr. FREW. Yes, I will. They did, with the same proviso.

Mr. UNTERMYER. Did not the Metropolitan Trust Co. take over those same assets that were offered to the clearing house and pay every creditor in full within two weeks?

Mr. FREW. They took them over; yes, sir.

Mr. UNTERMYER. And paid the creditors?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. The depositors?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And do you not know that the Oriental Bank, in addition to paying all the depositors, had assets enough to pay over \$100 a share on all its stock——

Mr. FREW. No; I do not.

Mr. UNTERMYER. One moment—after paying \$200,000 for liquidating its affairs?

Mr. FREW. Is not that evidence in itself that the collateral was not fit for banks of our kind to take—that they paid \$200,000 to have another bank liquidate assets of that character, when if they had been liquid assets they could have gone and gotten the money on them at that time?

Mr. UNTERMYER. The Oriental Bank paid the Metropolitan Trust Co. \$200,000 to take over those assets and pay the depositors in full, did it not?

Mr. FREW. Yes.

Mr. UNTERMYER. That was after you had refused to do it without their personal guaranty?

Mr. FREW. We did not decline to do it.

Mr. UNTERMYER. You declined to do it without their personal guaranty, did you not? Will you not answer me?

Mr. FREW. Yes; we did—we did not decline to do it; no.

Mr. UNTERMYER. You would not do it without their personal guaranty, would you?

Mr. FREW. They did not ask for that. No; I do not believe we would have done that without the personal guaranty of the directors.

Mr. UNTERMYER. That is all. And yet a private institution did it and got \$200,000 for doing it.

Mr. FREW. That is right; yes.

Mr. UNTERMYER. That is what you call a justification of the clearing house, is it?

Mr. FREW. Perfectly.

Mr. UNTERMYER. You feel satisfied that it is a perfect justification?

Mr. FREW. I do.

Mr. UNTERMYER. You differ entirely from those three gentlemen as to their stories of what took place?

Mr. FREW. I do.

Mr. UNTERMYER. Is there anything more you would like to say about the Oriental Bank?

Mr. FREW. Not at all. I am glad you showed me the courtesy that I wanted you to do.

Mr. UNTERMYER. I should like to take up with you now the question of loans on Wall Street Stock Exchange collateral. Have you furnished me, Mr. Frew, for the committee, and at the request of the committee, a statement of stock-exchange loans on collateral at stated periods of January 1, July 1, and November 1 for each of the years 1908, 1909, 1910, 1911, and 1912?

Mr. FREW. Yes, sir; in bulk.

Mr. UNTERMYER. Is that the statement [exhibiting paper to witness]?

Mr. FREW. That is correct; yes, sir.

Mr. UNTERMYER. I will ask the stenographer to mark that in evidence.

The statement in question was marked "Exhibit No. 67, December 10, 1912," and is here printed in the record, as follows:

EXHIBIT NO. 67, DECEMBER 10, 1912.

[The Corn Exchange Bank, William and Beaver Streets, New York.]

LOANS ON COLLATERAL.

	Total.	Merchandise.	Stocks and bonds.
1908.			
January	\$20,156,777.12	\$1,740,150.00	\$18,416,627.12
July	26,508,692.90	967,969.00	25,540,733.90
November	24,732,016.66	1,799,193.00	22,932,823.66
1909.			
January	26,191,123.45	1,973,863.01	24,217,260.44
July	25,954,789.54	1,510,869.46	24,443,920.08
November	21,713,240.48	2,058,499.96	19,654,740.52
1910.			
January	24,771,804.77	3,081,198.09	21,690,606.66
July	22,568,789.22	1,254,993.17	21,313,796.05
November	20,488,799.05	2,260,927.92	18,227,871.13
1911.			
January	20,519,747.84	3,429,006.09	17,090,741.75
July	25,551,559.95	2,409,838.00	23,141,721.95
November	22,519,014.05	1,662,100.00	20,856,914.05
1912.			
January	22,144,001.34	2,781,205.00	19,362,796.34
July	25,443,564.59	2,786,890.78	22,656,673.81
November	23,189,111.85	2,557,754.75	20,631,357.10

Mr. UNTERMYER. These are loans on stock exchange collateral, are they not, in the last column?

Mr. FREW. The last column is loans on stocks and bonds—stocks listed on the stock exchange; yes, sir.

Mr. UNTERMYER. The first column is total loans on all collateral?

Mr. FREW. Total loans on all kinds of collateral; yes.

Mr. UNTERMYER. Yours is a commercial bank, is it not, largely?

Mr. FREW. It is so understood to be; yes, sir.

Mr. UNTERMYER. You said the deposits were about sixty millions?

Mr. FREW. Sixty millions; yes, sir.

Mr. UNTERMYER. Mostly from merchants?

Mr. FREW. Yes, sir; very largely from merchants; merchants and tradesmen.

Mr. UNTERMYER. But you are in the financial district?

Mr. FREW. Yes; our main office is there.

Mr. UNTERMYER. Of your \$60,000,000 deposits, I think you said this morning that under the law you were required to keep 25 per cent reserve in your bank in money?

Mr. FREW. That is right; yes, sir.

Mr. UNTERMYER. That would leave \$45,000,000 of loanable funds, would it not?

Mr. FREW. That is correct; yes, sir.

Mr. UNTERMYER. Your total loans on the 1st of November of this year were a little over \$23,000,000, were they not?

Mr. FREW. Total loans on collateral?

Mr. UNTERMYER. Yes.

Mr. FREW. Yes, sir.

Mr. UNTERMYER. A little over \$23,000,000?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. What were your other loans?

Mr. FREW. The other loans? They were \$17,554,000.

Mr. UNTERMYER. How much of that was on collateral; any?

Mr. FREW. That was all commercial paper.

Mr. UNTERMYER. And of that \$23,000,000 of loans, on the 1st of November, 1912, you had almost \$21,000,000 on stock exchange collateral?

Mr. FREW. That is correct.

Mr. UNTERMYER. How much of that was loaned to stock exchange houses?

Mr. FREW. On November 1?

Mr. UNTERMYER. Yes.

Mr. FREW. \$11,120,000.

Mr. UNTERMYER. How much of it was loaned on the exchange—on the board?

Mr. FREW. I suppose there was eight or nine millions of it.

Mr. UNTERMYER. Eight or nine millions was loaned out at the stand to the stock exchange?

Mr. FREW. At what they call the "loan crowd."

Mr. UNTERMYER. What do you mean by the "loan crowd"? It is not the "l-o-n-e crowd," is it?

Mr. FREW. No, sir; it is the "l-o-a-n crowd." Almost every bank has some broker on the exchange who is kind enough to make demand loans for them.

Mr. UNTERMYER. You mean a stock exchange broker?

Mr. FREW. A stock exchange broker. When we want to loan a couple of million dollars we telephone this broker to loan it for us. He goes to this "loan crowd" where the broker borrower meets him, and they negotiate the loan.

Mr. UNTERMYER. There the loans are arranged?

Mr. FREW. Yes, sir; and they send it to us.

Mr. UNTERMYER. All those loans are on stock exchange collateral?

Mr. FREW. Those loans are all on stock exchange collateral.

Mr. UNTERMYER. And the loans to brokerage houses are on stock exchange collateral?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Why is it, Mr. Frew, that since you get your business from the merchants and are what is called a commercial bank, you lend out more of your money to stock exchange houses and on the stock exchange than you lend to merchants?

Mr. FREW. I do not.

Mr. UNTERMYER. Let us see if you do not. Your loans to the stock exchange, to houses on stock exchange collaterals, on the 1st of November were nearly \$21,000,000, were they not? What were your total loans?

Mr. FREW. Our total loans were \$43,000,000; \$17,000,000 of that was on commercial paper.

Mr. UNTERMYER. Yes.

Mr. FREW. But of the \$20,600,000 loaned on stocks and bonds, a large portion of that is loaned to professional men and gentlemen that are not in business, and also to merchants on collateral.

Mr. UNTERMYER. I understood you to tell us a few minutes ago that how many millions of it was loaned to stock exchange houses?

Mr. FREW. Eleven millions of it.

Mr. UNTERMYER. And how many millions did you say was loaned at the loan stand in the stock exchange on stock exchange collateral?

Mr. FREW. Nine millions of that eleven.

Mr. UNTERMYER. Nine millions of the eleven?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Not an additional nine million?

Mr. FREW. Oh, no, no.

Mr. UNTERMYER. Why do you not in times of stress use your money that you get from the merchants in lending it to the merchants?

Mr. FREW. That is just exactly why we have this large amount of money available on demand loans. We have our large amount of cash, we have these call loans, and then when our merchants want assistance we call in our call money and loan to merchants.

Mr. UNTERMYER. Did not your merchants very much want assistance in November of this year?

Mr. FREW. No more than we were able to take care of.

Mr. UNTERMYER. I say, did they not in November of this year?

Mr. FREW. No more than we were able to lend them. They did; yes.

Mr. UNTERMYER. That was the stock exchange rate? Will you not answer my questions every now and then?

Mr. FREW. Yes, sir; I will try to. What date do you want to know about?

Mr. UNTERMYER. The 1st of November, 1912.

Mr. FREW. It was 8 per cent.

Mr. UNTERMYER. Eight per cent?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. That was more than you were getting from the merchants, was it not?

Mr. FREW. It was.

Mr. UNTERMYER. You say you have this money on demand loans on stock exchange collateral so you can lend it, whenever you need to, to merchants? Is that what you say?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Will you point out a single time in the last seven years when you have had any less than \$20,000,000 on stock exchange collateral, and has it not been more, nearly all the time?

Mr. FREW. In what number of years?

Mr. UNTERMYER. In the last six years shown on that statement.

Mr. FREW. Since 1908? We had \$18,000,000 in January, 1908, and of that \$18,000,000 \$7,500,000 was loaned to brokers.

Mr. UNTERMYER. Generally you have had an average during that period of about \$23,000,000, have you not, during those six years?

Mr. FREW. I would not want to say that that was the average, no.

Mr. UNTERMYER. Is not that about the average? Look at the figures.

Mr. FREW. No; about \$21,000,000 on stocks and bonds.

Mr. UNTERMYER. Let me see; give me the figures.

Mr. FREW. Yes, I guess you are right. Twenty-three millions is about right.

Mr. UNTERMYER. Yes.

Mr. FREW. Yes, that is correct.

Mr. UNTERMYER. Inasmuch as you kept \$23,000,000 in stocks and bonds, I wish you would explain how it is that you say you only keep these loans in this way in order to lend them to the merchants. You do not seem to loan any of it to merchants.

Mr. FREW. You asked me if I did. That is not the only reason. One reason was to keep liquid assets.

Mr. UNTERMYER. The best reason is that you can get more interest in that way, is it not?

Mr. FREW. No, not at all. Very frequently you get very much less interest.

Mr. UNTERMYER. Now you are getting more interest, are you not?

Mr. FREW. Just at present we are; but look at the—

Mr. UNTERMYER. Just now merchants are needing money, too, are they not?

