

# STOCK EXCHANGE PRACTICES

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WEDNESDAY, OCTOBER 18, 1933

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY,  
*Washington, D.C.*

The subcommittee met, pursuant to adjournment on yesterday, at 10 a.m., in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Adams (substitute for Barkley and proxy for Costigan), Townsend, Couzens, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver and David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; Martin Conboy, counsel for Albert H. Wiggin; Eldon Bisbee, Henry Root Stern, Alfred E. Mudge, Joseph B. Lynch, Julian L. Hagen, and C. Horace Tuttle of Rushmore, Bisbee & Stern, and also Albert of Milbank, William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel for The Chase National Bank and The Chase Corporation.

The CHAIRMAN. The subcommittee will come to order. You may proceed, Mr. Pecora.

## TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, in the course of your examination on yesterday you gave some testimony concerning salaries received by you from other corporations which you served as an officer or director during the part of the time that you were the executive head of the Chase National Bank. You testified, among other things, in that respect that you received a salary at the rate of \$20,000 a year from the Brooklyn Manhattan Transit Co., and a salary of \$40,000 a year, or at that rate, from the Armour Co. In the course of that testimony I recall that Senator Townsend asked you a question or two designed to bring out whether or not other directors serving those two corporations received similar salaries, and your answer was a bit ambiguous. Will you answer the question now and tell us definitely whether or not the salary that you received at the rate of \$20,000 a year from the B.M.T. was also paid during that same period to other directors.

Mr. WIGGIN. No, sir. I received that salary as the chairman of the finance committee, and there was no other chairman of the finance committee.

Mr. PECORA. And is that true also of the salary that you received at the rate of \$40,000 a year from the Armour Co.?

Mr. WIGGIN. The Armour Co. salary of \$40,000 ceased some 3 years ago, I think, but I am not sure of the date. The same salary was paid to the other members of the finance committee.

Mr. PECORA. When you replied in answer to the question or questions propounded to you that the salary you received as director was similar to the salary received by other directors in the companies which paid those salaries, did you refer simply to those corporations that paid you as director a salary of \$3,000 a year or less?

Mr. WIGGIN. I don't think there were—

Mr. PECORA (interposing). There were several as I recall in that category.

Mr. WIGGIN. I did not have any salary as director. I think it was always, as I recall, in connection with a title, such as chairmanship of a committee or member of a special committee.

Senator TOWNSEND. And other directors were not paid in that amount?

Mr. WIGGIN. No, sir. All members of the executive committee received the same pay.

Senator TOWNSEND. All members of the committee?

Mr. WIGGIN. If I received a salary as member of an executive committee, then all other members received that salary, too.

Senator TOWNSEND. All right.

Mr. PECORA. Mr. Wiggin, I have before me what purports to be a copy of a report made by you as chairman of the governing board of the Chase National Bank, dated January 13, 1931, and covering the operations of the bank for the year 1930. And on page 6 of that printed report I notice the following observation by you, under the caption of "Wages":

It is not true that high wages make prosperity. Instead, prosperity makes high wages. When wages are kept higher than the market situation justifies, employment and the buying power of labor fall off. American business has proved its good will in dealing with labor on this point in the past year, and in many industries may reasonably ask labor to accept a moderate reduction in wages, designed to reduce costs and to increase both employment and the buying power of labor.

Now, let me ask you: If you felt that way, under the economic circumstances which prevailed at the time when this report was issued by you should salaries of executive officers of the Chase National Bank have been substantially increased during the year 1930, as they seem to have been?

Mr. WIGGIN. The date of this report was when?

Mr. PECORA. January 13, 1931, and purports to be a report of the operations of the bank for the year 1930.

Mr. WIGGIN. Now, let me get that question read, if you please.

Mr. PECORA. The committee reporter will read the question to you [which was done].

Mr. WIGGIN. You are asking me now only for an expression of opinion, I take it?

Mr. PECORA. Certainly. But I take it you were also expressing your opinion in this report.

Mr. WIGGIN. In this report of January 1931?

Mr. PECORA. Yes, sir; and covering the operations and the business of the bank for the year 1930.

Mr. WIGGIN. Yes; but the report is in January of 1931. Am I right about that?

Mr. PECORA. That is the date that is printed on the cover page.

Mr. WIGGIN. And it was to the stockholders, at the meeting held in January of 1931?

Mr. PECORA. Yes.

Mr. WIGGIN. Well, of course, that was my conviction at the time I wrote that.

Mr. PECORA. I do not believe that answers my question, Mr. Wiggin, the question that I propounded to you.

Mr. WIGGIN. Well, what you are asking is, if in 1931 when I thought that, it is reconcilable with an increase in salary—

Mr. PECORA (interposing). For the executive officers—

Mr. WIGGIN (continuing). At the previous date—

Mr. PECORA (interposing). For the year 1930.

Mr. WIGGIN. Yes. I do not see anything that is not reconcilable in the opinion of 1931 that is different from the 1930 action.

Mr. PECORA. This opinion is contained in your printed report to the shareholders of the bank, which bears date January 13, 1931, and you referred to business or economic conditions that prevailed, apparently, during the year 1930.

Mr. WIGGIN. But I am making a report at the stockholders' meeting on that date.

Mr. PECORA. Yes.

Mr. WIGGIN. And that was my opinion at that date.

Mr. PECORA. But, I am asking you—

The CHAIRMAN (interposing). Was there any reduction of the salaries of your officers in 1931?

Mr. WIGGIN. I don't know.

Mr. PECORA. Well, isn't it a fact that your own salary for 1931 was increased to \$250,000 as compared with a salary of \$218,750 that you received for the year 1930?

Mr. WIGGIN. That is a little misleading. The \$218,750 is, evidently, the total amount paid out during the year 1930, and, you see, the salary was smaller in the first half of 1930. But the salary was made at the time of the merger with the Equitable Trust Co., when it became the large bank, at \$250,000, but it only ran for a part of the year 1930, which gives you that odd figure of \$218,750, and it ran commencing in January of 1931.

Mr. PECORA. Now, let us get back to the corporation called originally Chase Securities Corporation, and which you identified on yesterday as the security affiliate of the Chase National Bank. I believe you testified that that Chase Securities Corporation, which is now known as the "Chase Corporation," was organized in May of 1917.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What office did you hold in the Chase National Bank in May of 1917?

Mr. WIGGIN. President.

Mr. PECORA. I assume as president and the executive head of the bank you approved of the proposal to organize this security affiliate?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What advantages did you think would accrue to the bank from the organization of this security affiliate?

Mr. WIGGIN. We thought that a securities company could make money for the same stockholders; that they could share in underwritings, in wholesaling, that would not come to the bank, or could not come to the bank. We had had a transaction a little while before where the bank had an opportunity to enter into an underwriting, but they could not do it legally. So Mr. Hepburn and I took it and gave the bank the profit. They had no risk, and we thought in future it would be better for them to take the risks if they were going to get the profits.

Mr. PECORA. The risk was a risk inherent in the underwriting of securities?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And under the National Bank Act a national bank had no power to engage in that kind of business?

Mr. WIGGIN. A national bank must invest in evidence of debt. I suppose a national bank could underwrite bond issues.

Mr. PECORA. Well, a national bank, as you knew at that time, had no power or right under the law to engage in the securities business of the kind that the Chase Securities Corporation was designed to engage in.

Mr. WIGGIN. I think that is right, sir.

Mr. PECORA. So that the organization of the Chase Securities Corporation was made and conducted, among other reasons, for the purpose of enabling the use to be made of the funds of the bank through the medium of underwriting that it could not directly have made?

Mr. WIGGIN. No. They did not use the funds of the bank. It was agreed to, by all the stockholders, to set up this separate corporation.

Mr. PECORA. Now, the original capital of the Chase Securities Corporation was  $2\frac{1}{2}$  million dollars?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Which represented a dividend paid to the shareholders of the Chase National Bank, but which, instead of having been actually paid and distributed to the shareholders, went into the capital stock, or went to acquire the capital stock, of the Chase Securities Corporation?

Mr. WIGGIN. It went to the stockholders, who did that. It went for that purpose by agreement of the stockholders. The stockholders made the subscription to the Chase Securities Corporation stock in that way. The bank did not subscribe to the stock.

Mr. PECORA. I know that. The bank declared the dividend for the benefit of its shareholders, but the shareholders all agreed to use that dividend for the purchase of the initial capital stock of the Securities Corporation, which was  $2\frac{1}{2}$  million dollars?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. Now, weren't the funds of the bank used in the years that followed to finance in whole or in part underwriting transactions of the Chase Securities Corporation?

Mr. WIGGIN. The Chase Bank loaned to the Chase Securities Corporation money from time to time; yes, sir.

Mr. PECORA. And in that way the funds of the bank were used for those securities purposes.

Mr. WIGGIN. Well, it was in fact loans made to the Securities Co. that was engaged in that business, just the same as were made to hundreds of other people who were in the same business, to whom we loaned money.

Mr. PECORA. And as was developed here on yesterday, at all times since the incorporation of the Chase Securities Corporation its stockholders have been identical with the stockholders of the bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, when this corporation called the "Chase Securities Corporation" was organized, did you have any knowledge of an opinion that had been rendered by Frederick W. Lehman, under date of November 6, 1911, Mr. Lehman at that time being the Solicitor General of the United States?

Mr. WIGGIN. I do not know whether I did nor not. This is 16 years ago, and I don't remember what opinion I had heard of at that time.

Mr. PECORA. Was there any discussion among those whose judgment led to the creation of the Chase Securities Corporation in 1917 concerning the legality of such a corporation and the conduct of its operations as a security affiliate of the Chase National Bank?

Mr. WIGGIN. I cannot remember any. It was no pioneer, for, as you know, there had been a number of securities companies organized as affiliates of banks. I cannot remember whether there was or was not any discussion of that matter.

Mr. PECORA. The question as to whether or not a national bank could take part in the creation of such a security affiliate, was an important one, wasn't it?

Mr. WIGGIN. Well, Mr. Pecora, you know the steps, and I don't want to bore you with going over the matter again, but the bank did not subscribe for any of the stock of the Security Corporation.

Mr. PECORA. We know that the bank did not. We also know that all of the bank's shareholders—

Mr. WIGGIN (interposing). The same shareholders.

Mr. PECORA (continuing). Became shareholders of the Chase Securities Corporation, and that that identity of interest has continued throughout from that time to this.

Mr. WIGGIN. That is right, sir.

Mr. PECORA. The question as to whether or not the Chase Securities Corporation could function as a securities affiliate of the Chase National Bank was an important one, wasn't it?

Mr. WIGGIN. Why, I think so. Yes, I think so.

Mr. PECORA. Do you recall whether there was any discussion concerning the legality of such a corporation and its operation as a security affiliate of the bank?

Mr. WIGGIN. I can only recall that the whole matter, and all the details connected with it, were worked out and handled by the lawyers.

Mr. PECORA. Who were the lawyers that handled that matter and the details?

Mr. WIGGIN. Rushmore, Bisbee & Stern.

Mr. PECORA. Might I ask Mr. Bisbee if he can throw any light on that matter?

Mr. BISBEE. As to whether the legality of such an arrangement was considered?

Mr. PECORA. Yes. And as to whether or not at that time there was also considered the opinion rendered by the Solicitor General of the United States to the Attorney General under date of November 6, 1911.

Mr. BISBEE. Of course, the question of validity was considered.

Mr. CONBOY. Mr. Pecora, would you kindly, for my information, let me see that opinion? Have you an extra copy of it?

Mr. PECORA. I have put that opinion in evidence at hearings held last February, and I have before me now a printed copy of the record of that hearing.

Mr. CONBOY. Then it may be there is a copy of it here. I want simply to keep myself in touch with the examination. The opinion of the Solicitor General rendered 22 years ago is a long time ago.

The CHAIRMAN. A copy of those hearings are available.

Mr. PECORA. Mr. Sparkman is going to get a copy for you.

Mr. CONBOY. I thank you.

Mr. BISBEE. Now shall I answer, Mr. Pecora?

Mr. PECORA. Yes, sir.

Mr. BISBEE. Of course, we considered the question of the validity of what we were doing. But I do not recall ever having heard of Mr. Lehman's opinion, not until many years afterward, and at that time, if memory serves me, someone brought the opinion to light from the archives of the Department of Justice, or the Solicitor General's office, and commented upon the fact that it was scarcely known publicly at the time it was rendered.

Mr. PECORA. The first public record I have been able to find of that opinion having been brought to light was on the occasion when Senator Carter Glass brought it to the attention of the Senate some time during the year 1932, I believe it was, and made it a part of the Congressional Record.

Mr. BISBEE. I think perhaps at that time public comment was made regarding the fact that it had not been generally made known at the time it was rendered. I do not recall the type of corporation or the type of affiliation to which Mr. Lehman referred, but if he referred to the arrangement between the stockholders of the bank and the stockholders of the Chase Securities Corporation and expressed an opinion adverse to its validity, I disagree with him.

Mr. PECORA. Have you seen the opinion of General Lehman?

Mr. BISBEE. I have not seen it. I remember reading references to it in the newspaper probably at the time that you mentioned it was entered in the committee record.

Mr. PECORA. I suggest you might find it at least entertaining reading, if not instructive.

Mr. BISBEE. I have no doubt. Did he deal with the situation of the trusts created for the benefit of the stockholders of the bank?

Mr. PECORA. He dealt with the situation specifically presented by the incorporation and operation at that time of the National City Co., which was the investment or security affiliate of the National City Bank.

Mr. BISBEE. That was my recollection. Our arrangement was wholly different.

Mr. PECORA. Now, there have been a number of increases in the capital structure of the Chase Securities Corporation since 1917, have there not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Can you enumerate what those increases have been, when they were made, and the amount of each increase?

Mr. WIGGIN. I will have to refer to the memorandum. [After consulting documents.] The first increase was January 21, 1920, increase of 50,000 shares, increasing the capital by \$7,250,000 and the surplus by \$250,000.

Mr. PECORA. I did not hear you.

Mr. WIGGIN. I beg your pardon. First increase was January 21, 1920, increasing the number of shares by 50,000, and making an increase in the capital of \$7,250,000 and in the surplus of \$250,000.

Senator TOWNSEND. What was the par value of the shares at that time?

Mr. WIGGIN. No par value.

Mr. PECORA. To whom were those additional 50,000 shares of capital stock sold in January 1920?

Mr. WIGGIN. To the existing stockholders.

Mr. PECORA. Of the Chase National Bank, which was the same as the stockholders of the Chase Securities Corporation?

Mr. WIGGIN. Existing shareholders of the Chase Securities Co., pro rata.

Mr. PECORA. Did any of the shareholders decline to subscribe for any of these additional 50,000 shares?

Mr. WIGGIN. I don't think so. I have nothing to show. It was all subscribed for. Undoubtedly some stock changed hands in the market between the day of authorization of capital and subscription of the capital, but that is affected by their sale of the rights, so called, and the right to sell at a premium. Of course, every share was taken up by somebody. If anybody did not want to subscribe they sold their rights.

Mr. PECORA. Sold their rights to subscribe for the new stock of the Chase Securities Corporation?

Mr. WIGGIN. And the bank. They were lumped together.

Mr. PECORA. So that it was not possible on the occasion of the issuance of these additional 50,000 shares for anyone to subscribe for shares of the Chase Securities Corporation alone and wholly apart from the Chase National Bank shares?

Mr. WIGGIN. No, sir.

Mr. PECORA. Now those 50,000 shares were sold for cash aggregating \$7,500,000, were they not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And of that sum \$250,000 was allocated to surplus and the balance to capital?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When was the next increase in the capitalization of the Chase Securities Corporation?

Mr. WIGGIN. November 22, 1921.

Mr. PECORA. What was the amount of increase at that time?

Mr. WIGGIN. Fifty thousand shares. Increase in capital account \$250,000, increase in reserve account \$1,000,000.

Mr. PECORA. Increase in surplus, did you say?

Mr. WIGGIN. Reserve account.

Mr. PECORA. Of 1 million dollars?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. That was in November 1931?

Mr. WIGGIN. Twenty one.

Mr. PECORA. November 22, 1921. And those shares were likewise subscribed and issued to the existing shareholders of the bank and the securities corporation, were they not?

Mr. WIGGIN (after conferring with associates). Don't think I am technical. I just want to make sure of it. Will you read that question again, please?

The REPORTER (reading):

And those shares were likewise subscribed for and issued to the existing shareholders of the bank and the securities corporation, were they not?

Mr. WIGGIN. Yes, sir. The reason I hesitate was because that was the time of the merger of the Metropolitan Bank.

Mr. PECORA. Those shares were so issued and sold for an aggregate of \$1,250,000?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Why was \$1,000,000 of that stock allocated to reserve and \$250,000 to the capital account?

Mr. WIGGIN. I don't know.

Mr. PECORA. What advantages, if any, did you consider would accrue to the Chase Securities Corporation and to the Chase National Bank or either of them from this allocation?

Mr. WIGGIN. There was very little—I don't know what advantages would accrue. That is the answer. But the reserve account and surplus account are not dissimilar in their purpose.

Mr. PECORA. There must be some difference between them that prompted an allocation of the major part of the sum paid by the shareholders for these additional shares to reserve instead of to capital.

Mr. WIGGIN. I don't remember what the reason was.

Mr. PECORA. Don't you know now as a banker why that was done or what benefits would accrue to the corporation from that allocation?

Mr. WIGGIN. I don't know what the purpose was, Mr. Pecora.

Senator COUZENS. Would it not be, Mr. Wiggin, to enable you to charge off without affecting your capital, charge off losses without affecting your capital?

Mr. WIGGIN. No; surplus would do the same thing.

Senator COUZENS. Surplus is not observed as keenly as the capital is.

Mr. WIGGIN. That may be so. I mean it might have allowed markdowns, conservatism.

Mr. PECORA. Well now, Mr. Wiggin, this thing did not happen by itself. It represented a judgment or determination by the directing bodies of the bank and the securities corporation, did it not?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. What was the reason for that?

Mr. WIGGIN. I just don't know, but I will try and find out.

Mr. PECORA. You were the executive head, were you not?

Mr. WIGGIN. Yes, sir. But you are back 12 years, mind you.

Mr. PECORA. I am not referring to the event itself; I am referring to the reason why a certain policy was adopted with regard to the allocation of this money.

Mr. WIGGIN. I don't remember, that is all. I don't know. I will try and find out.

Senator COUZENS. From a practical banker's standpoint would you repeat the process again now?

Mr. WIGGIN. Why, I don't know. It would depend on what the purpose was at that time. No, I don't think there is anything gained by doing it that way.

Mr. PECORA. Is not one of the advantages accruing from that kind of policy that which was suggested in a question put to you by Senator Couzens?

Mr. WIGGIN. It makes it very possible to make markdowns without affecting the capital. The Senator is entirely correct.

Mr. PECORA. Would you say that that was a determining factor?

Mr. WIGGIN. That I would not say, because I don't know; I don't remember.

Senator COUZENS. Were you standing any substantial losses at that time that would suggest to you that it might be desirable to charge this off to surplus rather than to capital?

Mr. WIGGIN. I don't think so. There may have been at that time.

Senator COUZENS. That was in one of our minor depressions, was it not?

Mr. WIGGIN. Yes, November 1921.

Mr. PECORA. When was the next increase in the capital of the Chase Securities Corporation?

Mr. WIGGIN. April 12, 1926, increase of 200,000 shares, all paid in to capital account, a million dollars paid in to capital account.

The CHAIRMAN. It appears that in 1921 the company made a profit of over a million dollars. In nineteen twenty-two, three, and four they did not seem to have any net profit.

Mr. WIGGIN. You are speaking of the capital increases, Senator?

The CHAIRMAN. Yes.

Mr. WIGGIN. Yes; there was no capital increase between '21 and '26.

The CHAIRMAN. And there does not seem to have been any net profit.

Senator TOWNSEND. Oh, yes; there was a net profit.

Mr. PECORA. Oh, yes; there was.

The CHAIRMAN. Yes; I see now. There was a net profit in each of those years of over a million. According to the statement there was a net profit of over \$11,000,000 in 8 years.

Mr. WIGGIN. I haven't got that in front of me, Senator.

Mr. PECORA. That is, from June 1, 1917, to the end of the year 1925.

Mr. CONBOY. Yes.

Mr. PECORA. Is that right?

Mr. WIGGIN. I haven't that before me.

Mr. PECORA. Look at those figures.

Mr. CONBOY. That is correct.

Mr. WIGGIN. That is correct, yes.

Mr. PECORA. And out of those profits there were cash dividends paid in that same period of time aggregating \$4,150,000, were there not?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. The cash dividends began—I don't think they began in 1917. They did not begin in 1917. They began later.

Mr. PECORA. Yes. Cash dividends began in the year 1919?

Mr. CONBOY. Yes.

Mr. PECORA. Yes. All the cash dividends that were paid by the Chase Securities Corporation from the time of its creation in 1917 down to the end of the year 1925 aggregated \$4,150,000?

Mr. CONBOY. Right.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. The first dividend was declared in 1919?

Mr. CONBOY. Right. At least it was paid in that year. You say it was declared. It was probably declared and paid the same year.

Mr. PECORA. Yes; that is what I refer to. When was the next increase in the capital stock of the Chase Securities Corporation following this one of April 12, 1926?

Mr. WIGGIN. December 27, 1927, a hundred thousand shares, increase made in capital \$7,000,000, surplus \$150,000.

Mr. CONBOY. Have you finished your interrogation about the increase of capital in 1926 and the purposes for which it was increased?

Mr. PECORA. Well, if he wants to state any special purpose for which that increase was made I would be very glad to have him do so.

Mr. WIGGIN. I think we finished that. I might remark that it was at the time of the Mechanics & Metals merger.

Mr. PECORA. Let us go back to this increase on April 12, 1926. I will ask you, Mr. Wiggin, was there any special reason for that increase of capital stock at that time?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was it?

Mr. WIGGIN. It was in connection with the merger with the Mechanics & Metals Bank.

Mr. PECORA. That is, at that time the Mechanics & Metals National Bank merged with the Chase National Bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And did the Mechanics & Metals National Bank at that time also have a securities affiliate known as the "Mechanics Securities Corporation?"

Mr. WIGGIN. It was organized at the time of the merger.

Mr. PECORA. And has it continued in operation since that?

Mr. WIGGIN. It has since been liquidated.

Mr. PECORA. When was it liquidated?

Mr. WIGGIN (after conferring with associates). Several years ago. I will get the date.

Mr. PECORA. Was the merger of the Chase National Bank and the Mechanics & Metals National Bank at that time effected on the basis of an exchange of stock?

Mr. WIGGIN. It was on a basis of exchange of stock; yes, sir.

Mr. PECORA. Do you remember the ratio of exchange?

Mr. WIGGIN. No, I don't know what that was.

Mr. PECORA. When was the next increase in the capital stock of the Chase Securities Corporation effected?

Mr. WIGGIN. December 27, 1927, a hundred thousand shares, increase in capital \$7,000,000, increase in surplus \$150,000.

Mr. PECORA. Were there any special circumstances that induced that increase?

Mr. WIGGIN. That was at the time of the merger with the Mutual Bank.

Mr. PECORA. Was that merger also effected by an exchange of shares?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall on what ratio the exchange was made?

Mr. WIGGIN. No. We can look all those things up for you.

Mr. PECORA. In connection with that merger was a corporation called the "Mutual Consolidation Corporation" created?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Has that since been liquidated?

Mr. WIGGIN. Yes, sir. You might prefer to have my authority answer these questions.

Mr. PECORA. I beg pardon?

Mr. WIGGIN. You might prefer to have my authority answer these questions instead of having me have to delay the answer every time.

Mr. PECORA. When was the next increase of the capital stock of the Chase Securities Corporation effected?

Mr. WIGGIN. July 2, 1928.

Mr. PECORA. What was the extent of the increase made then?

Mr. WIGGIN. A hundred thousand shares, all to capital account, \$10,000,000.

Mr. PECORA. Was there any special occasion for that increase, special reason for it?

Mr. WIGGIN. There was no merger at that time.

Mr. PECORA. What is that?

Mr. WIGGIN. There was no merger at that time. It was simply from the increased business.

Mr. PECORA. That is, to provide funds for the expansion of business?

Mr. WIGGIN. Right, sir. Perhaps not for expansion, but for business already in hand. To provide for handling more business.

Mr. PECORA. Now, was there another increase in the capital stock of the Chase Securities Corporation after that?

Mr. WIGGIN. Yes, sir. February 19, 1929, an increase of 10,000 shares; increase of the capital account of \$750,000. That was in connection with the Garfield Bank.

Mr. PECORA. The Garfield National Bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That also was effected on the basis of an exchange of shares?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And in connection with that merger and this increase of the capital stock of the Chase Securities Corporation was there created a corporation called the "Garfield National Corporation"?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Has that since been liquidated?

Mr. WIGGIN. No, sir.

Mr. PECORA. Does it still operate?

Mr. WIGGIN. Still in existence. They are not doing any business.

Mr. PECORA. Is it a subsidiary that is wholly owned by the Chase Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the reason for the incorporation of that company, Mr. Wiggin?

Mr. WIGGIN. To hold certain assets that we did not want the bank to take.

Mr. PECORA. Which bank, the Chase National?

Mr. WIGGIN. The combined bank; yes, sir.

Mr. PECORA. After the merger. What kind of assets were they?

Mr. WIGGIN. I will have to find out. I do not know. This seems to be a little complicated. My authorities do not agree. I will get it for you.

The CHAIRMAN. This was not very far back, Mr. Wiggin. Have you any independent recollection about it?

Mr. WIGGIN. As to the assets that went into the Garfield company?

The CHAIRMAN. Yes.

Mr. WIGGIN. No.

The CHAIRMAN. And why has it continued in operation?

Mr. WIGGIN. Well, it is not doing anything. It is just holding those assets. I will find out just what they are.