Mr. FREW. Any man that does business with us—

Mr. UNTERMYER. Will you not answer my question? They are needing money?

Mr. FREW. Why, certainly they are needing money.

Mr. UNTERMYER. They are urgently needing it now, are they not?

Mr. FREW. Yes, sir; then need it now; yes, sir.

Mr. UNTERMYER. You are the New York correspondent for how many out of town banks in the country?

Mr. FREW. How many? I can tell you in a minute.

Mr. UNTERMYER. I think there are 96, are there not?

Mr. FREW. I think there are something around 90 banks.

Mr. UNTERMYER. Are there not 96?

Mr. FREW. Ninety-four.

Mr. UNTERMYER. And they are located all over the United States, are they not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And in addition to these loans that you have made out of funds deposited by them with you—their balances—have you

made also loans directly for those out-of-town banks on the stock exchange?

Mr. FREW. Some of them; yes, sir.

Mr. UNTERMYER. How much have you got out now that you have loaned for them, apart from money they have on deposit with your bank?

Mr. FREW. We have loaned now \$620,000.

Mr. UNTERMYER. Will you please furnish me a list showing, year by year, the balances of your out-of-town correspondents in your bank?

Mr. FREW. I have furnished you with that list.

Mr. UNTERMYER. Yes; I think you have. Is this it [handing paper to witness]?

Mr. FREW. That is it.

Mr. UNTERMYER. I will ask the stenographer to mark that as an exhibit.

The list in question, being a statement of balances of out-of-town correspondents of the Corn Exchange Bank, was marked "Exhibit No. 68, December 10, 1912," and is here printed in full in the record, as follows:

EXHIBIT NO. 68, DECEMBER 10, 1912.

Number of banks, location, and balances standing to their credit on the books of the Corn Exchange Bank on dates as follows, with the respective capital and surplus and amount loaned for their account.

Number of banks.	State.	Jan. 1, 1908.	Apr. 1, 1908.	June 1, 1908.	Nov. 1, 1908.	Jan. 1, 1909.	Apr. 1, 1909.
2	Alabama.....	\$1,900	\$9,200	\$7,400	\$9,400	\$17,800	\$2,900
2	California.....	48,000	140,500	144,200	103,200	145,300	165,300
2	Colorado.....	3,900	10,100	8,800	12,900	35,100	20,200
1	Connecticut.....	16,000	16,000	16,100	16,200	16,300	16,400
2	Florida.....	11,200	11,200	11,200	11,300	11,400	11,400
2	Georgia.....	600	600	600	600	600	1,100
1	Idaho.....					600	500
6	Illinois.....	83,500	305,800	505,500	635,900	539,300	545,600
1	Indiana.....	11,100	25,500	25,600	19,800	19,900	20,000
1	Iowa.....						
1	Kansas.....	11,400	11,000	11,500	13,800	3,900	7,100
1	Kentucky.....	400	5,400	5,500	5,500	5,400	6,400
2	Louisiana.....	6,400	6,400	6,400	8,900	7,500	7,700
3	Massachusetts.....	55,000	60,000	125,200	125,500	125,600	125,900
4	Michigan.....	59,100	60,400	62,900	62,900	65,300	58,100
1	Minnesota.....	103,800	169,700	155,400	234,900	161,100	185,700
2	Missouri.....	3,300	13,300	13,400	18,700	33,600	36,500
1	Nebraska.....	2,600	4,200	3,600	4,000	3,900	3,400
6	New Jersey.....	198,800	326,900	383,400	332,800	321,600	329,600
32	New York.....	588,400	540,800	475,300	705,600	518,300	532,500
2	North Carolina.....	25,900	10,400	1,000	100	2,100	
1	Ohio.....	8,900	8,500	12,800	14,700	11,100	9,200
3	Pennsylvania.....	119,200	130,900	140,500	142,400	149,700	147,400
1	Rhode Island.....	7,000	7,100	17,100	18,300	18,300	18,400
1	South Carolina.....	13,900	41,500	6,500	18,400	16,300	7,700
4	Tennessee.....	8,000	12,500	12,500	12,500	12,500	12,500
1	Texas.....	800	800	1,900	1,900	1,900	1,900
1	Vermont.....						
3	Virginia.....	17,800	20,200	34,300	18,100	12,300	40,800
2	Washington.....	8,900	90,700	38,900	120,800	69,000	36,100
2	Wisconsin.....	34,700	37,600	35,300	42,600	36,100	57,000
2	District of Columbia.....	10,600	15,500	15,700	11,300	11,400	11,400
2	Canada.....	46,300	514,700	413,600	754,100	623,600	508,300
96	Total.....	1,507,400	2,607,800	2,692,100	3,467,100	2,996,700	2,987,400

Number of banks, location, and balances standing to their credit on the books of the Corn Exchange Bank, etc.—Continued.

Number of banks.	State.	June 1, 1909.	Nov. 1, 1909.	Jan. 1, 1910.	Apr. 1, 1910.	June 1, 1910.	Nov. 1, 1910.
2	Alabama.....	\$10,600	\$20,900	\$16,000	\$6,800	\$8,700	\$9,700
2	California.....	240,400	134,100	132,500	143,900	144,100	131,600
2	Colorado.....	29,600	31,500	25,700	24,000	18,800	15,400
1	Connecticut.....	16,400	16,500	16,600	16,700	16,800	16,900
2	Florida.....	11,500	11,500	11,600	11,700	11,700	11,800
2	Georgia.....	1,100	6,100	6,100	6,100	6,200	17,400
1	Idaho.....	509	2,000	800	1,400	1,900	1,900
6	Illinois.....	471,500	433,600	338,100	430,200	361,000	279,900
1	Indiana.....	20,000	20,200	12,200	12,200	13,600	13,700
1	Iowa.....					5,000	10,100
1	Kansas.....	10,100	5,200	5,200	5,200	6,200	6,300
1	Kentucky.....	6,400	6,500	6,500	6,500	6,600	6,600
2	Louisiana.....	7,800	7,800	7,900	7,900	7,900	5,300
3	Massachusetts.....	126,000	101,300	101,500	101,800	102,000	102,400
4	Michigan.....	53,900	53,000	49,200	46,300	44,500	44,300
1	Minnesota.....	81,400	101,100	32,800	72,700	52,000	105,000
2	Missouri.....	18,800	18,400	37,100	26,500	20,400	46,200
1	Nebraska.....	3,000	4,900	11,300	6,300	6,700	6,100
6	New Jersey.....	244,400	404,700	398,900	363,000	382,100	760,700
32	New York.....	646,600	808,000	469,800	482,300	485,700	473,900
2	North Carolina.....	2,100	2,100	2,100	2,100	2,100	2,200
1	Ohio.....	16,500	20,000	21,900	17,300	20,400	16,000
3	Pennsylvania.....	150,900	135,500	89,600	126,100	121,400	117,000
1	Rhode Island.....	18,500	18,600	18,700	18,800	18,900	19,000
1	South Carolina.....	6,500	14,600	10,900	8,300	8,200	6,100
4	Tennessee.....	12,500	12,500	12,500	12,500	14,000	11,500
1	Texas.....	1,900	3,200	3,200	3,500	3,600	3,200
1	Vermont.....						
3	Virginia.....	21,200	16,700	12,100	19,700	18,400	19,100
2	Washington.....	28,800	51,500	68,900	51,000	52,700	36,300
2	Wisconsin.....	30,200	36,000	33,400	52,400	39,000	38,300
2	District of Columbia.....	11,500	6,500	11,400	11,500	11,700	11,800
2	Canada.....	230,100	658,200	588,800	330,900	477,600	538,300
96	Total.....	2,530,700	3,164,700	2,553,300	2,395,600	2,989,300	2,984,000

Number of banks.	State.	Jan. 1, 1911.	Apr. 1, 1911.	June 1, 1911.	Nov. 1, 1911.	Jan. 1, 1912.	Apr. 1, 1912.
2	Alabama.....	\$6,800	\$3,600	\$9,000	\$13,000	\$10,900	\$15,500
2	California.....	57,100	130,300	143,500	253,700	171,600	180,800
2	Colorado.....	20,900	24,000	40,200	9,800	15,900	9,300
1	Connecticut.....	17,000	17,000	17,100	17,200	17,300	17,400
2	Florida.....	11,800	11,900	15,100	15,200	15,200	68,800
2	Georgia.....	19,400	9,500	25,100	24,400	26,500	27,300
1	Idaho.....	1,300	1,300	800	1,100	600	900
6	Illinois.....	250,400	1,159,200	1,618,500	794,600	471,300	896,200
1	Indiana.....	10,700	10,800	10,800	8,400	8,400	8,500
1	Iowa.....						
1	Kansas.....	6,300	6,300	6,300	6,500	7,000	8,100
1	Kentucky.....	6,400	6,700	6,800	6,900	6,900	6,900
2	Louisiana.....	5,400	5,400	5,700	14,400	9,200	9,200
3	Massachusetts.....	102,600	101,400	101,100	102,000	102,200	127,000
4	Michigan.....	52,300	62,500	65,700	62,600	73,100	83,000
1	Minnesota.....	58,300	101,500	56,900	148,500	136,900	131,800
2	Missouri.....	23,700	41,700	36,000	21,800	34,200	46,800
1	Nebraska.....	3,500	3,300	4,500	3,900	1,700	3,900
6	New Jersey.....	391,300	452,600	683,400	620,200	328,900	491,600
32	New York.....	496,800	526,700	466,500	489,500	376,800	401,400
2	North Carolina.....	2,200	2,200	2,200	2,200	100	13,800
1	Ohio.....	15,200	17,200	2,300	8,800	800	100
3	Pennsylvania.....	143,700	105,400	120,500	92,600	107,000	134,300
1	Rhode Island.....	19,100	9,200	19,300	19,400	19,500	19,600
1	South Carolina.....	23,600	5,400	5,200	7,900	18,200	18,600
4	Tennessee.....	11,500	13,500	13,500	13,500	26,000	135,200
1	Texas.....	3,200	3,200	3,200	7,600	3,700	14,000
1	Vermont.....						
3	Virginia.....	18,500	14,300	19,600	38,700	25,900	30,300
2	Washington.....	29,300	91,000	53,700	22,400	30,800	115,500
2	Wisconsin.....	36,200	40,000	39,800	44,400	41,400	43,200
2	District of Columbia.....	11,900	12,000	13,200	13,300	18,700	26,800
2	Canada.....	256,300	438,200	501,600	289,800	154,900	201,500
96	Total.....	2,112,900	3,442,800	4,107,100	3,174,300	2,251,600	3,237,300

Number of banks, location, and balances standing to their credit on the books of the Corn Exchange Bank, etc.—Continued.