Mr. PECORA. What kind of assets could they have been that justified or made necessary or prompted the creation of this Garfield National Corporation for the purpose of taking over those assets?

Mr. WIGGIN. Don't let me guess at it. Let me find out what it is.

The CHAIRMAN. They were what you call frozen assets, were they?

Mr. WIGGIN. No, sir. Will you defer that until we can look it up and see just what those assets are and what the purpose was?

Mr. BISBEE. The purpose was not what we said it was first. It was simply in connection with the machinery of getting out the stock of the security corporation in order that it might be available for exchange to the Garfield shareholders for the stock of the Garfield Bank.

Mr. PECORA. Now, Mr. Wiggin, from the facts that you have already given as a reason for the incorporation of the Garfield National Corporation to have that corporation take over certain assets which otherwise would have had to be taken over by the bank, will you tell the committee if some such thing was done in connection with other corporations created at the instance of the Chase Securities Corporation to serve that very purpose?

Mr. WIGGIN. I answered that question on what I thought was correct information, but the information has been corrected and they say my answer is not correct. So if you will just let us get that.

Mr. PECORA. But that may not have been the reason for which the Garfield National Corporation was created back in 1929. I am now asking you if there was any other occasion when a corporation was created at the instance of the Chase Securities Corporation designed among other things to take over assets that otherwise would have had to be taken over by the bank.

Mr. BISBEE. May I suggest something to the witness, Mr. Pecora?

Mr. PECORA. Surely.

(Mr. Wiggin and Mr. Bisbee conferred.)

Mr. WIGGIN. Yes, sir; I am advised that at the time of the Metropolitan merger, the merger of the Metropolitan Bank, a corporation was organized called the "Metpotan Co." It was organized for the reason—

Mr. PECORA. I am going to ask you about the Metpotan Corporation somewhat in detail later on, so I suggest that—

Mr. BISBEE. It fits directly in there.

Mr. CONBOY. This is the answer to that question.

Mr. BISBEE. It fits directly in there.

Mr. PECORA. All right; complete the answer.

Mr. WIGGIN. The Metropolitan Bank, having been a State bank, had mortgages that the Chase Bank did not want. It was simply to turn them over to this company, and this company was organized to take those mortgages.

Mr. PECORA. When was the next increase in the capitalization of the Chase Securities Corporation?

Mr. WIGGIN. July 1, 1929. The shares were split 5 shares for 1, and there was a capital increase on July 3, 1929, of 950,000 shares, of which \$38,000,000 was paid into capital account and \$10,879,000—I will omit the small figures—surplus account, \$1,834,000 to reserves.

Mr. PECORA. Why was that allocation made of the moneys that were received in connection with the issue of those additional shares on July 3, 1929?

Mr. WIGGIN (after conferring with associates). Shall I try to go ahead on that?

Mr. PECORA. Go ahead.

Mr. WIGGIN. Of the 950,000 shares on July 3, 1929, \$38,000,000 went to capital, \$10,879,000 went to surplus, \$1,834,000 went to reserves. The transaction was in connection with the purchase of the American Express Co., and the allocation to surplus and to reserves I cannot tell just why those figures were arrived at.

Mr. PECORA. Why was such an allocation made, irrespective of the figures?

Mr. WIGGIN. I confess I do not know.

Mr. PECORA. Mr. Wiggin, do you have to depend, for information concerning the adoption of policies by the bank and by the securities corporation, upon subordinates?

Mr. WIGGIN. I do not think this is a question of policy. This is a question of why they made the division this way.

Mr. PECORA. Does not that involve a question of policy? Does not the allocation of capital funds involve a question of policy, Mr. Wiggin?

Mr. WIGGIN. Perhaps so.

Mr. PECORA. Can you not tell us?

Mr. WIGGIN. All I am trying to do is get the facts for you.

Mr. PECORA. We have the fact that the allocation was made. Now, I want to know the reason, or the policy that prompted such an allocation.

Mr. WIGGIN. I am endeavoring to find out, and as soon as I do I will be glad to tell it.

Mr. PECORA. Do you have to find out what the policies of the bank were from subordinates, when those policies were adopted while you were the executive head of the bank?

Mr. WIGGIN. There must have been some reason for putting \$1,800,000 to this reserve account.

Mr. PECORA. And some reason for putting over \$10,000,000 to surplus?

Mr. WIGGIN. Yes.

Mr. PECORA. Can you not tell us those reasons?

Mr. WIGGIN. Not until I investigate and find out. Don't ask me to guess on these things, Mr. Pecora.

Mr. PECORA. It strikes me you ought to be in a better position to tell the reasons for the policy of the company and the bank, rather than subordinates.

Mr. WIGGIN. I want to get it right.

Mr. CONBOY. There is no question that that is a statement by Mr. Pecora.

Mr. PECORA. If the statement is challenged, the witness can challenge it, and we can find out who did determine the policies if the executive officers did not.

Mr. CONBOY. You are not asking that.

Mr. PECORA. Who determined the policies with regard to these allocations of capital funds to capital and to surplus and reserve?

Mr. WIGGIN. I was consulted.

Mr. PECORA. You expressed your assent to the doing of that thing?

Mr. WIGGIN. I presume so. It undoubtedly was voted by the directors.

Mr. PECORA. What prompted you to give your consent to it?

Mr. WIGGIN. I am looking it up, and will let you know as soon as I can possibly find out. There must have been some reason for it, and what it was I do not know at the moment.

Mr. PECORA. Why were the shares of the capital stock of the Chase Securities Corporation, on July 1, 1929, split 5 for 1?

Mr. WIGGIN. We felt that the more stockholders the bank had, the more benefit to the bank. It was a plan that had been adopted by some of our neighboring banks. It had apparently worked to their advantage. We took the same step, on the theory that the small stockholder would be of benefit to the bank.

Mr. PECORA. Would it be proper to paraphrase that by saying that it was done in order to obtain a wider distribution of the capital stock?

Mr. WIGGIN. We figured that the more stockholders there were the better for the bank. That would, of course, include a wider distribution.

The CHAIRMAN. Did not this split, 5 to 1, mean that every man who owned 1 share would not get 5?

Mr. WIGGIN. That is right, Senator.

The CHAIRMAN. How does that get it out to the public? You still have the same stockholders.

Mr. WIGGIN. Because the stock sells at one fifth of the former price, and there are a great many more people that buy a low-price stock than there are that buy a high-price stock.

Mr. PECORA. Was the par value of the stock reduced correspondingly at that time?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. From what to what?

Mr. WIGGIN. From \$100 a share to \$20 a share. That was the bank.

Mr. CONBOY. The Chase Securities had no par value.

Mr. WIGGIN. Chase Securities had no par value.

The CHAIRMAN. The bank stock was reduced to \$20 a share?

Mr. WIGGIN. From \$100 to \$20.

Mr. PECORA. In order to help me to determine whether or not to proceed with this examination, let me ask you how long it would take to get the information that would enable you to answer the questions I have put to you concerning the reason for the allocation of the moneys received on July 3, on the occasion of the issuance of that additional block of stock?

Mr. CONBOY. Shall we take that up now, for the purpose of giving you an answer to that?

Mr. PECORA. Yes; let me know if you can get it in a minute or two.

The CHAIRMAN. At that time, Mr. Wiggin, do you remember whether the bank stock was selling on the market at about \$1,000 a share?

Mr. WIGGIN. I will get that. What was the bank stock selling at?

Mr. CONBOY. At the time of the split?

Mr. PECORA. At the time of the split, in July, 1929.

The CHAIRMAN. And when the split was made, it became \$200 a share.

Mr. WIGGIN. I will get that figure for you.

Mr. CONBOY. We can give you those figures, Senator.

Mr. WIGGIN (after conferring with associates). Mr. Chairman, I can answer your question.

The CHAIRMAN. Yes. Let us have it.

Mr. WIGGIN. In July, 1929, at the time the par value of the stock was changed from \$100 to \$20, the stock was quoted on July 1 at \$980 a share. That is the old stock.

The CHAIRMAN. Yes. Then what did it become following that? Following this split, how was it quoted?

Mr. CONBOY. The split was from \$195 to \$200.

Mr. WIGGIN. On that date the new stock—or about that date—was quoted at \$195 bid, \$200 asked.

Mr. PECORA. Was this bank stock ever listed on any exchange?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. On what exchange?

Mr. WIGGIN. On the New York Stock Exchange.

Mr. PECORA. When was it so listed?

Mr. WIGGIN. I will have to get that. It was a long time ago. [After conferring with associates:] 1906.

Mr. PECORA. Was it thereafter taken off the list?

Mr. WIGGIN. Yes.

Mr. PECORA. When?

Mr. WIGGIN (after conferring with associates). January, 1928.

Mr. PECORA. Was it taken off the New York Stock Exchange trading list at the instance of the bank?

Mr. WIGGIN. Several of the banks—

Mr. PECORA. No; I mean in this particular case.

Mr. CONBOY. It involves other banking institutions that did the same thing at the same time.

Mr. PECORA. We are interested at this time only in what was done with respect to the Chase Bank.

Mr. CONBOY. But you might get an erroneous impression if you do not permit him to answer the question as he was going to answer it for you, and I am sure you do not want to get an erroneous impression.

Mr. PECORA. I would like to get answers to the questions, and not answers to something else.

Mr. CONBOY. You have been getting those right along.

Mr. PECORA. Go ahead, Mr. Wiggin. It will save time to let you answer in your own way.

Mr. WIGGIN. A number of banks decided to withdraw their stock from being listed on the New York Stock Exchange, for the reason that fluctuations in bank stock are sometimes harmful to the interests of the bank. Fluctuations down are sometimes harmful, and the stock exchange has to make a sale, if there is a bid and an asked, and no limit. There might be fluctuations on the stock exchange that would be very harmful to a bank's standing. Therefore it was taken off the stock exchange.

Mr. PECORA. You said that that reason controlled the decision of other banks. Did that reason also operate to control the decision of the Chase officers?

Mr. WIGGIN. I think so.

Mr. PECORA. Had there been active trading in the stock of the bank prior to January, 1928, on the New York Stock Exchange?

Mr. WIGGIN. No, sir.

Mr. PECORA. The trading was very, very slight, was it not?

Mr. WIGGIN. Very slight.

Mr. PECORA. Was it really felt that as a result of very slight tradings harmful fluctuations ensued?

Mr. WIGGIN. That was our feeling. It was not the amount of trading. It was the fluctuation in prices.

Mr. PECORA. Those fluctuations are largely determined by the volume of trading, are they not?

Mr. WIGGIN. No. An inactive stock can have very serious fluctuations, perhaps more so than an active stock.

Mr. PECORA. However, that was the reason that prompted the Chase National Bank in having its stock withdrawn from the trading list of the New York Stock Exchange.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And thereafter it was traded in on what is called the "over-the-counter" securities market.

Mr. WIGGIN. Yes.

Mr. PECORA. And the volume of trading from that time on increased extensively, did it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was about the daily volume of trading on the New York Stock Exchange up to the time it was withdrawn from its list?

Mr. WIGGIN. There were many, many days without any trading on the stock exchange.

Mr. PECORA. Would you say that a volume representing an average of 50 shares a day would be a fair average?

Mr. WIGGIN. I have no way of saying.

Mr. PECORA. Perhaps your associates could tell us that, from data that they seem to be consulting.

Mr. CONBOY. Do you want such information as we have with regard to the total number of shares that were traded in on the exchange for the last 4 months of 1927 and the first month of 1928?

Mr. PECORA. I think that would be helpful.

Mr. CONBOY. The information we have is that in September, 1927 there were 10 shares traded in.

Mr. PECORA. The whole month?

Mr. CONBOY. The whole month. In October, 1927 there were 2,360 shares, and the price ranged from a high of 602 to a low of 555. In November there were 1,090 shares, with a spread of 587 to 559. In December there were 1,900 shares, with a high of 580 and a low of 528; and in January, 1928 the total number was 1,900 with a high of 580 and a low of 548½. That is all the information we have on that.

Mr. PECORA. Can you follow that up by telling us, for the months of January, February, March, and April 1928, following the striking of this stock from the trading list of the exchange—

Mr. CONBOY. What the over-the-counter transactions were?

Mr. PECORA. Yes.

Mr. CONBOY. We will have to compile that for you. We have not any such figures.

Mr. WIGGIN. There is no record of that.

Mr. CONBOY. I doubt if you could get it, because the amount of trading over the counter is not reported; only the prices of the over-the-counter transactions. I doubt very much if there is any way of getting the over-the-counter transactions.

Mr. PECORA. Was it the aim or purpose of the Chase National Bank at that time to be in a position to control the price range of a day's trading?

Mr. WIGGIN. No, sir. We did always have it in mind that we wanted to be able to protect our stock if there was anything happening to it that was going to hurt the institution.

Mr. PECORA. How did you think you could protect it in the over-the-counter market, which protection was not available in the exchange market?

Mr. WIGGIN. Well, I do not know that we did think so.

Mr. PECORA. You just said you hoped to do that.

Mr. WIGGIN. Yes.

Mr. PECORA. How did you hope to do it?

Mr. WIGGIN. By buying when there were large fluctuations.

Mr. PECORA. What prevented the bank from doing that very thing while the stock was listed on the stock exchange?

Mr. WIGGIN. I do not think anything prevented its being done.

Mr. PECORA. Then why the striking from the list?

Mr. WIGGIN. Because we did not want the violent fluctuations that might occur.

Mr. PECORA. You said that those fluctuations could be affected by support given to the stock by the bank.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was what you hoped to do in the over-the-counter market.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You could do the same thing in the exchange market.

Mr. WIGGIN. Yes; but we might—

Mr. PECORA. What was the reason then for the change?

Mr. WIGGIN. Because we did not want it listed on the New York Stock Exchange and have those fluctuations quoted in every paper all over the country.

Mr. PECORA. Are not the fluctuations and the ranges in the over-the-counter market published daily, too?

Mr. WIGGIN. Not very closely. They are published, but they are not right and they are not close.

The CHAIRMAN. How about the stock of the securities company at this time?

Mr. WIGGIN. The securities stock was never traded in separately. If a person bought a share of the bank, he bought a certificate that represented a share of the bank and a share of the securities company, at the same time.

The CHAIRMAN. The securities stock was not listed on the exchange separate from the bank stock?

Mr. WIGGIN. No, sir.

Mr. PECORA. That was because it could not be sold separate from the bank stock.

Mr. WIGGIN. Certainly.

Mr. PECORA. Do you recall whether there was a very substantial increase in the volume of daily transactions or tradings in the bank stock upon and after the date it was traded in in the over-the-counter market?

Mr. WIGGIN. It was always traded in over the counter. Perhaps you mean after it was taken off the exchange?

Mr. PECORA. After it was taken off the exchange.

Mr. WIGGIN. You understand that the trading over the counter went on at the same time it was listed on the stock exchange.

Mr. PECORA. Did you notice much of a variance in the daily quotations in the over-the-counter market at that time, as compared with those that prevailed on the exchange?

Mr. WIGGIN. No, sir.

Mr. PECORA. The range was about the same, then, in both the exchange market and the over-the-counter market, while the stock was traded in in both markets?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That still would seem to remove the reason you have already given for striking the stock from the exchange list, would it not?

Mr. WIGGIN. No; I do not think so, Mr. Pecora. The big market on bank stocks is always over the counter. A number of them were

listed on the stock exchange. The transactions were not many, and any fluctuations excited wide comment.

Mr. PECORA. Can you give a reason why, Mr. Wiggin, when the stock was listed on the exchange and was also being traded in in the over-the-counter market, the volume of trading in the over-the-counter market greatly exceeded the volume of exchange trading?

Mr. WIGGIN. I do not know just how to answer that. The custom was that bank stocks were dealt in over the counter rather than on the exchange.

Mr. PECORA. Do you know any reason for that custom?

Mr. WIGGIN. The brokers could charge a larger commission on over-the-counter transactions than they could on stock-exchange transactions.

Mr. PECORA. I should think that would have encouraged trading on the exchange rather than in the over-the-counter market.

Mr. WIGGIN. Not with the brokers.

Mr. PECORA. But with the public. It was the public that was paying the bill.

Mr. WIGGIN. Very true.

Mr. PECORA. The purchaser of the stock or the seller of the stock would prefer to sell it in the market where the expense was less.

Mr. WIGGIN. Your theory is right, sir.

Mr. PECORA. But in practice it was wrong?

Mr. WIGGIN. In practice the over-the-counter market was the active market for bank stock.

Mr. CONBOY. You have an instance of that character in connection with United States Government bonds. They are listed on the stock exchange, but they are principally over-the-counter transactions.

Mr. WIGGIN. May I say one word more on that question of the stock-exchange fluctuations, Mr. Pecora?

Mr. PECORA. Go ahead.

Mr. WIGGIN. I am reminded that transactions on the stock exchange were so inactive that it would sometimes be weeks or months between one sale and the next sale, and the report would show the up or down from the last sale, and it might be a very serious difference because of the length of time.

Mr. PECORA. I though you said a few moments ago that the daily quotations in the over-the-counter market were about the same as the quotations in the stock exchange market.

Mr. WIGGIN. Yes, and that corroborated what I am trying to say. I have not made it clear to you. Suppose there was a sale of stock in July on the stock exchange, and suppose there was not another sale on the stock exchange until November. There might have been, in 4 months' time, a very serious change in the price, and yet the New York Stock Exchange quotation would show a sale in November, and off or up so much from the last previous sale, 4 months before.

Mr. PECORA. Is it possible to sell securities short in the over-the-counter market?

Mr. WIGGIN. I think so.

The CHAIRMAN. Did the bank itself deal in its own stock, buy and sell its own stock?

Mr. WIGGIN. I beg your pardon?

The CHAIRMAN. Did the bank deal in its own stock?

Mr. WIGGIN. No, sir.

The CHAIRMAN. It did not buy and did not sell its own stock?

Mr. WIGGIN. No, sir.

Mr. PECORA. When was the next increase in the capital stock of the Chase Securities Corporation effected?

Mr. WIGGIN. August 23, 1929, a 12½ percent stock dividend, 500,000 shares, increasing the capital \$2,500,000, and reducing the surplus \$2,500,000. It was a transfer from surplus to capital, and new shares issued.

Mr. PECORA. When was the next increase effected?

Mr. WIGGIN. August 24, 1929, 750,000 shares capital increase; \$3,750,000 into capital account and \$3,903,000 into surplus account.

Mr. PECORA. Why was that allocation made as between capital and surplus, of the proceeds from the sale of that additional stock?

Mr. WIGGIN (after conferring with associates). Mr. Pecora, they tell me that the reason that \$3,750,000 went into capital account was to make a round amount of capital, and that the remainder was put into surplus.

Mr. PECORA. Is that the only reason why the remainder was put into surplus, in order not to have anything but a round amount for the capital?

Mr. WIGGIN. That is the best information I can get.

Mr. PECORA. You said a moment or two ago, in answer to a question put to you by Chairman Fletcher, that the Chase National Bank did not buy or sell its own stock in the market. Do you recall that?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. As a matter of fact, did not the Chase Securities Corporation ever buy or sell the capital stock of the Chase National Bank in the market, either directly or through any subsidiary corporation?

Mr. WIGGIN. Through a subsidiary corporation; yes, sir.

Mr. PECORA. What was the name of that subsidiary corporation?

Mr. WIGGIN. The Metpotan Co.

Mr. PECORA. The Metpotan Co. Do you know, generally, the extent of the trading in the open market, in the shares of the Chase National Bank that was engaged in by the Metpotan Co.?

Mr. WIGGIN. I was familiar from time to time with what was going on.

Mr. PECORA. You have told us you were familiar, but the question asked you was whether you knew the volume of trading engaged in by the Metpotan Co. in the shares of the Chase National Bank.

Mr. WIGGIN. In a general way; yes, sir.

Mr. PECORA. What was it, in a general way?

Mr. WIGGIN. It varied from day to day tremendously.

Mr. PECORA. What was it over the period of years since the trading commenced?

Mr. WIGGIN. You mean over a long period? How many years do you want to cover, Mr. Pecora?

Mr. PECORA. From the time that the Metpotan Co. engaged in such operations up to the time that you retired from the position of executive head of the bank, in January of this year.

Mr. WIGGIN (after conferring with associates). We can get that for you.

The CHAIRMAN. When was the Metpotan Co. organized?

Mr. WIGGIN. In 1921.

Mr. PECORA. From the time that the capital stock of the bank was stricken from the Stock Exchange trading list in January, 1928, down to the end of 1932, you were the executive head of the Chase Bank, were you not?

Mr. WIGGIN. Yes.

Mr. PECORA. Within that period of time, will you give the committee an approximation, if you please, of the total volume of trading in the stock of Chase National Bank that was indulged in by the Metpotan Co.?

Mr. WIGGIN. I will get that for you exactly.

Mr. PECORA. Let me say, Mr. Wiggin, while we are waiting to get the information in answer to that last question, according to our research, based upon the records of the Metpotan Co., that company, from January 1, 1928, to December 31, 1932, traded in the open market in the shares of the Chase National Bank and all other banking institutions which were merged with the Chase, to a volume approximating almost nine hundred millions of dollars. Is that in accord with your recollection?

Mr. WIGGIN. I have no recollection. I am endeavoring to get the figures.

Mr. PECORA. Then we will have to wait to get the figures.

Mr. CONBOY. Mr. Pecora, have schedules been furnished you with reference to the tradings in Chase Bank stock by Metpotan, by us? Did you not request that we furnish you with figures with regard to those tradings, and did we not furnish you with them?

Mr. PECORA. Yes.

Mr. CONBOY. Your accountants unquestionably have what has been furnished to you in that connection.

Mr. PECORA. You furnished us with photostatic copies, principally, and I presume that you have the records from which the photostatic copies were made.

Mr. CONBOY. Very likely.

Mr. PECORA. We are not doing the testifying; and if you have the original records—

Mr. CONBOY. We can give you the same testimony that has already been furnished to you in these statements. If you want anything more we will have to compile further statements.

Mr. PECORA. No. The statements you gave us were given as photostatic copies, for the most part, of your own records.

Mr. CONBOY. Is that what you want—the information that is contained in the statements that have already been furnished you?

Mr. PECORA. I think such information is merged in what I want to know.

Mr. CONBOY. Do you want to introduce those in evidence, or do you want to have Mr. Wiggin—

Mr. PECORA. I want this put into the record through the medium of Mr. Wiggin's answers.

Mr. CONBOY. I submit, Mr. Wiggin certainly cannot tell you what the aggregate of tradings was in this long period of over 12 years.

Mr. PECORA. I have not asked for a period of 12 years.

Mr. CONBOY. I thought you asked for the period from the organization down to 1933.

Mr. PECORA. From January 1928 to the end of 1932.

Mr. CONBOY. All right. Then over a period of 4 or 5 years.

Mr. PECORA. Five years.

Mr. CONBOY. Then all we can tell you is what the accountant has prepared.

Mr. PECORA. Let him tell us. You have the original records, and we have only photostatic copies of those records.

Mr. CONBOY. Don't get angry with me.

Mr. PECORA. I am not angry; I am simply emphatic.

Mr. CONBOY. I am just endeavoring to ascertain what you want. Is that what you want?

Mr. PECORA. I want Mr. Wiggin to tell the committee what the volume was of trading in the stock of the Chase National Bank and of the other banks that were merged with the Chase National Bank, that was indulged in by the Metpotan Co. in the period commencing on the 1st of January, 1928, and terminating on December 31, 1932.

Mr. CONBOY. That will have to be added up for you, and will be given to you.

Mr. PECORA. Do you know what records should be consulted for that?

Mr. CONBOY. Mr. Hargreaves says he knows now exactly what you want in that connection, and he will get it for you.

Mr. PECORA. Let him add them up.

Mr. CONBOY. Yes.

Mr. PECORA. It will not take long.

Mr. CONBOY. Do you want that done right away?

Mr. PECORA. It should not take long to add up a few figures.

Mr. CONBOY. I don't know how long it will take, but it will be done.

Mr. BISBEE. Do you want the aggregate amount, or the number of shares?

Mr. PECORA. The aggregate amount and the number of dollars.

Mr. BISBEE. It will take 10 or 15 minutes, Mr. Pecora.

Mr. PECORA. I will proceed with another line of examination then.

The last increase in the capital of the Chase Securities Corporation that you told us about took place on August 24, 1929. When, after that, was there another increase?

Mr. WIGGIN. May 31, 1930, a capital increase of 2,150,000 shares, a capital account increase of \$22,000,000; surplus increase of \$4,853,000.

Mr. PECORA. Why was the allocation made in that way in that instance?

Mr. WIGGIN. I can only say, probably the same reason as before—to make the capital a round amount, and everything beyond went into surplus.

Mr. PECORA. Do you think that was the only reason, Mr. Wiggin?

Mr. WIGGIN. That is the only reason I can see.

Mr. PECORA. You do not even know that that was the reason, do you?

Mr. WIGGIN. I am not sure. I would have to go back to see why we did it at the time, and I have not got it in my head; but I think that is undoubtedly the reason.

Mr. PECORA. What was the occasion for that increase?

Mr. WIGGIN. That was the time of the Equitable Trust Co. merger.

Mr. PECORA. That was also a merger effected on an exchange-of-shares basis?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. At that time was a corporation called the Equitable Corporation caused to be organized by the Chase Securities Co.?

Mr. WIGGIN. It was in existence before that.

Mr. PECORA. What was that—a securities affiliate of the Equitable Trust Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was the Equitable Corporation taken over by the Chase Securities Corporation in connection with this merger in May 1930?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is it still in existence?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Actively engaged in business?

Mr. WIGGIN. No, sir.

Mr. PECORA. When did it become inactive?

Mr. WIGGIN. It is in liquidation.

Mr. PECORA. It is in liquidation now?

Mr. WIGGIN. Yes, sir; but the question was, when it became inactive—

Mr. BISBEE. It never was active.