Number of banks.	State.	June 1, 1912.	Nov. 1, 1912.	Capital.	Surplus
2	Alabama	\$15,900	\$12,400	\$700,000	\$353,000
2	California	174,100	179,200	2,700,000	2,253,350
2	Colorado	20,200	10,500	210,000	42,100
1	Connecticut	17,400	17,600	300,000	435,000
2	Florida	20,300	15,500	150,000	150,000
2	Georgia	9,900	5,400	1,300,000	1,324,000
1	Idaho	1,100	700	10,000	4,000
6	Illinois	571,900	490,600	29,730,000	25,273,570
1	Indiana	8,500	8,500	2,000,000	1,130,000
1	Iowa		10,000	500,000	159,340
1	Kansas	8,100	20,900	500,000	1,190,000
1	Kentucky	6,900	7,000	800,000	274,000
2	Louisiana	9,200	12,500	3,000,000	963,000
3	Massachusetts	102,000	102,300	17,000,000	19,007,280
4	Michigan	80,300	79,200	6,250,000	3,331,080
1	Minnesota	96,800	113,800	1,000,000	2,200,000
2	Missouri	21,800	32,600	12,000,000	11,072,000
1	Nebraska	6,000	5,200	40,000	90,000
6	New Jersey	503,000	930,200	1,000,000	2,522,180
32	New York	456,000	470,200	6,814,500	10,873,150
2	North Carolina	100	1,000	1,225,000	584,000
1	Ohio	1,800	10,600	6,000,000	2,370,800
3	Pennsylvania	114,000	98,000	10,000,000	8,098,360
1	Rhode Island	19,600	19,800	500,000	809,000
1	South Carolina	6,300	5,900	200,000	190,000
4	Tennessee	118,100	27,000	3,400,000	1,352,000
1	Texas	14,000	9,400	1,000,000	1,219,520
1	Vermont		10,000	25,000	2,000
3	Virginia	27,000	19,600	2,100,000	1,421,000
2	Washington	38,800	33,000	800,000	172,800
2	Wisconsin	41,300	44,900	2,500,000	1,964,000
2	District of Columbia	30,300	11,900	900,000	611,610
2	Canada	231,100	178,800		
96	Total	2,791,800	3,044,100	148,900,500	103,360,240

Loans.

State.	Date.	Amount.
California	July 1, 1910	\$500,000
Do.	July 1, 1911	200,000
Do.	July 1, 1912	200,000
Do.	Nov. 1, 1912	500,000
New Jersey	Jan. 1, 1909	400,000
New York	Jan. 1, 1908	70,000
Do.	July 1, 1908	25,000
Do.	Nov. 1, 1909	105,000
Do.	Jan. 1, 1910	180,000
Do.	July 1, 1910	175,000
Do.	Nov. 1, 1910	115,000
Do.	Jan. 1, 1911	30,000
Do.	July 1, 1911	5,000
Do.	Nov. 1, 1911	35,000
Do.	Jan. 1, 1912	20,000
Do.	July 1, 1912	10,000
Do.	Nov. 1, 1912	105,000
Washington, D. C.	do.	15,000
Total of loans		2,690,000

Mr. UNTERMYER. You have a copy of that in your hand, have you not?

Mr. FREW. I think I have. I have a rough copy.

Mr. UNTERMYER. Just take hold of it; I want to examine you about it. What is the total capital and surplus of the out-of-town banks for which you are acting as New York correspondent and depository?

Mr. FREW. What do you mean—capital and surplus?

- Mr. UNTERMYER. It is about \$251,000,000, is it not?
- Mr. FREW. Oh, no; no, sir.
- Mr. UNTERMYER. Is it not? Look again and see if it is not.
- Mr. FREW. It is in pencil here. Have you got it there? [After examining paper.] Yes; that is right. It is \$251,000,000.
- Mr. UNTERMYER. And some thousand dollars?
- Mr. FREW. \$252,260,000.
- Mr. UNTERMYER. I beg your pardon for not being precise.
- Mr. FREW. This was a rough copy. I did not have it correctly.
- The CHAIRMAN. A difference of a million is a small matter.
- Mr. UNTERMYER. What were the balances of these out-of-town correspondents on deposit with your bank on the 1st of November, 1912?
- Mr. FREW. \$3,044,000.
- Mr. UNTERMYER. On the 1st of June, 1912, what was the money rate on the stock exchange?
- Mr. FREW. I do not know whether I have any figures on that or not.
- Mr. UNTERMYER. Money was very easy then, was it not?
- Mr. FREW. On the 1st of June, 1912?
- Mr. UNTERMYER. Yes.
- Mr. FREW. It was very easy, but I have not got the rate.
- Mr. UNTERMYER. How much was it?
- Mr. FREW. I do not believe it was over 3 per cent.
- Mr. UNTERMYER. Does that say "very easy," or does it give you the rate?
- Mr. FREW. I have not got it. I remember it was very easy. This only goes back to August.
- Mr. UNTERMYER. It was about 2 per cent, was it not?
- Mr. FREW. Around that; yes, sir.
- Mr. UNTERMYER. Around 2 per cent?
- Mr. FREW. I think it was. I would not want to state that positively.
- Mr. UNTERMYER. What was it on the 1st of April, 1912?
- Mr. FREW. I have forgotten that rate.
- Mr. UNTERMYER. About the same?
- Mr. FREW. About the same, I should say.
- Mr. UNTERMYER. How much money of your correspondents did you have on deposit on the 1st of June, 1912?
- Mr. FREW. That figure is blurred; so, if you will allow me to look at your copy, I shall be obliged.
- Mr. UNTERMYER. \$2,791,000?
- Mr. FREW. On the 1st of April?
- Mr. UNTERMYER. Yes.
- Mr. FREW. \$3,237,000.
- Mr. UNTERMYER. No; the 1st of June.
- Mr. FREW. \$2,791,000.
- Mr. UNTERMYER. So that on the 1st of November, when money was 8 per cent, your correspondents had about \$200,000 more money with you than on the 1st of June, when money was 2 per cent; did they not?
- Mr. FREW. On the 1st of June? They were low in June. There is not any doubt about that.
- Mr. UNTERMYER (to the stenographer). Will you read the question?

Mr. FREW. On the 1st of November we had more than we did at any other time.

Mr. UNTERMYER. A little over \$200,000 more?

Mr. FREW. That is right.

Mr. UNTERMYER. Was money easy in January, 1912?

Mr. FREW. The latter part of it; yes.

Mr. UNTERMYER. Was it easy on the 1st of January?

Mr. FREW. It usually is not quite so easy at that time.

Mr. UNTERMYER. No. Well, about what was it; 2 or 3 per cent?

Mr. FREW. I think it struck 3 or 4 per cent around that part of the year. I believe usually about that time it is about 3 or 4 per cent.

Mr. UNTERMYER. Three or four per cent. Now please look at Exhibit 67, and tell me what was the amount you had loaned out on the stock exchange of your own funds—not your customers' funds—on the 1st of January, 1912, as against the 1st of November, 1912?

Mr. FREW. Very nearly the same thing. We had \$11,100,000 total loans to brokers, and about eight or nine million of that was on the stock exchange in call loans.

Mr. UNTERMYER. What about November?

Mr. FREW. In November of this year it was \$11,120,000.

Mr. UNTERMYER. There is a great demand for money from all over the country to move the crops, is there not, and for other reasons?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Is that what causes the high money rates on the stock exchange?

Mr. FREW. I believe the supply and demand of money, of course, causes the rates. That is what I imagine is—

Mr. UNTERMYER. I do not think you have understood my question.

Mr. FREW. What is it?

Mr. UNTERMYER. I think we all know that supply and demand causes the rate; but the question at this particular time was whether the demand from the rest of the country for money with which to move the crops is what is causing the high money rate in Wall Street?

Mr. FREW. I think the movement of crops and wheat at this time is taking considerable money. I also think that conditions on the other side keep a large amount of money over there.

Mr. UNTERMYER. Is the Wall Street market the only public money market in this country?

Mr. FREW. It is the only call-money market in this country that I know of; yes.

Mr. UNTERMYER. Yes. It is the only open market where you can borrow on stock-exchange collateral on call, is it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And when money is needed in Wall Street for speculative purposes and the country is using money in the moving of crops, how is money attracted to Wall Street? By bidding up the rate, is it not?

Mr. FREW. That would be the natural way to attract; to pay the price.

Mr. UNTERMYER. That is the way it is attracted, by bidding up the rate, is it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. That is the effect of bidding up the rate in Wall Street? It brings the money there, does it not?

Mr. FREW. It attracts money; yes, sir.

Mr. UNTERMYER. From all over the country?

Mr. FREW. Yes. I consider the rate is high, because the money is going out from Wall Street to the country.

Mr. UNTERMYER. The rate is high to keep the money from going out, is it not?

Mr. FREW. That is true; but nevertheless it is going very rapidly.

Mr. UNTERMYER. And the rate is made high in order to attract money to Wall Street?

Mr. FREW. I have some figures here that might interest you.

Mr. UNTERMYER. If you would only answer my questions you would interest me much more, Mr. Frew.

Mr. FREW. I shall be pleased to do so.

Mr. UNTERMYER. I will ask to have my question repeated.

The stenographer repeated the pending question, as follows:

Mr. UNTERMYER. And the rate is made high in order to attract money to Wall Street?

Mr. FREW. The rate is not made high. I do not so consider it. I will not say that, for I do not know. The borrower who wants it naturally pays the higher rate in order to get it.

Mr. UNTERMYER. And he can get it on stock exchange collateral when he can not get it on other things?

Mr. FREW. Rates for commercial paper are proportionately as high.

Mr. UNTERMYER. Will you not answer my question? The only way he can get money in this public market on Wall Street is on stock exchange collateral, is it not?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Stock exchange houses require this money on stock exchange collateral for what purpose?

Mr. FREW. I do not know their business.

Mr. UNTERMYER. It is to carry the customers who do not pay for their stocks, is it not?

Mr. FREW. I do not wish to go into that. I am not sufficiently familiar with their business to tell you what they do.

Mr. UNTERMYER. You are sufficiently familiar with it to be lending eleven million and more a day?

Mr. FREW. When they produce the security.

Mr. UNTERMYER. You are familiar with that?

Mr. FREW. Yes.

Mr. UNTERMYER. You know what is good security and what is bad security?

Mr. FREW. Certainly.

Mr. UNTERMYER. You know what stock exchange houses are borrowing on?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. Because you are lending it to them.

Mr. FREW. Yes.

Mr. UNTERMYER. There are three or four or five great lenders on the stock exchange among the big institutions, are there not?

Mr. FREW. The larger the bank, the larger the lender.

Mr. UNTERMYER. There are four or five great lenders, as compared with which you are a small man. are there not?

Mr. FREW. That is it.

Mr. UNTERMYER. Who are they?

Mr. FREW. I do not know them. I know the large institutions loan on stock-exchange collateral.

Mr. UNTERMYER. Who are the four or five great lenders of money on stock-exchange collateral, as compared with whom you are a small man?

Mr. FREW. I infer naturally, being a smaller bank than some of the larger banks, that they would have more loaning on the stock exchange, but I do not know it. Therefore I can not state whether they loan there or not.

Mr. UNTERMYER. I think you said there were four or five as against which you were a small man?

Mr. FREW. You put that statement in my mouth. I will take that out.

Mr. UNTERMYER. You said that, did you not?

Mr. FREW. I said there are others larger than I am.