Mr. PECORA. In connection with this increase of capital stock, on the occasion of the merger of the Equitable Trust Co., was there also a merger with the Interstate Trust Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How was that effected?

Mr. WIGGIN (after conferring with associates). The Interstate merger took two steps. It merged with the Equitable Trust and the combined institution—

Mr. PECORA. Were the two steps designed to form part of the transaction whereby the Chase National Bank took over the Equitable Trust Co. and the Interstate Trust Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That is, both steps were designed to form parts of the whole transaction?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In connection with that merger, did the Chase Securities Corporation also at the same time take over a corporation called the Interstate Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is that active or inactive today?

Mr. WIGGIN. It is dissolved.

Mr. PECORA. When was it dissolved?

Mr. WIGGIN. Within the last few months.

Mr. PECORA. First, there was a merger of the Equitable Trust Co. with the Interstate Trust Co.; is that right?

Mr. WIGGIN. It was simultaneous, as I understand it.

Mr. PECORA. And at the same time there was a merger of the Equitable Trust Co. with which the Interstate Trust Co. had just been merged with the Chase National Bank?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. I think you had better consult about that, Mr. Wiggin, as to whether there was a merger of the Equitable Trust and the Interstate Trust before the merger with the Chase. My advices are that the merger was with the Chase on the part of the Equitable and the Interstate Trust all at one time and all one transaction.

Mr. PECORA. A 3-cornered merger?

Mr. CONBOY. Yes, sir. The Interstate was not taken in by Equitable and the Equitable merged with the Chase. The Interstate and the Equitable were merged with the Chase at the same time.

Mr. PECORA. And that was done on May 31, 1930?

Mr. CONBOY. Yes.

Mr. PECORA. On which occasion this increase in the capital stock of the Chase Securities Corporation took place?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In connection with the issuance of that additional capital stock was there a block of 34,980.80 shares sold at auction?

Mr. WIGGIN. Of Chase Bank stock and Chase Securities combined; yes, sir.

Mr. PECORA. Sold by auction?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the occasion for that?

Mr. WIGGIN. It was to round out the capitalization and make an even number of shares. This 34 thousand as applied to the very large number of shares made an exceedingly odd amount, with odd fractions. Therefore, that round figure was determined upon, and this excess was sold at auction for the benefit of the bank.

Mr. PECORA. Were all those shares represented by the additional stock first offered to the existing shareholders of the banks that were merged?

Mr. WIGGIN (after consulting associates). The stockholders approved this method of making a round amount of capital, a round amount in the number of shares, and having the excess sold for the benefit of the bank.

The CHAIRMAN. What was the process of selling it off?

Mr. WIGGIN. It was sold at auction. As I say, there is a concern in New York that does a regular auctioning of securities. Those are advertised for several days before the sale. The sale was conducted in a room of this auction house.

The CHAIRMAN. Who bought in those shares?

Mr. WIGGIN. Metpotan bought them.

Mr. PECORA. Metpotan bought this entire block of 34,980.80 shares at this auction sale?

Mr. WIGGIN. Yes.

Mr. PECORA. Was there any other bidder?

Mr. WIGGIN. I think so. It was sold in small lots. I think the man is here who went to the sale and he can give you a record. I will have to get it from him.

Mr. PECORA. It was sold in small lots, but the entire block of 34,980.80 was disposed of on that one day in that auction room?

Mr. WIGGIN. Yes, sir. It was sold in thousand-share lots.

Mr. PECORA. At what price?

Mr. CONBOY. Apparently the prices varied.

Mr. PECORA. What was the total consideration for the entire amount?

Mr. CONBOY. They run from 169 up to 175, and the total amount that was realized—I assume it is the entire lot—is \$5,975,140. They were sold in thousand-share units.

Mr. PECORA. Does the Metpotan Co. still hold that block of shares?

Mr. WIGGIN. No, sir. They do not hold that stock.

Mr. PECORA. The Metpotan Co. is a subsidiary wholly owned by the Chase Securities Corporation, is it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And always has been?

Mr. WIGGIN. Yes.

Mr. PECORA. Have there been any other increases in the capital stock of the Chase Securities Corporation since the one of May 31, 1930?

Mr. WIGGIN. No, sir.

Mr. PECORA. As result of the original capitalization of the Chase Securities Corporation and these increases that you have testified to, what is the total number of outstanding shares of capital stock of the Chase Securities Corporation at the present time?

Mr. WIGGIN. Seven million, four hundred thousand shares.

Mr. PECORA. All of no par value?

Mr. WIGGIN. No par value.

Mr. BISBEE. I think there is a par value now.

Mr. WIGGIN. A declared value of—.

Mr. BISBEE. Not a declared value.

Mr. WIGGIN. A \$1 par value now; not a declared value, but a \$1 par value.

Mr. PECORA. When was that par value given to it?

Mr. WIGGIN. May 17, 1933.

Mr. PECORA. That was when the amendment was made, with the approval of the shareholders, at the special meeting held on May 16, 1933, in the charter and bylaws of the Chase Securities Corporation, and also when its name was changed to the Chase Corporation?

Mr. WIGGIN. Yes; that is right.

Mr. PECORA. By which it is known today?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In the course of your testimony this morning you testified that the net profits earned by the Chase Securities Corporation from its creation on June 1, 1917, or about that date, to the end of the year 1925, aggregated \$11,170,819.29. Do you recall that testimony?

Mr. WIGGIN. No; but I do not question it.

Mr. PECORA. And out of that sum cash dividends were paid in that period of time aggregating \$4,150,000?

Mr. WIGGIN. That is right.

Mr. PECORA. I suggest that you have before you the record that corresponds to the one that I have.

Mr. WIGGIN. We have a photostat of it here.

Mr. PECORA. What were the net profits, if any, accruing to the Chase Securities Corporation for the year 1926?

Mr. WIGGIN. \$3,652,000.

Mr. PECORA. Can you give the exact amount?

Mr. WIGGIN. \$3,652,824.36.

Mr. PECORA. What cash dividends, if any, were paid to the shareholders?

Mr. WIGGIN. \$1,400,000.

Mr. PECORA. What were the net profits earned by the Chase Securities Corporation for the year 1927?

Mr. WIGGIN. \$3,475,708.39.

Mr. PECORA. What dividends, if any, were paid to the shareholders that year?

Mr. WIGGIN. \$1,600,000.

The CHAIRMAN. What percentage—5 percent or 6 percent?

Mr. WIGGIN. There was no par value of the stock, so it was so much per share.

The CHAIRMAN. How much per share?

Mr. CONBOY. Which year do you refer to, Mr. Chairman?

The CHAIRMAN. 1926 and 1927, both.

Mr. WIGGIN. Just a minute. We will have that for you.

The CHAIRMAN. I can calculate it, but I thought you had it there.

Mr. WIGGIN. There were 7,400,000 shares—

Mr. PECORA. No; not that many shares.

Mr. CONBOY. There were 200,000 shares at the end of 1925. On April 26, 100,000 were added, making 300,000. The dividend for that year was \$1,400,000. So if the whole dividend was paid for the capitalization at 400,000 shares it would be \$3.50 a share; correspondingly if it was less than 400,000.

Now, you want it for 1927?

Mr. PECORA. You have the figures for 1927.

Mr. CONBOY. The chairman's inquiry was what the rate was per share.

Mr. PECORA. Or the rate of dividend. I suggest, Mr. Conboy, you can get that out of your minute book.

Mr. CONBOY. It would be about \$4.40 per share, as indicated by this account.

Mr. PECORA. You probably could get the specific amount out of the minute book or the annual report.

Mr. CONBOY. Yes.

Mr. PECORA. What were the net profits, if any, accruing to the Chase Securities Corporation for the year 1928?

Mr. WIGGIN. \$4,652,498.56.

Mr. PECORA. And what was the amount of cash dividends paid to the shareholders of that corporation for that year?

Mr. WIGGIN. \$2,200,000.

Mr. PECORA. What were the net profits, if any, accruing to the Chase Securities Corporation for the year 1929?

Mr. WIGGIN. \$5,776,083.62.

Mr. PECORA. And what was the amount of the cash dividend paid to the shareholders of that company in that year?

Mr. WIGGIN. \$3,845,000.

Mr. PECORA. What were the net profits, if any, which accrued to the Chase Securities Corporation for the year 1930?

Mr. WIGGIN. The current earnings for that year were \$6,984,244.87.

Mr. PECORA. And what dividends were paid by the corporation during that year, 1930?

Mr. WIGGIN. Dividends were paid of \$6,862,500.

The CHAIRMAN. Do you make any distinction between current earnings and net profits?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. We have been talking heretofore about net profits.

Mr. WIGGIN. Yes. Sometimes the current earnings and the net profits are the same. In this year they were not the same.

The CHAIRMAN. What was the net profit?

Mr. WIGGIN. There was no net profit. There was a reduction of surplus account.

Mr. PECORA. Will you give the details of that, Mr. Wiggin?

Mr. WIGGIN. The details of which, Mr. Pecora? The reduction?

Mr. PECORA. Yes.

Mr. WIGGIN. The surplus account was reduced from 28,388,000 and odd dollars to \$13,594,000.

Mr. PECORA. How was that done? What were the mechanics of it?

Mr. WIGGIN. Do you mean, what was the vote? What was the authority that did it?

Mr. PECORA. No; the mechanics that did it; the operation.

Mr. WIGGIN. I will have to get that for you.

Mr. PECORA. You said there were no net profits for the year 1930 in answer to Senator Fletcher's question.

Mr. WIGGIN. The current earnings were offset by this reduction in surplus account.

Mr. PECORA. That is, a large sum was taken from the surplus account and that sum was large enough to offset what actually were losses that were incurred by the company during the year 1930?

Mr. WIGGIN. Well, they may not have been losses incurred. It may have been a reduction for reserve purposes. The losses may not have occurred, you understand.

Mr. PECORA. Were there any net profits actually earned by the company during the year 1930?

Mr. WIGGIN. Yes, sir. Mr. Hargreaves can do this better than I can, if you will let him do it.

Mr. CONBOY. He can do that, Mr. Pecora, as soon as he has finished this present job that he has for you over there.

Mr. PECORA. All right.

Mr. CONBOY. Because a net profit was reported that year.

Mr. PECORA. I know a net profit was reported, but now we want to make an analysis. Whether or not it was a net profit as that term is ordinarily understood.

Mr. CONBOY. That is precisely why we need Mr. Hargreaves, and we can give you that information as soon as he is available.

Mr. PECORA. Were there any net profits earned by the Chase Securities Corporation for the year 1931?

Mr. WIGGIN. The earnings were \$3,233,757.57. The dividend was \$1,850,000, and I understand that the excess over the dividends was applied on the inventory account.

Mr. PECORA. That is, toward the revaluation of assets?

Mr. WIGGIN. Yes.

Mr. PECORA. By that you mean marking them down to the market value?

Mr. WIGGIN. Marking them down; yes, sir.

Mr. PECORA. Was this figure of \$3,233,757.57, which you stated to be the net profits for the year 1931, actually an earned net profit?

Mr. WIGGIN. I have got to get the treasurer of the company to give me this. He is still working on that other matter, Mr. Pecora.

Mr. CONBOY. Do you want to know whether that was actually earned that year?

Mr. PECORA. Yes. Or if it was created in whole or in part by transferring funds to reserves, and so forth.

Mr. CONBOY. All right, Mr. Pecora. That is something that we will have to get for you.

Mr. PECORA. What were the net profits, if any, accruing to the Chase Securities Corporation for the year 1932?

Mr. WIGGIN. \$1,728,286.56, which were all used to reduce the surplus account.

Mr. PECORA. For the revaluation of assets in the portfolio?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was that sum of \$1,728,000-odd actually an earned net profit?

Mr. CONBOY. Do you want the same information for 1932 that you asked for 1931?

Mr. PECORA. Yes; that I asked for the 2 preceding years. And that you cannot give us at this time, Mr. Wiggin?

Mr. WIGGIN. No.

Mr. PECORA. That will be looked after by Mr. Hargreaves?

Mr. WIGGIN. Yes.

The CHAIRMAN. I understand there was no dividend in 1932?

Mr. WIGGIN. No dividend whatsoever.

Mr. CONBOY. None in 1932.

Mr. PECORA. What were the net profits, if any, accruing to the corporation for the first 6 months of the current year?

Mr. WIGGIN. Of 1933?

Mr. PECORA. Yes, sir.

Mr. WIGGIN. Do you want me to answer on that? You see, I have not been an officer of the Chase Securities Corporation during all that period.

Mr. PECORA. You mean you do not know?

Mr. WIGGIN. I do not know. But I can get it in this same way, of course. But it is nothing that I know.

Mr. PECORA. We will get that, then, from one of the executive officers who has functioned during the present year.

Mr. Wiggin, I show you typewritten sheet entitled "The Chase Corporation, formerly Chase Securities Corporation. Capital, profits, reserves for losses, etc., and dividends paid June 1, 1917, to June 30, 1933." I believe a photostatic copy of this typewritten statement has been used by you in answering questions with relation to the capital, profits, and reserves and dividends; answers that you have been making in the last hour or two. Will you kindly look at it and tell us if the facts and figures shown thereon are correct to your best knowledge?

Mr. CONBOY. It is the same thing from which he has testified. Whether there are any inaccuracies in this I do not know. That is what Mr. Hargreaves is going to tell you at 2 o'clock.

Mr. PECORA. I am asking Mr. Wiggin if they are correct to your best knowledge?

Mr. WIGGIN. Yes.

Mr. PECORA. I offer that in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and placed in the record.

(Statement headed "The Chase Corporation, formerly Chase Securities Corporation. Capital, profits, reserves for losses, etc., and dividends paid June 1, 1917, to June 30, 1933", was received in evidence, marked "Committee Exhibit 8 of Oct. 18, 1933", and is printed in the record in full on page 2388.)

## COMMITTEE EXHIBIT 8 OF OCTOBER 18, 1933

The Chase Corporation, formerly Chase Securities Corporation, capital, profits, reserves for losses, etc., and dividends paid June 1, 1917, to June 30, 1933

Chase Securities Corporation stock exchanged for stock of—	Date	Capital, including amounts allocated to surplus				Stock dividend	Year's net profits	Reserves provided for losses			Cash dividends paid
		Shares	Cash	Stated value	Total capital, not including stock dividend			From capital	From profits	Total	
	June 1, 1917	100,000.00	\$2,500,000.00		\$2,500,000.00						
	June 1, 1918						\$164,262.13				
	June 1, 1919						739,978.49				
	Jan. 21, 1920	50,000.00	7,500,000.00		7,500,000.00		686,840.28				\$300,000.00
	Nov. 22, 1921	50,000.00	1,250,000.00		1,250,000.00		1,745,089.76	\$1,000,000.00		\$1,000,000.00	650,000.00
	Nov. 22, 1922						1,803,791.59				800,000.00
	Nov. 22, 1923						1,606,105.14				800,000.00
	Nov. 22, 1924						1,674,329.94				800,000.00
	Nov. 22, 1925						2,850,421.96				800,000.00
		200,000.00	11,250,000.00		11,250,000.00		11,170,819.29	1,000,000.00		1,000,000.00	4,150,000.00
Mechanics Securities Corporation	Apr. 12, 1928	100,000.00	500,000.00		500,000.00						
do	do	100,000.00		\$500,000.00	500,000.00		3,652,824.36				1,400,000.00
Mutual Consolidation Corporation	Dec. 27, 1927	7,000.00		175,000.00	175,000.00						
do	do	81,400.00	6,105,000.00		6,105,000.00						
do	do	11,600.00	870,000.00		870,000.00		3,475,708.39				1,600,000.00
Garfield National Corporation	July 2, 1928	100,000.00	10,000,000.00		10,000,000.00		4,652,498.56				2,200,000.00
do	Feb. 19, 1929	10,000.00		750,000.00	750,000.00						
		610,000.00									
On July 1, 1929, Chase Securities Corporation stock was split 5 for 1, increasing the shares outstanding to		3,050,000.00									
American Express Co.	July 3, 1929	762,500.00	38,125,000.00		38,125,000.00						
do	do	187,500.00		12,589,400.66	12,589,400.66						
Park Banc Corporation	Aug. 24, 1929	750,000.00		7,653,731.99	7,653,731.99						
do	Aug. 23, 1929	500,000.00				\$2,500,000.00	5,776,083.62	1,834,447.33		1,834,447.33	3,845,000.00

The Equitable Corporation	May 31, 1930	2,000,000.00	25,000,000.00	25,000,000.00						
Interstate Corporation	do	115,019.20	359,435.00	359,435.00						
	do	84,980.80	1,493,735.00	1,493,735.00	6,984,244.87	17,536,905.32	\$2,065,733.57	19,602,638.89	6,862,500.00	
	May 31, 1931				3,233,757.57	37,073,919.34	14,908,393.67	51,987,313.01	1,850,000.00	
	May 31, 1932				1,728,286.56	2,921,080.66	1,792,595.98	4,713,676.64		
	To				407,732.97	41,000,000.00		41,000,000.00		
	June 30, 1933									
		7,400,000.00	57,093,735.00	47,027,567.65	104,121,352.65	2,500,000.00	29,911,136.90	100,371,352.65	18,766,723.22	119,138,075.87
Total		7,400,000.00	58,343,735.00	47,027,567.65	115,371,352.65	2,500,000.00	41,081,956.19	101,371,352.65	18,766,723.22	120,338,075.87
										21,907,500.00

Total capital, not including stock dividend	\$115,371,352.65
Add net earnings to June 30, 1933	41,081,956.19
Total capital and net earnings	156,453,308.84
Of which there was paid in dividends	\$21,907,500.00
Reserves set up	120,138,075.87
Capital and surplus, June 30, 1933	14,407,732.97

The CHAIRMAN. The committee will now take a recess until 2 o'clock. The subcommittee will meet in executive session.

(Thereupon, at 12:40 p.m. an adjournment was taken until 2 p.m. the same day, Wednesday, Oct. 18, 1933.)

AFTERNOON SESSION

(Upon the expiration of the noon recess the hearing was resumed at 2 p.m.)

The CHAIRMAN. The committee will come to order, please. I might state for the record that the committee held an executive session and heard the statements regarding the question propounded yesterday to Mr. Wiggin respecting rescue loans, and after hearing all the statements decided that no public interest would be served by pressing the question, and we decided for the present at least not to insist on the answer.

I do not mean to say that information was not furnished the committee. The committee heard all the statements and got all the facts that could be developed by the question, and they understand what the facts are, but they feel that it is not in the public interest and nothing would be gained by spreading those facts on the record.

TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, have you available to you now copy of the report made to the stockholders or shareholders of the Chase National Bank and of the Chase Securities Corporation for the year 1930?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you turn to page 18 of that report?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. On the last paragraph of that page the following statement is made, referring to the Chase Securities Corporation:

The net profits of the corporation from December 31, 1929, to December 31, 1930, including net profits of the Equitable Corporation and the Interstate Corporation, for the year were \$6,989,627.60.

With reference to that particular statement, Mr. Wiggin, will you tell this committee whether or not there actually was a net earned profit.

Mr. WIGGIN. There was a net earned profit out of that year's business of that money. The company also at that time reduced its surplus, because they wanted to get the securities already held in the account down to nearer market value, and you will notice if you follow through on that, Mr. Pecora, that on the next page it makes the statement that the surplus and undivided profits as of December 31, 1930, aggregated \$13,594,000.

Mr. PECORA. In the paragraph to which you have just referred and which is contained on page 19 of that report the complete statement is as follows:

The corporation owns and carries over 97 percent of the capital stock of the American Express Co. and all of the stock of the Harris Forbes Cos., and the reserves of the corporation are sufficient to mark down the other assets of the corporation to market prices as of the close of business December 31, 1930. The surplus and undivided profits as of December 31, 1930, aggregated \$13,594,328.25.

Now let me ask you, how much of the reserves were allocated for the purpose of marking down or revaluing the assets in the portfolio of the company as of December 31, 1930?

Mr. WIGGIN. It is impossible for me to answer that from any information I have in hand. I will do my best to get it.

Mr. PECORA. Well, from what account were those reserves taken?

Mr. CONBOY (after a pause). We are getting the information for you.

(Mr. Wiggin conferred with associates.)

Mr. PECORA. I would suggest, Mr. Wiggin, in order to enable you to answer these questions, to refer to the photostat reproduction which you have of the tabulated statement that was offered in evidence just before the recess today and which I understand has been checked up by the bank and found to be correct.

Mr. WIGGIN (after examining documents and conferring with associates). Mr. Pecora, the amount transferred from surplus was \$17,536,905, and the amount transferred from the profit account was \$2,065,733.

Mr. PECORA. So that a total of \$19,602,638 all told was transferred from the capital funds of the company in order to provide a reserve for losses?

Mr. WIGGIN. From the surplus and profits to the reserves and write-downs.

Mr. PECORA. Yes; and write-downs due to depreciation in the value of securities in the portfolio of the company at the end of the year?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was there any statement about that embodied anywhere in the annual report to the shareholders for the year 1930?

Mr. WIGGIN. I think all that was embodied was the statement of what the surplus and profits were on page 19 that you just read.

Mr. PECORA. Yes. Now, there is nothing there which serves to inform a shareholder that, although the net profits for the year were \$6,984,244.87, sums aggregating nineteen million six hundred and odd thousand dollars were taken out of capital funds, such as surplus and undivided profits, and set up as a reserve to absorb losses or depreciation in the value of securities in the portfolio?

Mr. WIGGIN. Except by comparing this surplus and profit, as stated here, with the previous surplus and profit.

Senator COUZENS. In other words, you mean a stockholder would have to go back and get the previous year's report and compare it before he could discover that?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. The simpler way would have been to have given the stockholder the information, just as you have given it here, would it not?

Mr. WIGGIN. Perhaps so.

Mr. PECORA. Was there any reason why the shareholders were not enlightened in that way?

Mr. WIGGIN. Not that I know of.

Mr. PECORA. Such information would have given the shareholder a more complete and more comprehensive picture of the company's condition, would it not?

Mr. WIGGIN. Perhaps so.

Mr. PECORA. Is there any doubt about it in your mind?

Mr. WIGGIN. The figures are complete showing what there was.

Mr. PECORA. There are no figures at all showing what reserve was set up against losses and depreciation for the year 1930 in this annual report, are there?

Mr. WIGGIN. It does not show the change; it simply shows what there was, and expecting the stockholder to compare it with the previous figures.

Senator COUZENS. Let us assume that it was a new stockholder. He would not have the previous report. He would not have any way to compare it.

Mr. WIGGIN. Yes; but he would not be interested in this.

Mr. PECORA. Would it not be interesting to him to know the course of the company's business in the year 1930?

Mr. WIGGIN. Possibly. The figures are there.

Mr. PECORA. Well, you say all the figures are there. That is not literally the fact, is it?

Mr. WIGGIN. The shrinkage is not there, but if they compare with previous years it is.

Mr. PECORA. The shrinkage is nowhere stated in this annual report for 1930, is it?

Mr. WIGGIN. I do not think it is.

Mr. PECORA. And the amount of reserves set up to provide for that shrinkage is nowhere stated in the annual report for the year 1930, is it?

Mr. WIGGIN. I do not think so.

Mr. PECORA. Who prepared this report?

Mr. WIGGIN. It was prepared by the Chase Securities for me on the figures.

Senator COUZENS. Do I understand, Mr. Wiggin, that these net profits of \$6,984,000 plus were before or after you charged off these reserves?

Mr. WIGGIN. Before.

Senator COUZENS. So in effect there was a substantial loss instead of a profit, if you took into account your shrinkages?

Mr. WIGGIN. Yes, Senator; except that the loss was not out of the current year of business.

Senator COUZENS. No; I understand that.

Mr. WIGGIN. Yes; and the losses, you understand, had not been sustained. It was just a market value that had changed. They had not taken the losses.

Senator COUZENS. So there were no losses at all, or just contemplated losses?

Mr. WIGGIN. I do not know whether there had been any losses taken or not. I will have to find that out.

Senator COUZENS. I think that is important, because I can comprehend the difference between a contemplated loss and actual loss.

Mr. WIGGIN. Senator, I can answer that question. Any actual loss would be taken out before the earnings showed.

Senator COUZENS. So that whatever actual loss you had was taken out before you reported the six million-plus earnings?

Mr. WIGGIN. Correct. So that the only loss covered by this was a possible loss, not a realized loss.

Mr. PECORA. Well, it was the loss that would have been sustained had there been liquidation at the end of that year.

Mr. WIGGIN. At that time, yes, sir.

Mr. PECORA. Have you before you a copy of the report to the shareholders of the Chase National Bank and of the Chase Securities Corporation made by you as chairman of the governing board, for the year 1931?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you turn to page 15 of that report?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. There is included on that page of the report the following statement:

The corporation is a holding company for various affiliates and has also a general portfolio of its own. It owns and carries at cost on the annexed balance sheet approximately 98 percent of the stock of the American Express Co. and all of the stock, except directors' shares, of the new Equitable Trust Co., formed at the time of the merger of the Chase National Bank and The Equitable Trust Co. of New York, to perpetuate the name and to conduct a general trust business. It also owns all of the stock of Chase Harris Forbes Cos., which it carries on the balance sheet at cost less the amount of all known losses and portfolio market declines of that company since the date of acquisition in August 1930.

As to the other assets of the corporation which comprise its general portfolio, it has been thought advisable, in spite of the abnormally low prices which prevail in the security markets, to mark them down to market prices as of December 31, 1931, and to write off all losses, including all obligations under syndicate operations. To provide for this a proposal to reduce the stated capital of the corporation is submitted to the stockholders. Upon the approval of the stockholders the capital of the corporation, as shown in the annexed balance sheet, will be \$40,000,000 and the surplus and profits \$18,000,000, with reserves for taxes and contingencies of \$2,479,748.74.