Mr. UNTERMYER. Who are they?

Mr. FREW. All the larger banks are larger than we are.

Mr. UNTERMYER. Who are the largest lenders of money on Wall Street security?

Mr. FREW. I can not say. I do not know?

Mr. UNTERMYER. Do you mean to say that, living down in that community and doing business there—lending on Wall Street—you do not know who the great bank lenders are there?

Mr. FREW. Yes; I do know that.

Mr. UNTERMYER. Who are they?

Mr. FREW. The large lenders on collateral of that character are the large banks, such as the National City Bank, the First National Bank, and so on.

Mr. UNTERMYER. Do you not know the three biggest lenders are the National City Bank, the First National Bank, and the Chase National Bank?

Mr. FREW. I do not know. There are the Bank of Commerce, the Bank of America, and the Manhattan Co., and all the banks in New York City that loan money there. They all loan their proportionate amounts.

Mr. UNTERMYER. Do you consider the Bank of America and the Bank of Manhattan as large lenders on Wall Street collateral in the same class as the City Bank and the First National Bank?

Mr. FREW. For their proportionate amounts.

Mr. UNTERMYER. Never mind about proportionate amounts. We are talking about the big lenders.

Mr. FREW. I do not say they loan as much as a bank like the City Bank.

Mr. UNTERMYER. They do not loan 5 per cent as much, do they?

Mr. FREW. I do not know any of the percentages at all.

Mr. UNTERMYER. I am talking about the big lenders; you know I am, do you not?

Mr. FREW. Yes; I do.

Mr. UNTERMYER. Why do you mention the Bank of America and the Bank of Manhattan?

Mr. FREW. There are the Central Trust Co. and the Farmers' Loan & Trust Co.—

Mr. UNTERMYER. I say, why did you mention the Bank of America and the Bank of Manhattan?

Mr. FREW. I mentioned to you the three largest State banks. I was giving you the largest national banks and the largest State banks, and trying to give you the large trust companies if you will allow me to complete my statement.

Mr. UNTERMYER. You have not listened to my question. My question is a very plain one to a man who lives and does business in Wall Street. It is this: Who are the known five largest lenders of money in Wall Street on stock exchange collateral?

Mr. FREW. It is impossible for me to answer.

Mr. UNTERMYER. Do you know any of them?

Mr. FREW. I know some of them.

Mr. UNTERMYER. Who are the two largest?

Mr. FREW. I do not know which is the largest.

Mr. UNTERMYER. Which are the two largest?

Mr. FREW. I do not know. I could not tell you the two. I could tell you in a general way.

Mr. UNTERMYER. Give us the two largest.

Mr. FREW. I will not tell you the two largest, because I do not know whether they are the largest.

Mr. UNTERMYER. Do you know how much the First National Bank loans on stock exchange securities?

Mr. FREW. I do not.

Mr. UNTERMYER. You never heard of it?

Mr. FREW. I never heard of it.

Mr. UNTERMYER. Are there no statistics outstanding giving that information?

Mr. FREW. Not that I know of, unless you have got them.

Mr. UNTERMYER. Have you ever seen them?

Mr. FREW. I have never seen them.

Mr. UNTERMYER. Are there no statistics showing how much money is loaned on speculation in Wall Street?

Mr. FREW. Not that I know of; no, sir.

Mr. UNTERMYER. When Wall Street stock exchange houses want to carry stocks that are bought on speculation, and money is very much in demand throughout the country, the money is attracted to New York by the high rate that is offered for it; is not that right?

Mr. FREW. Yes; it is not attracted there. It is kept there—prevented from going out.

Mr. UNTERMYER. It is prevented from going out, and frequently attracted there?

Mr. FREW. The figures do not indicate that it is attracted much.

Mr. UNTERMYER. It is kept, then, from going away to where it is needed?

Mr. FREW. Yes; that is right.

Mr. UNTERMYER. And the result of that is, is it not, that the merchants throughout the country, who require accommodations, can not get them at that time because the attraction of the money throughout the country to the banks in New York on call loans is too great? Is not that it?

Mr. FREW. I could not say that. I do not know.

Mr. UNTERMYER. Do you not know the situation?

Mr. FREW. I do not know enough about that to say.

Mr. UNTERMYER. You have no knowledge of the situation?

Mr. FREW. Not of that particular question; no.

Mr. UNTERMYER. What are you charging your merchants on paper?

Mr. FREW. Some of them 5 per cent; some 5½ per cent; some 6 per cent—none beyond 6.

Mr. UNTERMYER. At this time?

Mr. FREW. Yes.

Mr. UNTERMYER. That is when stock exchange rates are high?

Mr. FREW. Yes.

Mr. UNTERMYER. So that it is to the interest of your bank, so far as making money is concerned, to lend as much as you can on the Stock Exchange; is it not?

Mr. FREW. High rates of interest—

Mr. UNTERMYER (interposing). One moment. Will you not answer my question?

Mr. FREW. No.

Mr. UNTERMYER. I do not want a homily or a speech.

Mr. FREW. No, sir; because merchants pay an average rate, which is very much higher than the average rate on the stock exchange.

Mr. UNTERMYER. But when on the stock exchange money is 20 per cent, as it was recently, it is to your interest to scrape all the money together that you can get and lend it at 20 per cent; is it not?

Mr. FREW. Not to the detriment of our customer, no; because we lose that customer, and we would not have the money to loan to him or to any other merchant.

Mr. UNTERMYER. But it is easier for the merchant to get money from you when the stock exchange rates are not attractive, is it not?

Mr. FREW. That is true; because we do not have any money available to even put on the stock exchange or anywhere else. That is what puts the rate up.

Mr. UNTERMYER. But you have managed to have the money available pretty regularly, have you not?

Mr. FREW. Yes. We always try to keep liquid.

Mr. UNTERMYER. You have the money available for stock exchange loans?

Mr. FREW. Our object in keeping that there is to keep our bank in liquid shape to pay sudden calls.

Mr. UNTERMYER. Have you any less money available now for stock exchange loans than you had when money was 3 per cent?

Mr. FREW. Yes; I think we have.

Mr. UNTERMYER. Do not your loans show that you have just as much loaned out?

Mr. FREW. Just as much loaned out; yes, sir; but we had in July on stock exchange collateral \$14,586,000. In November we had \$11,100,000 to brokers.

Mr. UNTERMYER. Let us see about that. Do you not think your figures are misleading?

Mr. FREW. No, sir; I do not.

Mr. UNTERMYER. July 1, 1912, your total loans on stocks and bonds were how much?

Mr. FREW. \$25,443,000.

Mr. UNTERMYER. This statement I have here says \$22,656,000.

Mr. FREW. On stocks and bonds? Yes; that is correct.

Mr. UNTERMYER. Which is correct?

Mr. FREW. The \$27,656,000 on stocks and bonds. I gave our total loans on collateral—

Mr. UNTERMYER. Your loans on stocks and bonds now are \$20,631,000?

Mr. FREW. Yes; I gave you—

Mr. UNTERMYER. We will never get to the end of this examination unless you give me your candid, frank statement.

Mr. FREW. You asked about stock brokers' loans.

Mr. UNTERMYER. Let us come down to this subject of the drift of money. That is what the committee is interested in. What proportion of all the money loaned in Wall Street on stock exchange collateral is loaned to carry speculative accounts?

Mr. FREW. It is impossible for me to answer. I do not know.

Mr. UNTERMYER. It is all loaned that way, is it not?

Mr. FREW. I do not know about that, as to whether it is or not.

Mr. UNTERMYER. Do you not know that it is all loaned to brokers that are carrying accounts?

Mr. FREW. Yes; it is all loaned to brokers, but I do not know for what purpose they carry it.

Mr. UNTERMYER. They can not borrow it except on stocks and bonds that are listed, can they?

Mr. FREW. They can borrow it on stocks and bonds.

Mr. UNTERMYER. And are they not the stocks and bonds that they are carrying?

Mr. FREW. Yes.

Mr. UNTERMYER. Are they not speculative accounts that they are carrying?

Mr. FREW. I do not know their business and what they are borrowing for, whether it is to buy or what it is for. I do not go into that.

Mr. UNTERMYER. Do you know how it happens that you had more money of out-of-town banks in your bank on the 1st of November, 1912, when money was in demand throughout the country, than you had on June 1, 1912, when you say money was 2 or 3 per cent?

Mr. FREW. No; I can not say.

Mr. UNTERMYER. Can you not tell us how it happens?

Mr. FREW. No.

Mr. UNTERMYER. Do you know how much of your correspondents' money you have in bank now? Have you any statement of that?

Mr. FREW. No, sir; I have not.

Mr. UNTERMYER. Have you any statement as of the 1st of December?

Mr. FREW. No, sir; I have not got that. It runs, however, pretty nearly the same right along.

Mr. UNTERMYER. I did not ask you to guess about it. I want to know if you have any statement on that.

Mr. FREW. I have not.

Mr. UNTERMYER. Is it not a fact that at least one of the great banks of New York never charges over 6 per cent on call loans on the stock exchange.

Mr. FREW. I do not know it to be a fact.

Mr. UNTERMYER. Do you not know that the National City Bank never charges over 6 per cent?

Mr. FREW. I do not know it; no, sir.

Mr. UNTERMYER. You have never heard it?

Mr. FREW. I have heard it, but I do not know it.

Mr. UNTERMYER. Do you not know that is a generally recognized thing in the city?

Mr. FREW. I said I do not know it.

Mr. UNTERMYER. Is there any other bank of which you have heard the same thing?

Mr. FREW. I have heard the Central Trust does the same thing.

Mr. UNTERMYER. The Central Trust is an independent institution, is it not—that is, independent of all alliances?

Mr. FREW. I do not know.

Mr. UNTERMYER. You know nothing about it?

Mr. FREW. I know nothing about their stockholders.

Mr. UNTERMYER. And you know nothing about their method of doing business or their affiliations or alliances?

Mr. FREW. I know they are a very fine bank and well managed and well conducted.

Mr. UNTERMYER. I said their affiliations. You know nothing of their affiliations with any of the large groups?

Mr. FREW. I know nothing about their affiliations.

Mr. UNTERMYER. You do not know that there are any such things as large groups, in Wall Street, of financiers?

Mr. FREW. I do not know it.

Mr. UNTERMYER. You have never heard of it?

Mr. FREW. I have heard of it, but I do not know it to be a fact.

Mr. UNTERMYER. You do not know anything about that, either?

Mr. FREW. I do not know anything about that except that I have heard of it, and that I do not know it to be a fact; no, sir.

Mr. UNTERMYER. You do not know to what extent it is a fact?

Mr. FREW. I do not; no, sir.

Mr. UNTERMYER. You know there is such a thing as J. P. Morgan & Co. in New York, do you not?

Mr. FREW. Yes.

Mr. UNTERMYER. And that there is such a thing as the First National Bank?

Mr. FREW. Yes.

Mr. UNTERMYER. And you know that their business relations are very close and intimate, do you not?

Mr. FREW. I know Mr. Morgan is a director of the First National Bank.