Income of the corporation in excess of \$1,850,000 dividend paid has been applied toward the reduction of cost of inventory.

Now, as a matter of fact, Mr. Wiggin, did not the Chase Securities Corporation take out of its capital funds and undivided profits sums aggregating \$51,987,313.01 as a reserve against losses and depreciation of the securities in its portfolio as of the close of the year 1931?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That amount of fifty-one million nine hundred thousand and odd dollars was made up by the allocation of \$37,078,919.34 from the capital surplus and \$14,908,393.67 from the undivided-profits account.

Mr. WIGGIN. Correct.

Mr. PECORA. Was there any statement embodied anywhere in the report for the year 1931, which you caused to be issued to the shareholders, of that fact?

Mr. CONBOY. You mean in addition to what you have read from the report for 1931?

Mr. PECORA. You can consider it that way.

Mr. WIGGIN. I do not know whether there was any other notice sent out. They are unable to find the notice of the stockholders' meeting, that might have said something on the subject, but this statement, of course, is like the other one we have discussed. It shows just what we had left after the change.

Mr. PECORA. Is there any reason why that detailed information was not embodied in the annual report to the shareholders for the year 1931?

Mr. WIGGIN. Not that I know of.

Mr. PECORA. In order to give such shareholders a complete picture of the operations and financial condition of the corporation, such a statement would have been necessary, would it not?

Mr. WIGGIN. No; I do not think so. This showed just what they had left. There was nothing there except what is plain reading. They had so much left.

Mr. PECORA. How could a shareholder, from the reading of that report, learn that during the year, or at the end of the year, reserves from capital funds amounting to nearly \$52,000,000 had been set up as reserves for losses and depreciation of securities in the portfolio?

Mr. WIGGIN. By comparison.

Mr. PECORA. What is that?

Mr. WIGGIN. By comparison.

Mr. PECORA. How would you have made the comparison?

Mr. WIGGIN. Taken the last year's figures and compared them.

Mr. PECORA. Suppose you take the report for the last year and see if you can arrive at it by a comparison with the report for the year 1931. Just sit down and try to do it yourself.

Mr. CONBOY. You want him to remain seated?

Mr. PECORA. I suggest that Mr. Wiggin himself do that without the aid of any expert accountant, because I take it the average shareholder is not calling in an expert accountant to enable him to analyze the report.

Mr. WIGGIN. I am trying to save some time, that is all. The statement of December 31, 1930, shows the capital surplus and profits account at \$108,594,000.

Mr. PECORA. What page are you reading from?

Mr. WIGGIN. In the back part of the book, Mr. Pecora, next to the last.

Mr. PECORA. It shows capital surplus and profits of \$108,594,000; yes.

Mr. WIGGIN. And the statement of the following year, December 31, 1931, shows capital surplus and profits account of \$58,000,000.

Mr. PECORA. What is the difference?

Mr. WIGGIN. \$50,594,000.

Mr. PECORA. The actual reserve was fifty-one million nine hundred and eighty-seven thousand and odd dollars, was it not—the reserve for the year 1931?

Mr. WIGGIN. Yes, sir. Probably the balance was out of earnings.

Mr. PECORA. What is that?

Mr. WIGGIN. I assume the balance came out of the earnings.

Mr. PECORA. Are the earnings set forth in the 1931 report?

Mr. WIGGIN. I will have to look. [After examining document:] All it says on that is that the income in excess of the \$1,850,000 dividend has been applied to reduction of cost of inventory. It does not say how much.

Mr. PECORA. Which would not have enabled any shareholder, by a comparison or analysis of the two reports for the years 1930 and 1931, respectively, to have ascertained exactly what sum was set up

as reserves against losses and depreciation at the end of the year 1931, would it?

Mr. WIGGIN. No; not easily. They would have to get the two figures together.

Mr. PECORA. So that even a certified public accountant, by an analysis of the two reports, could not have reached that figure of fifty-one million nine hundred and eighty-seven thousand and odd dollars?

Mr. WIGGIN. There is no other way to reach it. If you have a difference, the other must have come out of earnings, Mr. Pecora. There was not any other place it could come from.

Mr. PECORA. Now, refer again to your photostatic copy of the tabulation marked in evidence just before recess today as committee exhibit no. 8.

Mr. CONBOY. Just in that connection, you have the same heading there, that was changed yesterday—"from capital", when what it really means is from surplus, as distinguished from capital as capital.

Mr. PECORA. Yes; capital funds.

Mr. CONBOY. It really means surplus.

Mr. PECORA. Yes; but surplus is part of the capital funds. We will consider the word "capital" as referring to surplus.

Mr. CONBOY. It might be misleading if it were not so understood.

Mr. PECORA. That is why we put it on the record now.

According to this tabulation shown on exhibit 8, were any reserves provided out of capital funds, such as surplus and undivided profits, at the end of the year 1932 as a reserve for losses or depreciation in value of securities in the portfolio?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What amount?

Mr. WIGGIN. \$4,713,676 total; \$2,921,000 from surplus and \$1,792,000 from profit account.

Mr. PECORA. Is that aggregate reserve made up by the allocation of \$2,921,080.66 from the surplus, and \$1,792,595.98 from the undivided profits?

Mr. WIGGIN. I so understand.

Mr. PECORA. Was there any statement of that embodied in the annual report issued to the shareholders of the bank and the Chase Securities Corporation for the year 1932?

Mr. WIGGIN. Shall I read from the report the only part I find that connects with that?

The CHAIRMAN. Yes. Just state what the report says.

Mr. PECORA. State the page on which it appears.

Mr. WIGGIN. Page 15, in the middle of the page [reading]:

Income of the corporation, after expenses, has been applied toward the reduction of the corporation's portfolio value or added to reserves.

Mr. PECORA. That is the only statement you can point to in the report for the year 1932 that would serve to give the shareholder the information concerning the amount of the reserve set up against losses or depreciation?

Mr. WIGGIN. The last paragraph in that section, over on the next page, reads as follows [reading]:

The suggested par value of \$5 per share for the authorized 7,400,000 shares of the corporation's stock will constitute the capital of the corporation.

\$37,000,000, instead of the present capital of \$40,000,000. The difference of \$3,000,000 will be added to the corporation's reserves. Upon the approval of the stockholders of this proposal, the capital of the corporation as shown on the annexed balance sheet will be \$37,000,000 and the surplus and profits \$18,000,000 with reserves for taxes and contingencies of \$3,874,890.41.

Mr. PECORA. Do you regard that as giving the shareholder complete information with regard to those reserves?

Mr. WIGGIN. I think so.

Mr. PECORA. You say you think so?

Mr. WIGGIN. I think so. I think it might have been more clearly expressed, but I think it is all there.

Mr. PECORA. Would the shareholder, in order to gather all this information, have to make comparisons with the report for the preceding year?

Mr. WIGGIN. I do not think so. I think it is all there.

Mr. PECORA. Where is there, in anything you have read, or anything else you can refer us to in that annual report of 1932, anything which tells the shareholder that total reserves of four million seven hundred thirteen thousand and odd dollars have been set up as a reserve out of capital funds, consisting of surplus and undivided profits, as a reserve against losses or depreciation?

Mr. WIGGIN. It does not tell him that amount has been set up, but it shows him what is left.

Mr. PECORA. Will you be good enough, Mr. Wiggin, to turn to the printed copy of the annual report to the shareholders for the year 1932, the third from the last page thereof, entitled "Statement of the condition of Chase Securities Corporation, including the Equitable Corporation of New York and Interstate Corporation, at close of business December 31, 1932." Do you have that?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you find an item under the caption of "Resources", entitled "Securities and investments, \$91,340,996.56"?

Mr. CONBOY. You have not read the entire caption, have you?

Mr. PECORA. It is small print. I will read the rest of the caption. After the statement "at the close of business December 31, 1932," appears the following:

Giving effect to change of shares from no par value to \$5 par value, to be voted on at stockholders' meeting January 10, 1933.

In other words, it seems to me, now that you have called my attention to that part of the caption, that in the annual report for 1932 they were presenting figures based upon something that was expected the stockholders would do some time in January 1933, which I think might be regarded as not forming part of the report of the operations for the year 1932.

Mr. CONBOY. That is not a question, is it?

Mr. PECORA. It is an observation that the witness may reply to if he differs with it.

Mr. CONBOY. You do not want us to reply to your observations, do you? You want us to answer your questions.

Mr. PECORA. I hope to get the answers. I will not press the question last addressed to the witness, but I will ask him this—

Mr. WIGGIN. What is the last question?

Mr. PECORA. I am going to withdraw it.

Mr. WIGGIN. Is there any question that I have not answered?

Mr. PECORA. Yes; the one about the \$91,000,000 item; but ignore that for the time being, and let me ask you this—

Mr. WIGGIN. I did not understand that it was a question.

Mr. PECORA. Let me ask you this question now. On this page of the printed report to the shareholders for the year 1932 that I have already called attention to, the inscription that forms the last part of the caption reads as follows:

Giving effect to change of shares from no par value to \$5 par value to be voted on at stockholders' meeting January 10, 1933.

Now, let me ask you this: At the time this report was issued by you to the shareholders it purported to relate the operations of the company for the calendar year 1932, did it not?

Mr. WIGGIN. It was a report of the year's business; yes, sir.

Mr. PECORA. For the calendar year ending on December 31, 1932?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Why was there included in the report for that year this statement of the condition of Chase Securities Corporation at the close of business December 31, 1932, which gave effect to changes of shares from no par value to \$5 par value, that had not yet been made?

Mr. WIGGIN. It seems to me to be the most direct picture they could have given, to give those figures. This report was not given out until the stockholders' meeting and with that plan already in preparation; and it seems to me it is a much more correct picture than anything else that could be given.

Mr. PECORA. Were you anticipating that the stockholders would, on January 10, 1933, take certain action?

Mr. WIGGIN. It was presented January 10.

Mr. PECORA. This report was presented to the meeting of the shareholders on January 10, 1933?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Hence, it was already set up, printed, distributed—

Mr. WIGGIN. Not distributed; no, sir.

Mr. PECORA. It was already set up and printed in the form in which it now appears?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When you set up this statement of the condition of Chase Securities Corporation, in your annual report for the year 1932, in the form in which it appears, did you know when you prepared the report or caused it to be prepared, what action the stockholders were going to take with regard to establishing the par value of the shares at \$5?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How did you know it?

Mr. WIGGIN. The proxies were already received for the meeting.

Mr. BISBEE. It was the same day.

Mr. WIGGIN. I gave this out the day of the meeting.

Mr. PECORA. What was the purpose of this establishment of a par value of \$5 for capital shares which previously had no par value?

Mr. WIGGIN. May I read a paragraph from the report that I think will answer that question?

The CHAIRMAN. Yes. Read it, Mr. Wiggin.

Mr. WIGGIN (reading) :

In order that the stockholders of Chase National Bank and Chase Securities Corporation may not be unduly handicapped in comparison with other similar institutions in the payment of State and Federal stock-transfer taxes, it is proposed to the stockholders that shares of the stock of the corporation of no par value be changed into shares with a par value of \$5 per share, the even dollar amount nearest to the present per share capital of the corporation.

This will at present, under existing laws, reduce State and Federal stock transfer taxes in the State of New York from \$9.80 per hundred shares to \$2.20 per hundred shares for stock of the Chase National Bank and Chase Securities Corporation.

Mr. PECORA. You read that from page 15 of this annual report for the year 1932, did you not?

Mr. WIGGIN. Yes.

Mr. PECORA. Was that the sole purpose of effecting this change in the capital structure?

Mr. WIGGIN. So far as I know.

Mr. PECORA. By any chance was it done in order to reduce the capital of the corporation and, to the extent of such reduction, provide additional funds for surplus that could be drawn upon as reserve for losses?

Mr. WIGGIN. I do not think so.

Mr. PECORA. That could have followed as a consequence, could it not?

Mr. WIGGIN. It was not necessary.

Mr. PECORA. But it could have followed as a consequence of the establishment of a par value of \$5 for the shares?

Mr. WIGGIN. You mean, it increased the surplus?

Mr. PECORA. Yes.

Mr. WIGGIN. It did certainly increase the surplus.

Mr. PECORA. And from the increased surplus additional funds were available as a reserve for losses and depreciation of securities?

Mr. WIGGIN. Yes. But this action was not necessary to do that.

Mr. PECORA. Was it not done partly to provide additional surplus funds?

Mr. WIGGIN. I do not think so; no.

Mr. PECORA. But that was the effect? Whether it was the intent or not, that was an effect?

Mr. WIGGIN. They could reduce the capital without a par value, probably.

Mr. PECORA. I say, one of the effects, or an effect of what was done, was to have brought about a change in the capital structure that provided additional funds for a surplus from which reserves could be taken as a set-off against loss and depreciation?

Mr. WIGGIN. I agree with you that it reduced capital and increased surplus.

Mr. PECORA. During the following year, or, rather, the first 6 months of the ensuing year, which would take us to June 30 of this year, were not reserves aggregating \$41,000,000 provided out of capital funds, such as surplus and undivided profits, as a set-off against losses and depreciation?