Mr. UNTERMYER. But you do not know the intimacy of their business relations?

Mr. FREW. I do not.

Mr. UNTERMYER. Do you participate in any syndicates?

Mr. FREW. I do not.

Mr. UNTERMYER. I mean, your bank.

Mr. FREW. My bank does not.

Mr. UNTERMYER. You do not do any business with the First National Bank?

Mr. FREW. No, sir.

Mr. UNTERMYER. What is the effect of this bidding up of money on the stock exchange so as to keep it from going into these local demands, to the banks that need it in their various sections?

Mr. FREW. If a bank wanted it in that very section, they would draw their money and get it.

Mr. UNTERMYER. You say that the high money rate keeps it in New York, or attracts it there, to remain there. Did you not say that?

Mr. FREW. I did; but I suppose it does not hold it there. If the bank wants it, it would take it.

Mr. UNTERMYER. You mean there is no lid on it?

Mr. FREW. That is it, exactly. It is not tied fast. If a bank wants it, it can get it. Naturally, however, if a bank has idle money at home and does not want to use it, they naturally leave their balances in New York longer, to get 7 or 8 per cent for their money—

Mr. UNTERMYER. We are not talking about idle money at all.

Mr. FREW. Excuse me.

Mr. UNTERMYER. Do you not know that?

Mr. FREW. Yes; I do.

Mr. UNTERMYER. We are talking about money that is needed in the localities in which these banks are located, but has come to New York by the attraction of the high rate. You understand that?

Mr. FREW. Money that is loaned by out-of-town institutions is kept in New York, but not the money on deposit with the banks. They get exactly the same rate during this time that they do during any other time.

Mr. UNTERMYER. But when money is high in New York they lend money out there?

Mr. FREW. Some of the out-of-town banks; I imagine so; yes, sir.

Mr. UNTERMYER. You imagine so? Do you not know? Do you not lend it for them?

Mr. FREW. I do; some of it, yes.

Mr. UNTERMYER. Why do you say you imagine so, then?

Mr. FREW. I thought you were referring to more than my own bank.

Mr. UNTERMYER. Is there anything about the customs of the business in which you are engaged, in the locality in which you are engaged, that you know about; because I want to know something about the business of lending money on Wall Street collateral, and its effect on the banks throughout the country? Do you know that subject? Are you familiar with it or not?

Mr. FREW. I have known it so far as my bank is concerned.

Mr. UNTERMYER. But apart from your own bank, are you familiar with that general subject?

Mr. FREW. No.

Mr. UNTERMYER. Not at all?

Mr. FREW. Except in a general way.

Mr. UNTERMYER. Then I will not press you on it. I assumed that you knew about the general subject.

You could not tell us, then, the general effect on the availability of loanable funds in the banks of the country, of maintaining the high rates in New York?

Mr. FREW. No. I should prefer not to go into those subjects.

Mr. UNTERMYER. Do you know what it costs the Boston banks to collect their out-of-town checks through New England?

Mr. FREW. I think it is sixty-nine hundredths per thousand.

Mr. UNTERMYER. Sixty-nine hundredths per thousand dollars?

Mr. FREW. Yes.

Mr. UNTERMYER. Will you take a pencil and figure for me for a moment? Is not that the rate that it costs them all over—the entire collection rate?

Mr. FREW. You mean the collection rate for everybody?

Mr. UNTERMYER. Yes; in Boston, for collecting the checks all over the United States.

Mr. FREW. That is the expenses of the clearing house, as I understand it.

Mr. UNTERMYER. On the collection of checks?

Mr. FREW. Of just the banks that clear through the Boston clearing house?

Mr. UNTERMYER. Yes.

Mr. FREW. That is right.

Mr. UNTERMYER. Is not that your understanding—that it costs them a little under 7 cents a thousand dollars?

Mr. FREW. Yes; that is right.

Mr. UNTERMYER. What is the total amount of New York's average yearly out-of-town checks collected?

Mr. FREW. Collected per day or collected in the year?

Mr. UNTERMYER. Collected in the year.

Mr. FREW. \$4,859,187,900.

Mr. UNTERMYER. Suppose we say \$5,000,000,000?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. At that rate, at a little under 7 cents, what would be the total collection charge if you did the service; if it cost you to do the service the same as it costs Boston?

Mr. FREW. They are as different as day is from night.

Mr. UNTERMYER. You have not answered my question.

Mr. FREW. I am not going into that kind of a calculation. You are asking something that is entirely foreign to the—

Mr. UNTERMYER (interposing). I think you are. I think you are going into that calculation. Then we shall see whether it is not the same thing.

Mr. FREW. On what basis do you make it?

Mr. UNTERMYER. Just figure 7 cents a thousand on five billions. That is \$35,000 a year, is it not?

Mr. FREW. \$35,000.

Mr. UNTERMYER. Is it or not the fact, Mr. Frew, that the Boston Clearing House has a department that collects out of-of-town checks of all the members of the exchange?

Mr. FREW. That figure of \$35,000 is wrong. It is \$350,000.

Mr. UNTERMYER. Let us see. Seven cents a thousand dollars is how much on five billions?

Mr. FREW. \$350,000.

Mr. UNTERMYER. Yes.

Is it not a fact that Boston has a department of the clearing house for the collection of out-of town checks?

Mr. FREW. Yes, sir.

Mr. UNTERMYER. And do you know what it costs Boston to collect its out-of-town checks through that department?

Mr. FREW. Seven cents a thousand.

Mr. UNTERMYER. Do you know what that includes?

Mr. FREW. I think it includes only par points in Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

Mr. UNTERMYER. Do you not know that it includes other points?

Mr. FREW. No, sir; I did not know that.

Mr. UNTERMYER. Have you made any investigation?

Mr. FREW. I personally have not; no, sir.

Mr. UNTERMYER. You do not know personally, then, anything about the subject?

Mr. FREW. Yes; I do. I understood that was all.

Mr. UNTERMYER. But, personally, you say you did not make any investigation.

Mr. FREW. Personally I did not; no, sir.

Mr. UNTERMYER. Who did, in the clearing house?

Mr. FREW. I believe it was all done by correspondence. Mr. Cannon—

Mr. UNTERMYER. Who conducted that? Did Mr. Cannon have charge of that?

Mr. FREW. He had charge of it; yes.

Mr. UNTERMYER. So that he would be more capable of speaking on that subject, would he?

Mr. FREW. On that particular subject; yes, sir.

Mr. UNTERMYER. I think that is all, unless there is something you would like me to ask. Mr. Rushmore?

Mr. RUSHMORE. Yes.

After informal discussion.

The CHAIRMAN. I understand that you desire to make a request of the committee, Mr. Rushmore.

Mr. RUSHMORE. Yes.

The CHAIRMAN. With all due respect, the investigation is being conducted by counsel; and the Chair announced at the outset in New York, when we opened our hearings, that the witness would have a right to confer with his counsel, but that we could not recognize counsel before the committee in any of these hearings. With all due respect, the Chair declines to recognize any request which you may wish to make orally. You may submit any request or suggested questions in writing, and they will be considered by the committee.

Have you any further questions, Mr. Untermeyer?

Mr. UNTERMYER. I think that is all, unless Mr. Frew desires to make some explanation.

Mr. RUSHMORE. We will formulate questions which we will submit to you in the morning.

The CHAIRMAN. Very well.

At 4.15 o'clock p. m. the committee adjourned until to-morrow, Wednesday, December 11, 1912, at 11 o'clock a. m.

EXHIBIT No. 54, DECEMBER 10, 1912.

Agreement made this 18th day of March, 1903, between all the stockholders of the Bankers Trust Co. (which Bankers Trust Co. is hereinafter sometimes called the company) who shall become parties to this agreement by signing the same (hereinafter called the stockholders), parties of the first part, and Henry P. Davison, George W. Perkins, and Daniel G. Reid, and the survivors and survivor of them, jointly, as trustees (hereinafter sometimes called the trustees), parties of the second part, witnesseth:

Whereas all the stockholders of the company deem it for the best interests of themselves and of the company to act together concerning the management of

the company, and to that end to unite the voting power held by them as such stockholders and to place the same in the hands of the trustees, as hereinafter provided; and

Whereas the parties to this agreement of the first part constitute and are, at the date hereof, all of the incorporators and stockholders of the company, and will deposit under this agreement all of the stock of the company, with the exception of 140 shares, which 140 shares are owned and held by the incorporators of the company, subscribers hereto, in the proportions of 10 shares each, and are necessary to qualify the said incorporators to act as directors of the company, and for that reason are not deposited under this agreement; and

Whereas it is the purpose of the said incorporators to provide herein that the 10 shares of stock which are to be retained by each, and not transferred hereunder, shall, nevertheless, be held subject, so far as may be, to the provisions of this agreement without interfering with the necessary qualifications required by law of each director; and

Whereas the trustees are also beneficially interested in the company, and a majority, as individual stockholders, are among the parties of the first part hereto; and

Whereas the terms and provisions of this agreement and the execution thereof were in contemplation of all the parties hereto at the time of their respective subscriptions to the stock of the company, and formed a part of the consideration for the said subscriptions to said stock, although not recited in the subscription agreement for said stock;

Now, therefore, in consideration of the premises and of the mutual covenants, promises, and undertakings herein contained, and to be kept and performed by the several parties hereto, and of \$1 by each of the parties hereto to the other in hand paid, the receipts whereof are hereby acknowledged, the parties hereto have agreed as follows:

First. Each of the parties hereto of the first part holding shares of the capital stock of the company to the number set opposite his name hereunto subscribed hereby severally agrees to deposit the said shares to the number set opposite his name, and the certificates therefor, with sufficient transfers thereof in favor of the trustees, with the trustees or the agent or depository duly authorized by them, and to receive or have delivered to his order, in exchange therefor, the certificates hereinafter referred to, which deposit shall continue for the period of five years from the date of this agreement—that is to say, until the 18th day of March, 1908—and upon the making of such deposit the shares represented by the stock certificates so deposited shall be transferred upon the books of the company to the names of the trustees. Said trustees are hereby fully authorized and empowered to cause such transfers to be made, and they and their survivor and survivors in office are hereby further fully authorized and empowered to make, or cause to be made, any further transfers of such shares which may become necessary through the occurrence of any change of the persons holding the office of trustee as hereinafter provided.

During the said period of five years the trustees shall possess and be entitled to exercise all rights of every name and nature, including the right to vote in respect of any and all such shares deposited, except as hereinafter limited, it being, however, understood that the holders of the trust certificates to be issued by the trustees shall be entitled to receive payments equal to the dividends, if any, collected by the trustees upon shares standing in their names, such payments to be made when and as soon as received by the trustees, on the basis of the proportionate interests represented by the several trust certificates: *Provided, however,* That the trustees may deduct from any dividends their fair compensation and their necessary expenses incurred in connection with their duties hereunder to be divided among them as they see fit, and thereby reduce the payment to the several certificate holders pro rata.

Second. The trustees do hereby promise and agree with the stockholders, and with every holder of certificates issued as hereinafter provided, that from time to time, upon request, they will cause to be issued to the several stockholders of the company, in respect of all stock deposited by such stockholders, certificates to an aggregate amount equal to the amount of all stock so deposited, and which certificate shall be in substantially the following form:

BANKERS TRUST CO. VOTING TRUST CERTIFICATE.

This is to certify that on the 18th day of March, 1908, _____ will be entitled to receive a certificate or certificates for _____ full-paid shares of \$100 each in the capital stock of the Bankers Trust Co., and in the meantime

to receive payments equal to the dividends, if any, collected by the undersigned voting trustees upon a like number of such shares of the capital stock standing in their names less the fair compensation and necessary expenses of the voting trustees, and until the said 13th day of March, 1908, the voting trustees shall possess and be entitled to exercise all rights of stockholders of every name and nature, including the right to vote in respect of any and all such stock; it being expressly stipulated that no voting right passes to the holder hereof by or under this certificate or by or under any agreement, express or implied.

This certificate is issued pursuant to the terms of an agreement in writing, dated the 13th day of March, 1903, made and entered into between stockholders of said company and said voting trustees, which agreement is on file with the voting trustees, and a duplicate of which agreement is on file in the office of the said Bankers Trust Co. in the city of New York.

This certificate is transferable only on the books which shall be kept for that purpose by said voting trustees at the office of the trust company by the registered holder, either in person or by attorney, duly authorized according to the rules which shall be established for that purpose by said voting trustees, and on surrender hereof and until so transferred said voting trustees may treat the registered holder as owner hereof for all purposes whatever except that delivery of stock certificates hereunder shall not be made without the surrender hereof.

This certificate is not valid unless signed by at least one of the voting trustees and also countersigned by said Bankers Trust Co. as registrar.

In witness whereof the said voting trustees have caused this certificate to be signed this — day of —, 190—.

HENRY P. DAVISON,
GEORGE W. PERKINS,
DANIEL G. REID,
Voting Trustees.

By ————.

Countersigned and registered this — day of —, 190—.

BANKERS TRUST Co., *Registrar.*

By ————.

Third. On the 13th day of March, 1908, the trustees, in exchange for and upon surrender of any of their trust certificates then outstanding, duly indorsed, will, in accordance with the terms hereof, cause to be delivered proper certificates of equivalent amount of stock of the Bankers Trust Co., and may require the holders of the trust certificates to exchange them for certificates of capital stock.

Fourth. From time to time after this agreement shall have taken effect, the voting trustees shall, upon request of any stockholder of the company who shall become a party hereto, receive any additional full-paid shares of the capital stock of the company transferred to them upon the terms and conditions of this agreement, and in respect of any such shares so received will cause to be issued and delivered certificates similar to those above mentioned entitling the holders to all the rights above specified.

Fifth. Any trustee may at any time resign by delivering to the other trustees, in writing, his resignation, to take effect 10 days later, and in every case of death, resignation, or vacancy arising through other cause the vacancy so occurring shall be filled by the appointment of a successor or successors to be made by the remaining trustees or trustee by a written instrument, and the term "trustees" as herein used shall apply to the parties of the second part and their successors hereunder.

Sixth. All questions arising between the trustees shall, from time to time, be determined by the decision of the majority of those then acting as trustees, either at a meeting or by writing with or without meeting; and in such manner they may establish their rules of action. The decision or act of a majority of the trustees shall, for the exercise of a voting power and for all purposes of this agreement, be deemed the decision or act of all the trustees.

Seventh. In voting the stock held by them the trustees will exercise their best judgment from time to time to select suitable directors to the end that the affairs of the company shall be properly managed, and in voting on other matters which may come before them at any stockholders' meeting they will exercise like judgment, but it is understood that no trustee incurs any responsibility by reason of any error of law or of any matter or thing done or omitted under this agreement, except for his own individual malfeasance.

Eighth. The trustees will not vote for any increase of stock of the company to be sold for cash unless the price of sale shall be at least equal to the book value of the stock when the increase is authorized, and in the event of any such increase of stock the trustees shall, in respect of all the stock held by them hereunder, waive any and every right of subscription for new stock at par, and also in respect of said stock held hereunder may waive to the extent of one-half of such new stock any and every right of subscription at the price fixed as aforesaid.

This provision shall not, however, affect or limit the right to vote for or effect any merger of the company with any other corporation or corporations.

Ninth. Of the stock transferred hereunder sufficient shares may be withdrawn from time to time and released from the terms and provisions of this agreement in blocks of 10 shares each by the surrender of trust certificates issued hereunder duly indorsed, representing the same for the purpose of qualifying directors of the company, and upon such surrender, the trustees shall cause to be issued to the holder or holders of the trust certificates so surrendered certificates of stock of the company for the corresponding number of shares, provided, however, that each holder of trust certificates who shall surrender the same shall be a person selected to become a director of the company; such selection when the election is to be made by the board of directors, to be certified to the trustees by the chairman of the board.

Whenever any of the parties hereto of the first part, or any person hereafter becoming a director of the company, shall, while this agreement is in force, cease, for any cause, to be a director of the company, he or his legal representatives shall forthwith cause the 10 shares of stock of the company held by him as qualification for such office, to be transferred to the trustees, making all sufficient transfers and executing all necessary instruments and agreements for that purpose, and shall accept, in exchange for said 10 shares, voting trust certificates issued hereunder representing the same.

Tenth. The trustees hereby accept and agree to perform the duties and trusts hereinbefore imposed and created.

Eleventh. This agreement may be terminated at any time by the trustees by filing a declaration to that effect with the trust company and sending a copy of the same to each registered holder of trust certificates issued hereunder and all acts necessary to be done and transfers to be executed shall thereupon be carried out precisely as if this agreement had thereupon terminated by reason of its own limitation.

Twelfth. This agreement shall bind and benefit the executors, administrators, assigns, and successors of the respective parties hereto and shall be executed in duplicate, and one original thereof shall be filed in the office of the company where its principal place of business is located, at 143 Liberty Street, Manhattan, New York City, and shall be open to the inspection of any stockholder daily during business hours.

In witness whereof, the several parties hereto have executed this agreement the day and year first above written.

240 shares.
190 shares.
390 shares.
240 shares.
240 shares.
240 shares.
90 shares.
190 shares.
1,240 shares.

In presence of—

J. DU PRATT WHITE as to Geo. W. Perkins.

240 shares.
6,140 shares.
240 shares.
90 shares.
90 shares.

JAMES A. BLAIR. [L. s.]
JAMES G. CANNON. [L. s.]
E. C. CONVERSE. [L. s.]
H. P. DAVISON. [L. s.]
G. W. GARTH. [L. s.]
A. B. HEPBURN. [L. s.]
WILLIAM LOGAN. [L. s.]
G. W. MCGARRAH. [L. s.]
GEO. W. PERKINS. [L. s.]

WM. H. PORTER. [L. s.]
J. F. THOMPSON. [L. s.]
ALBERT H. WIGGIN. [L. s.]
SAM WOOLVERTON. [L. s.]
E. F. C. YOUNG. [L. s.]

H. P. DAVISON, [L. s.]
GEO. W. PERKINS. [L. s.]
D. G. REID, [L. s.]

Voting Trustees.

In presence of—

J. DU PRATT WHITE as to Geo. W. Perkins.

STATE OF NEW YORK, *County of New York, ss:*

On this 18th day of March, in the year 1903, before me personally appeared James A. Blair, James G. Cannon, E. C. Converse, H. P. Davison, G. W. Garth, William Logan, G. W. McGarrah, W. H. Porter, Albert H. Wiggin, Samuel Woolverton, to me severally personally known, and known to me to be 10 of the individuals described in and who executed the within instrument, and they thereupon severally acknowledged to me that they executed the same.

[SEAL.]

LEONARD HULL SMITH,
Notary Public Kings County (56).

Certificate filed New York County.

STATE OF NEW YORK, *County of New York, ss:*

On this 18th day of March, in the year 1903, before me personally appeared H. P. Davison, as trustee herein set out, to me personally known and known to me to be one of the individuals described in and who executed the within instrument, and he thereupon duly acknowledged to me that he executed the same in such capacity.

[SEAL.]

LEONARD HULL SMITH,
Notary Public, Kings County (56).

Certificate filed New York County.

STATE OF NEW YORK, *County of New York, ss:*

On this 19th day of March, in the year 1903, before me personally appeared A. B. Hepburn and Edward F. C. Young, to me severally personally known and known to me to be two of the individuals described in and who executed the within instrument, and they thereupon severally acknowledged to me that they executed the same.

[SEAL.]

LEONARD HULL SMITH,
Notary Public, Kings County (56).

Certificate filed New York County.

STATE OF NEW YORK, *County of New York, ss:*

On this 20th day of March, in the year 1903, before me personally came J. Du Pratt White, to me personally known and known to me to be the same person whose name is subscribed to the foregoing instrument as witness thereto as to George W. Perkins; and said J. Du Pratt White, being by me duly sworn, said that he resided at Nyack, Rockland County, State of New York; that he was personally acquainted with George W. Perkins and knew him to be the person described in and who executed the said instrument, both individually and as trustee thereunder, and that he saw the said George W. Perkins execute the same, both individually and as such trustee, and that he acknowledged to him, the said J. Du Pratt White, that he executed the same, both individually and as such trustee as aforesaid, and that he, the said J. Du Pratt White thereupon subscribed his name as witness thereto.

[SEAL.]

LEONARD HULL SMITH,
Notary Public, Kings County (56).

Certificate filed New York County.

STATE OF NEW YORK, *County of New York, ss:*

On this 23d day of March, in the year 1903, before me personally appeared John F. Thompson, to me personally known and known to me to be one of the individuals described in and who executed the within instrument, and he thereupon duly acknowledged to me that he executed the same.

[SEAL.]

LEONARD HULL SMITH,
Notary Public Kings County (56).

Certificate filed in New York County.

STATE OF NEW YORK, *County of New York, ss:*

On this 4th day of April, in the year 1903, before me personally appeared D. G. Reid, as trustee herein set out, to me personally known and known to me to be one of the individuals described in and who executed the within instrument, and he thereupon duly acknowledged to me that he executed the same in such capacity.

[SEAL.]

LEONARD HULL SMITH,
Notary Public Kings County (56).

Certificate filed in New York County.

EXHIBIT No. 55, DECEMBER 10, 1912.

VOTING TRUST AGREEMENT, DATED MARCH 18, 1908, BETWEEN STOCKHOLDERS OF THE BANKERS TRUST CO. AND HENRY P. DAVISON, GEORGE W. PERKINS, AND DANIEL G. REID, VOTING TRUSTEES.

Agreement made this 18th day of March, 1908, between stockholders (hereinafter called "Stockholders") of the Bankers Trust Co. (which Bankers Trust Co. is hereinafter referred to as the "Trust Company") who shall become parties to this agreement by signing the same, parties of the first part, and Henry P. Davison, George W. Perkins, and Daniel G. Reid, and the survivors and survivor of them, jointly as trustees (hereinafter called the "Trustees"), parties of the second part, witnesseth:

Whereas the Stockholders deem it for the best interests of themselves and of the Trust Company to act together concerning the management of the Trust Company, and to that end to unite the voting powers held by them as such Stockholders and to place the same in the hands of the Trustees as hereinafter provided; and

Whereas the operation of the voting trust agreement of the stock of the Trust Company entered into on March 18, 1908, has proved satisfactory in all respects, and the parties hereto desire that its provisions shall substantially be included within this agreement; and

Whereas the Trustees are also beneficially interested in the Trust Company and as individual Stockholders are among the parties of the first part hereto, being also directors of said Trust Company:

Now, therefore, in consideration of the premises and of the mutual covenants, promises, and undertakings herein contained and to be kept and performed by the several parties hereto, and of \$1 by each of the parties hereto to the other in hand paid, the receipts whereof are hereby acknowledged, the parties hereto have agreed as follows:

First. Each of the parties of the first part holding shares of the capital stock of the Trust Company to the number set opposite his name hereunto subscribed, hereby severally agrees to deposit said shares to the number so set opposite his name and the certificates therefor, with sufficient transfers thereof in favor of the Trustees, with the Trustees or the agent or depository duly authorized by them and to receive, or have delivered to his order, in exchange therefor the voting trust certificates hereinafter referred to, and agrees that such deposit shall continue for a period of five years from the date of this agreement—that is to say, until the 18th day of March, 1913—unless sooner terminated according to the terms hereof, and that upon the making of such deposit the shares represented by Stockholders' certificates so deposited shall be transferred upon the books of the Trust Company to the names of the Trustees. The Trustees are hereby fully authorized and empowered to cause such transfers to be made, and they and their survivors and survivor in office are hereby further fully authorized and empowered to make and cause to be made any further transfers of such shares which may become necessary through the occurrence of any change of the persons holding the office of Trustees as hereinafter provided.

It is agreed that during the said period of five years the Trustees shall possess and be entitled to exercise all rights of every name and nature, including the right to vote in respect to any and all such shares deposited, except as hereinafter limited, it being, however, understood that the holders of voting trust certificates to be issued by the Trustees shall be entitled to receive payments equal to the dividends, if any, collected by the Trustees upon shares standing in their names, such payments to be made when and as soon as received by the Trustees on the basis of the proportionate interests represented by the several voting trust certificates: *Provided, however,* That the Trustees may deduct from any such dividends their fair compensation and their necessary expenses incurred in connection with their duties hereunder, to be divided among them as they see fit, and thereby reduce the payment to the several voting trust certificate holders pro rata.

Second. The Trustees each hereby promise and agree with the Stockholders and with every holder of voting trust certificates, issued as hereinafter provided, that from time to time, upon request, they will cause to be issued to the several Stockholders of the Trust Company, the parties hereto, in respect of all stock deposited by such Stockholders, certificates to an aggregate amount equal to the

amount of all stock so deposited, and which certificates shall be in substantially the following form :

BANKERS TRUST CO. VOTING STOCK CERTIFICATE.

No. _____ Shares.

This is to certify that on the 18th day of March, 1913, _____ will be entitled to receive a certificate or certificates for _____ full-paid shares of \$100 each in the capital stock of the Bankers Trust Co., and in the meantime to receive payments equal to the dividends, if any, collected by the undersigned Voting Trustee upon a like number of such shares of the capital stock standing in their names, less the fair compensation and necessary expenses of the Voting Trustees, and until said 18th day of March, 1913, the Voting Trustees shall possess and be entitled to exercise all rights of stockholders of every name and nature, including the right to vote in respect of any and all such stock, it being expressly stipulated that no voting right passes to the holder hereof by or under this certificate or by or under any agreement, express or implied.

This certificate is issued pursuant to the terms of an agreement in writing, dated the 18th day of March, 1908, made and entered into between Stockholders of said company and said Voting Trustees, which agreement is on file with the Voting Trustees, and a duplicate of which agreement is on file in the office of the said Bankers Trust Co. in the city of New York.

This certificate is transferable only on the books which shall be kept for that purpose by said Voting Trustees at the office of the Trust Company by the registered holder, either in person or by attorney duly authorized, according to the rules which shall be established for that purpose by said Voting Trustees, and on surrender hereof, and until so transferred, said Voting Trustees may treat the registered holder as owner hereof for all purposes whatever, except that delivery of stock certificates hereunder shall not be made without the surrender hereof.

This certificate is not valid unless signed by at least one of the Voting Trustees and also countersigned by said Bankers Trust Co. as registrar.

In witness whereof, said Voting Trustees have caused this certificate to be signed this _____ day of _____, 19____.

HENRY P. DAVISON,
GEORGE W. PERKINS,
DANIEL G. REID,
Voting Trustees.

By _____.

Countersigned and registered this _____ day of _____, 19____.

BANKERS TRUST CO.,
Registrar.

By _____.

Third. On the 18th day of March, 1913, the Trustees, in exchange for and upon surrender of any of the voting trust certificates then outstanding duly indorsed, will, in accordance with the terms hereof, cause to be delivered proper certificates of equivalent amount of stock of the Trust Company and may require holders of voting trust certificates to exchange them for certificates of capital stock of the amount called for by such voting trust certificates.

Fourth. From time to time after this agreement shall have taken effect the Voting Trustees shall, upon the request of any Stockholder of the Trust Company who shall become a party hereto, receive any additional full paid shares of the capital stock of the Trust Company transferred to them upon the terms and conditions of this agreement and in respect to any such shares so received will cause to be issued and delivered certificates similar to those above mentioned, entitling the holders to all the rights above specified.

Fifth. Any Trustee may at any time resign by delivering to the other Trustees in writing his resignation, to take effect ten days later, and in every case of death, resignation, or vacancy arising from other cause, the vacancy so occurring shall be filled by the appointment of successors or successor to be made by the remaining Trustees or Trustee by written instrument, and the term Trustee as herein used shall apply to the parties of the second part and their successors hereunder. A duplicate of such written instrument of appointment shall be filed with the said Trust Company, to be kept with the original copy of this agreement filed with it.

Sixth. All questions arising between the Trustees shall, from time to time, be determined by the decision of the majority of those then acting as Trustees, either at a meeting, or by writing with or without a meeting; and in such

manner they may establish their rules of action. The decision or act of a majority of the Trustees shall, for the exercise of a voting power and for all purposes of this agreement, be deemed the decision or act of all the Trustees. The Trustees are hereby authorized to delegate to a proxy or proxies any right to vote and act for the Trustees at any Stockholders' meeting in accordance with the terms and provisions of this agreement.

Seventh. In voting the stock held by them, the Trustees will exercise their best judgment from time to time to select suitable directors to the end that the affairs of the Trust Company shall be properly managed, and in voting on other matters which may come before them at any Stockholders' meeting they will exercise like judgment; but it is understood that no Trustee incurs any responsibility by reason of any error of law or of any matter or thing done or omitted under this agreement, except for his own individual malfeasance, and the Trustees may vote or cause votes to be cast in favor of their own election as directors of the Trust Company.

Eighth. The Trustees will not vote for any increase of stock of the Trust Company to be sold for cash unless the price of sale shall be at least equal to the book value of the stock when the increase is authorized, and in the event of any such increase of stock the Trustees shall, in respect of all the stock held by them hereunder, waive any and every right of subscription for new stock at par, and also in respect of said stock held hereunder may waive to the extent of one-half of such new stock any and every right of subscription at the price fixed as aforesaid.

This provision shall not, however, affect or limit the right to vote for or effect any merger of the Trust Company with any other corporation or corporations.

Ninth. Of the stock transferred hereunder sufficient shares may be withdrawn from time to time and released from the terms and provisions of this agreement in blocks of 10 shares each by the surrender of voting trust certificates issued hereunder, duly indorsed, representing the same, for the purpose of qualifying directors of the Trust Company, and upon such surrender the Trustees shall cause to be issued to the holder or holders of the voting trust certificates so surrendered certificates of stock of the Trust Company for the corresponding number of shares, provided, however, that each holder of voting trust certificates who shall surrender the same shall be a person selected to become a director of the Trust Company, such selection, when the election is to be made by the board of directors, to be certified to the Trustees by an officer of the Trust Company.

Whenever any of the parties hereto of the first part or any person hereafter becoming a director of the Trust Company shall, while this agreement is in force, cease for any cause to be a director of the Trust Company he or his legal representatives shall forthwith cause the 10 shares of stock of the Trust Company held by him as qualification of such office to be transferred to the Trustees, making all sufficient transfers and executing all necessary instruments and agreements for that purpose, and shall accept in exchange for said 10 shares voting certificates issued hereunder representing the same.

Tenth. The Trustees hereby accept and agree to perform the duties and trusts herein imposed and agreed.

Eleventh. This agreement may be terminated at any time by the Trustees by filing a declaration to that effect with the Trust Company and sending a copy of the same to each registered holder of voting trust certificates issued hereunder, and all acts necessary to be done and transfers to be executed shall thereupon be made out precisely as if this agreement had thereupon terminated by reason of its own limitation.

Twelfth. This agreement shall bind and benefit the executors, administrators, assigns, and successors of the respective parties hereto and shall be executed in duplicate, and one original thereof shall be filed in the office of the Trust Company at its principal place of business and shall be open to the inspection of any stockholder daily during business hours.

In witness whereof the parties hereto have executed this agreement as of the day and year first above written.

Number of
shares.

Voting Trustees.

[In the original executed agreement forms of acknowledgment follow.]

EXHIBIT No. 56, DECEMBER 10, 1912.

BANKERS TRUST COMPANY—VOTING TRUST AGREEMENT.

[Dated March 9, 1912. Henry P. Davison, George B. Case and Daniel G. Reid, Voting Trustees.]

Agreement, dated March 9, 1912, between stockholders of Bankers Trust Company, a New York corporation (hereinafter referred to as the "Trust Company"), who shall become parties to this agreement as hereinafter provided (hereinafter called "stockholders"), parties of the first part, and Henry P. Davison, George B. Case, and Daniel G. Reid, and the survivors and survivor of them, and their successors, as trustees (hereinafter called "Voting Trustees"), parties of the second part:

Whereas the stockholders deem it for the best interests of themselves and of the Trust Company to act together concerning the management of the Trust Company and to that end to unite the voting powers held by them as stockholders and to place the same in the hands of the Voting Trustees, as hereinafter provided: Now, therefore, it is agreed as follows:

First. Each and every stockholder of the Trust Company, as now or hereafter constituted, may become a party to this agreement by executing the same or by transferring his stock to the Voting Trustees hereunder. The Voting Trustees, from time to time, upon request, will cause to be issued in respect of stock certificates of the Trust Company delivered to them as aforesaid, certificates in substantially the following form (which certificates, and voting trust scrip certificates below provided for, are for convenience hereinafter referred to as "voting trust certificates"):

Incorporated under the laws of the State of New York.

BANKERS TRUST COMPANY—VOTING TRUST CERTIFICATE.

Par value of shares represented, \$100 each.

This is to certify that on the 9th day of March, 1917, _____ will be entitled to receive a certificate or certificates for _____ full paid shares of one hundred dollars each in the capital stock of the Bankers Trust Company, and in the meantime to receive payments equal to the dividends, if any, collected by the undersigned Voting Trustees upon a like number of such shares of the capital stock standing in their names less the fair compensation and necessary expenses of the Voting Trustees, and *until the said 9th day of March, 1917, the Voting Trustees shall possess and be entitled to exercise all rights of stockholders* of every name and nature, including the right to vote in respect of any and all such stock; it being expressly stipulated that no voting right passes to the holder hereof by or under this certificate or by or under any agreement, express or implied. This certificate is issued pursuant to the terms of an agreement in writing dated the 9th day of March, 1912, made and entered into between stockholders of said company and said Voting Trustees, which agreement is on file with the Voting Trustees, and a duplicate of which agreement is on file in the office of the said Bankers Trust Company in the city of New York. This certificate is transferable only on the books which shall be kept for that purpose by said Voting Trustees at the office of the trust company by the registered holder, either in person or by attorney duly authorized according to the rules which shall be established for that purpose by said Voting Trustees, and on surrender hereof and until so transferred said Voting Trustees may treat the registered holder as owner hereof for all purposes whatever except that delivery of stock certificates hereunder shall not be made without the surrender hereof. This certificate is not valid unless signed by the agent of the Voting Trustees and also countersigned by said Bankers Trust Company as registrar.

In witness whereof the said Voting Trustees have caused this certificate to be signed this _____ day of _____, 191—.

HENRY P. DAVISON,
GEORGE B. CASE,
DANIEL G. REID,
Voting Trustees.

By _____,
Their Agent.

Countersigned and registered this _____ day of _____, 191—.

BANKERS TRUST COMPANY,
Registrar,

By _____,
Assistant Secretary.

If scrip representing fractional shares of stock of the Trust Company is so delivered to the Voting Trustees they will likewise issue in respect thereof suitable voting trust scrip certificates based upon the provisions of such scrip, so presented, as to dividends and other features, and the form of such voting trust scrip certificates adopted by the Voting Trustees shall also be used by them thereafter in exchange for or transfer of any voting trust scrip certificates or in exchange for voting trust certificates representing full shares which the Voting Trustees may hereafter be requested to exchange for voting trust scrip certificates, which exchange they are hereby authorized to make upon request.

Said voting trust certificates shall be transferable only on the books of the Voting Trustees, to be kept by them or their agents, on surrender thereof by the registered holder in person or by attorney duly authorized and in accordance with rules from time to time established for that purpose by the Voting Trustees, and until so transferred the Voting Trustees may treat the registered holders as the owners of said voting trust certificates for all purposes whatsoever. Such transfer books may be closed by the Voting Trustees at any time prior to the holding of meetings or the payment of dividends or for any other purpose.

Second. This agreement shall terminate in any event on March 9, 1917, without notice by or action of the Voting Trustees; but at any time it may be terminated by a majority of the Voting Trustees, in their discretion, by filing a declaration to that effect with the Trust Company and sending a copy of the same to each registered holder of voting trust certificates issued hereunder. On March 9, 1917, or upon the earlier termination of this agreement as above specified, the Voting Trustees, in exchange for, or upon surrender of, any voting trust certificate then outstanding, shall, in accordance with the terms thereof, and out of the stock certificates so received and held by them, deliver stock certificates to the holders of voting trust certificates, and thereupon all liability of the Voting Trustees for delivery of said stock certificates shall terminate, and the Voting Trustees may require the holders of voting trust certificates to exchange their certificates for stock certificates accordingly. In case upon or after the termination of this agreement the Voting Trustees shall deposit with the Trust Company stock certificates so held by them, properly endorsed for transfer in blank, representing the number of shares of stock of the Trust Company called for by the voting trust certificates outstanding, with authority in writing to the Trust Company to deliver the said stock certificates in exchange for voting trust certificates when and as surrendered for exchange as herein provided, then all further liability of the Voting Trustees, or any of them, for the delivery of stock certificates in exchange for voting trust certificates shall cease and determine.

Third. From time to time hereafter the Voting Trustees may receive any additional stock certificates of the Trust Company, and, in respect of all such stock certificates so received, will issue and deliver voting trust certificates in form corresponding to those above specified, and entitling the holders to the rights therein and herein provided.

In case the Voting Trustees shall receive any stock certificates of the Trust Company issued by way of dividend upon stock certificates held by them under this agreement, the said Voting Trustees shall hold such stock certificates likewise subject to the terms of this agreement, and shall issue voting trust certificates representing such stock certificates to the respective registered holders of the then outstanding voting trust certificates entitled to such dividend.

The Voting Trustees may permit sufficient shares to be withdrawn and released from this agreement, from time to time, to permit the qualification of one or more individuals to act as directors of the Trust Company under the laws of New York, such withdrawal and release to be made upon surrender to the Voting Trustees of voting trust certificates in respect of such amount of stock. Each such release of stock hereunder, however, shall be only to an amount sufficient to meet the requirements of the law with respect to the qualification of such directors, and shall be made only to a person selected by the Voting Trustees to become a director of the Trust Company and in such manner and upon such terms as may be necessary to complete such qualification of such person, so selected, in advance of election, if necessary. The Voting Trustees shall make such arrangements as may be practicable to provide for the reposit hereunder of any such released stock, in exchange for voting trust certificates, when the holder shall have ceased to be a director of the Trust Company.

Fourth. Any Voting Trustee may at any time resign by delivering to the other Voting Trustees in writing his resignation to take effect ten days thereafter. In case of the death or the resignation or the inability to act of any Voting Trustee, the vacancy occurring in his office shall be filled by the appointment of a successor or successors to be named by the surviving Voting Trustee or Trustees. The term Voting Trustees, as used in this agreement and in said voting trust certificates, shall apply to the parties of the second part and their successors at any time hereunder.

Fifth. The Voting Trustees may adopt their own rules of procedure. The action of a majority of the Voting Trustees expressed from time to time at a meeting, or by writing with or without a meeting, shall except as otherwise herein provided, constitute the action of the Voting Trustees and have the same effect as though assented to by all. Any Voting Trustee may vote or may act in person or by proxy, and may be a director or an officer of the Trust Company, and may vote for himself as such. The Voting Trustee may exercise any power or perform any act hereunder by an agent or attorney appointed in writing.

Sixth. The Voting Trustees shall have full power from time to time and at any time to cause the stock certificates to be transferred into their own names or into the names of their nominees; but as holders of said stock they assume no liability as stockholders, their interest hereunder being that of trustees merely. In voting the stock represented by the stock certificates, the Voting Trustees will exercise their best judgment from time to time to secure the election of suitable directors of the Trust Company, to the end that its business affairs shall be properly managed, and in voting and in acting on other matters the Voting Trustees will likewise exercise their best judgment; but they assume no responsibility in respect of such management or in respect of any action taken by them or taken in pursuance of their consent thereto, or in pursuance of their vote so cast, and no Voting Trustee shall incur any responsibility, as stockholder, trustee, or otherwise, by reason of any error of law, or of any matter or thing done or suffered or omitted to be done under this agreement, except for his own individual willful malfeasance.

Seventh. Until the actual transfer of stock certificates in exchange for voting trust certificates hereunder, the Voting Trustees shall in their unrestricted discretion, in person or by their nominees, in respect of any and all said stock, possess and be entitled to exercise the right to vote thereon for every purpose, to waive any stockholder's right or privilege in respect thereof, including any right or privilege to subscribe for any increased stock, and to consent to any corporate act of the Trust Company, as though absolute owners of said stock, it being expressly stipulated that no voting right passes to others by or under said voting trust certificates, or by or under this agreement, or by or under any agreement, express or implied.

The Voting Trustees are specifically authorized in the exercise of their unrestricted discretion, in respect of any and all stock of the Trust Company, subject to this agreement, to vote for or to consent to any increase of the capital stock of that corporation that lawfully may be submitted for action by the stockholders. In case any increased stock of the Trust Company shall be offered to the stockholders for subscription, then, in such case, upon receiving from the holder of any voting trust certificate, prior to the time limited by the Trust Company for subscription and payment, a request to subscribe in his behalf and the money required to pay for a stated amount of such increased stock (not in excess of the ratable amount subscribable in respect of the stock represented by such certificate), the Voting Trustees will make such subscription and payment, and upon receiving from the Trust Company the certificates for the stock so subscribed for, will issue voting trust certificates in respect thereof to the voting trust certificate holder, who shall have made such request and payment.

The Voting Trustees also are specifically authorized to vote any and all stock subject to this agreement in favor of approving any and every merger and merger agreement that shall have been submitted for approval to the stockholders by the board of directors of the Trust Company; and upon any such merger agreement becoming effective, to make such surrender of stock of the Trust Company, subject to this agreement, as may be proper and requisite, and to receive and to hold under this agreement any and all stock of the Trust Company issued in exchange for such surrendered stock, and also any and all other stock of the Trust Company issued pursuant to the provisions of

any such merger agreement that may be transferred or authorized to be transferred to the Voting Trustees.

Eighth. All notices to be given to the holders of voting trust certificates hereunder shall be given either by mail to the registered holders of voting trust certificates at the addresses furnished by such holders to the Voting Trustees or to the agent of the Voting Trustees, or by publication in two daily papers of general circulation in the city of New York, twice in each week for two successive weeks; and any call or notice whatsoever, when either mailed or published by the Voting Trustees as herein provided, shall be taken and considered as though personally served on all the holders of said voting trust certificates, and such mailing or publication shall be the only notice required to be given under any provision of this agreement.

Ninth. The term Trust Company, for the purposes of this agreement and for all rights thereunder, including the issue and delivery of stock certificates, shall be taken to mean said Bankers Trust Company or any successor corporation or corporations with or into which the same may be consolidated or merged.

Tenth. The use of the singular pronoun of any gender shall include the singular of any other gender and the plural of any gender, as the context may require.

Eleventh. This agreement may be executed in any number of counterparts, each of which shall be an original, and all of which taken together shall constitute but one and the same instrument.

In witness whereof, this agreement is executed in duplicate as of the day and year first above mentioned.

____ [L. S.]
____ [L. S.]
____ [L. S.]
Voting Trustees.

Signatures of stockholders.

Addresses.

Numbers of shares.

STATE OF NEW YORK, County of New York, ss:

On this ____ day of _____, in the year 1912, before me personally came Henry P. Davison, to me known and known to me to be one of the individuals described in and who executed the foregoing instrument as Voting Trustee, and he acknowledged to me that he executed the same as such trustee.

STATE OF NEW YORK, County of New York, ss:

On this 9th day of March, in the year 1912, before me personally came George B. Case and Daniel G. Reid, to me known and known to me to be two of the individuals described in and who executed the foregoing instrument as Voting Trustees, and they severally acknowledged to me that they executed the same as such trustees.

STATE OF NEW YORK, County of New York, ss:

On this 9th day of March, in the year 1912, before me personally came _____, to me known and known to me to be one of the individuals described in and who executed the foregoing instrument, and he acknowledged to me that he executed the same.