Mr. WIGGIN. You appreciate that you are now beyond my term as an officer in Chase Securities?

Mr. PECORA. Are you still a director of the bank?

Mr. WIGGIN. No, sir.

Mr. PECORA. You are still carried on its pay roll at the rate of \$100,000 a year to give counsel to the bank, are you not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know nothing at all about the circumstances under which this reserve of \$41,000,000 was set up out of capital funds on June 30 of this year?

Mr. WIGGIN. I have not been consulted on it at all, sir. I can only state from looking at some figures that somebody furnishes me.

The CHAIRMAN. Do you know whether the records show that?

Mr. WIGGIN. I assume so. The record is right here in front of us.

Mr. PECORA. This figure is taken from exhibit 8, Mr. Chairman, which is in evidence, and it was conceded before it was put in evidence that it had been checked up by the authorities of the bank and found to be correct.

Mr. CONBOY. I do not think there is any dispute about it, Mr. Pecora.

The CHAIRMAN. Let him say so, then.

Mr. BISBEE. It speaks for itself.

Senator COUZENS. I object to these counsel interrupting and making speeches and injecting things into the record when we are examining the witness. I cannot follow the testimony with that going on.

Mr. CONBOY. I trust that I am not an offender in that regard.

Mr. BISBEE. I was endeavoring to be helpful.

The CHAIRMAN. Certainly this question the witness can answer without any assistance. Was that change actually made, changing the par value of the stock?

Mr. WIGGIN. Yes, sir.

Mr. ALDRICH. Don't you think, if you are going to examine on something that happened after Mr. Wiggin was an officer, you had better examine me?

Mr. PECORA. Well, while Mr. Wiggin is on the stand, in view of the fact that he is still carried on the pay roll of the bank to render service to it, at a very substantial annual salary, I do not see any objection to finding out from this witness just what he knows, if anything, about these things.

Mr. ALDRICH. He has already stated that he does not know anything about them.

Mr. PECORA. Let me ask you, Mr. Wiggin, if it is not a fact, to your knowledge, that the reason for setting up reserves aggregating \$41,000,000 on June 30 of this year against losses and depreciation in security value was because of transactions of the Chase Securities Corporation that had been consummated prior to the time that you withdrew from active participation in its affairs?

Mr. WIGGIN. I think so. I think that that mark-down was from previous investments.

Mr. PECORA. The setting up of the reserve at the end of the year 1932, of four million seven hundred thirteen thousand and odd dollars was done while you were the executive head?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were securities values as of the end of December 1932, generally speaking, higher or lower than the market values of those securities as of June 30, 1933?

Mr. WIGGIN. I do not know. It is not a question of what general securities were; it is what particular securities that this company had.

Mr. PECORA. With regard to the securities now held in the portfolio of the Chase Securities Co. at the end of the year 1932?

Mr. WIGGIN. I do not know. I would have to look it up.

Mr. PECORA. What would you say to that on the basis of your general knowledge of the general trend of market values of securities between December 31, 1932 and June 30, 1933?

Mr. WIGGIN. I should suppose they were lower in July than they were in December, but I do not know.

Mr. PECORA. Lower at the end of June last than they were at the end of December last?

Mr. WIGGIN. I would have to look and see just what securities they had. It does not make any difference what other securities were; it is what these securities were.

Mr. PECORA. Let us go back to that page of the annual report for the year 1932 entitled "Statement of the Condition of Chase Securities Co. at close of business December 31, 1932", and let me again draw your attention to the item appearing on that page under the caption of "Resources."

Securities and investments, \$91,340,996.56.

Have you got that before you?

Mr. WIGGIN. Yes.

Mr. PECORA. To what did that item refer?

Mr. WIGGIN. The various securities carried by the company.

Mr. PECORA. That is, it represented an aggregate market value as of that date?

Mr. WIGGIN. No, sir; it represented the inventory value of that date.

Mr. PECORA. What difference was there between inventory value and market value?

Mr. WIGGIN. I do not know. I do not know that there was any market for a great many of the securities.

Mr. PECORA. From what bases were inventory values determined in making up the inventory statement for the end of that year of the securities in the portfolio if it was not made up entirely from market value?

Mr. WIGGIN. On securities that have a market value, market value is the fair value to take. On securities that have no market value, the fair valuation is the fair value to take.

Mr. PECORA. The fair valuation in whose judgment?

Mr. WIGGIN. I do not know who is the actual referee of those things.

Mr. PECORA. Who did actually act in preparing the inventory statement of the corporation at the end of last year?

Mr. WIGGIN. The officers of the company.

Mr. PECORA. Was your own judgment included?

Mr. WIGGIN. I suppose so; I don't remember, but I assume I was consulted.

Mr. PECORA. You mean that you do not recollect whether you took part in determining the inventory value of securities in the

portfolio of your company as of December 31, 1932, where those securities consisted of inactive securities?

Mr. WIGGIN. I do not recall, but I presume I was consulted on the valuation of the American Express stock, which was a big item.

Mr. PECORA. How many shares of capital stock of the American Express Co. were included in this item of ninety-one million three hundred and forty-odd thousand dollars.

Mr. WIGGIN. 176,996 shares.

Mr. PECORA. And what value was ascribed to them as of December 31, 1932, for purposes of this annual report?

Mr. WIGGIN. \$40,031,677.

Mr. PECORA. And 85 cents?

Mr. WIGGIN. And 85 cents.

Senator COUZENS. Was that based on the market value?

Mr. WIGGIN. There was not any market value. We owned them all.

Senator COUZENS. That is what I would like to have you describe.

Mr. PECORA. I was coming to that.

Senator COUZENS. I would like to have you describe what you mean by fair value. In answer to a question of Mr. Pecora you said that in case of a market value, you took market value, and in case of no market value, you took fair value.

Mr. WIGGIN. This was taken at cost which we thought was the fair price.

Senator COUZENS. What made you think that cost was the fair price at that time? Was it based on a trial balance or earning capacity, or what?

Mr. WIGGIN. Based on the balance sheet and earning capacity. It is a company that has earned its dividend right through this whole depression.

Senator COUZENS. While we are on this question, if Mr. Pecora does not mind, I would like to have a better definition than just that as to how you arrive at fair value. Take, for instance, the clearing-house report of June 29, 1932. I see that there are \$20,772,740 worth of Fox Film debentures. Did they have a market value?

Mr. WIGGIN. I do not think so.

Senator COUZENS. How would you arrive at a fair value of those?

Mr. WIGGIN. They are undoubtedly good bonds, and you would fix it on what you think is a fair price on a bond that will pay at that particular maturity, but a bond without any market value.

Senator COUZENS. Also \$6,000,000 of Fox Film loans. How would you fix the value of those?

Mr. WIGGIN. In the same way.

Senator COUZENS. They were good, were they?

Mr. WIGGIN. They were good.

Senator COUZENS. And you also had \$10,700,000 of General Theater Equipment loans. Were they good?

Mr. WIGGIN. They had a market value, didn't they?

Senator COUZENS. They did have a market value.

Mr. ALDRICH. May I answer that question; because that affects the bank today? Those Fox loans and General Theatres loans have all been written off now to a point where the securities, which we now hold at market, are a greater value than the amount that we carry on loans on our books.

Senator COUZENS. I was reading from a report made prior to your going into it.

Mr. ALDRICH. That affects our position today; but I would like to state right now that those obligations—and I will explain it later on when I come to be examined—have been written off to a point at the market where a number of them have been converted into things that more than cover the amount of write-off.

Senator COUZENS. Were those write-offs included in the forty million odd?

Mr. ALDRICH. They are not in the Chase Securities Co. at all; they are in the bank.

The CHAIRMAN. What was the write-off? Do you remember?

Mr. ALDRICH. I prefer to wait and give you that in detail, Senator.

Senator COUZENS. All I want, and was trying to get, is what you Wall Street men use as a yardstick for arriving at fair valuation.

Mr. PECORA. That is, where there is no market value.

Senator COUZENS. Yes.

Mr. ALDRICH. The point I am trying to make is that those Fox obligations had been written off or reserved against until they had reached the point where the market value of the obligations which we now hold is greater than the amount we have written off.

Senator COUZENS. I want to advert to the criticism that has evidently been directed by Mr. Pecora: The fact that these statements that are rendered to the stockholders do not actually show a fair representation of the condition during the period over which the reports are made. Mr. Wiggin seemed to be quite satisfied that all the stockholder's interest was how much he had left; and that reminds me of the old-fashioned single-entry bookkeeping, when a merchant or a manufacturer or what not wound up his year's business by figuring how much more he had at that time than he did the year before, and that was all he was interested in. I thought we had developed our science of bookkeeping and accounting since then so that the stockholder had a greater interest than just simply knowing what he had left. But I was interested to know that Mr. Wiggin was still old-fashioned enough to believe that that was all the interest that the stockholder had.

Mr. ALDRICH. Senator, you understand the only thing I have in mind is that I am interested in not having any false impression get abroad as to the condition of the bank today.

Senator COUZENS. Oh, I am not trying to embarrass the Chase National Bank at this moment. I am trying to arrive at the methods employed up to the time we were making this examination.

Mr. ALDRICH. I understand that.

Senator COUZENS. I am informed unofficially and not on the record that the bank is run differently now than it was prior to January 1, 1933.

Mr. ALDRICH. I only interjected for the reason that I wanted to explain it.

Mr. PECORA. Mr. Wiggin, going back to this item of ninety-one million three hundred and forty thousand and odd dollars embodied in the statement of the condition of the Chase Securities Corporation as of December 31, 1932, you say there was included in that item of securities and investments carried at that 91-million-dollar figure

176,996 shares of the capital stock of the American Express Co., which were carried at an inventory value of \$40,031,677.85, which inventory value corresponded to the cost.

Mr. CONBOY. Would you mind if we have that question read?

Mr. PECORA. I was merely bringing Mr. Wiggin's attention back to that particular item. It was not a question. I was merely bringing his attention back to that particular item because I am now going to question him more in detail.

Mr. WIGGIN. Mr. Pecora, at the top of page 15 of the report, the report distinctly states as follows:

Chase Securities Corporation owns, and carries at cost on the annexed balance sheet, in excess of 98 percent of the stock of the American Express Co. and also all of the stock, except directors' shares, of the Equitable Trust Co., formed at the time of the merger of the Chase National Bank and the Equitable Trust Co. of New York to perpetuate the Equitable name and conduct a general trust business. It also owns all of the stock of Chase Harris Forbes Companies, which it carries on the balance sheet at cost less the amount of all known losses and portfolio market declines of that company since the date of acquisition in August 1930.

Mr. PECORA. You have already called attention to that.

Mr. WIGGIN. Yes; but it has a direct bearing on the inventory.

Mr. PECORA. I am now confining myself simply to the block of one hundred and seventy-six thousand and odd shares of American Express Co. stock which you say was included in this item of securities and investments at a valuation of ninety-one million three hundred and forty thousand and odd dollars.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You also said that those shares of the American Express Co. stock included in this item of securities and investments were carried on the books as of the close of the year 1932 at the cost price of \$40,031,677.85.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That one class of security represents about 42 percent of all of the securities and investments that are grouped together in this item of resources totalling ninety-one million and odd dollars?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. On December 31, 1932, did the Chase Securities Corporation own these 176,000 and odd shares of American Express Co. stock free of any lien?

Mr. WIGGIN. No, sir.

Mr. PECORA. What lien was on them at the time?

Mr. WIGGIN. They were pledged as collateral to a loan to the Chase National Bank.

Mr. PECORA. And when had they been so pledged?

Mr. WIGGIN. I cannot give you that date.

Senator COUZENS. Was it prior to the time that this was set up in this report?

Mr. WIGGIN. Oh, undoubtedly.

Senator COUZENS. And do you know how much it was?

Mr. WIGGIN. You see, the liabilities at that time—I will tell you how much this liability was—the liabilities were \$20,247,000.

Mr. PECORA. Was not this particular loan for \$17,586,810.67?

Mr. WIGGIN. I will ascertain that. I have not got it here.

Senator COUZENS. While they are looking that up, Mr. Wiggin, let me ask you a question. Assuming an applicant for a loan at your bank made a statement such as has been read into the record without showing a lien of \$17,586,000 against a certain collateral or asset, would he not be liable to a jail sentence if he got a loan, for a misstatement, in securing funds under false pretenses?

Mr. WIGGIN. Well, I do not know what the law is, but I know if Chase Securities borrowed money they told about this thing. There was no concealment.

Senator COUZENS. Assuming that the Chase Securities went to another institution outside of yours and borrowed money and presented such a statement, it seems to me that they would be obtaining money under false pretenses.

Mr. WIGGIN. They would not have done that.

Senator COUZENS. That is an assumption.

Mr. PECORA. What is that?

Mr. WIGGIN. They would not have done that.

Mr. PECORA. They would have shown the lien?

Mr. WIGGIN. Yes.

Mr. PECORA. Why was not the lien shown in this report to the shareholders?

Mr. WIGGIN. What difference does it make?

Mr. PECORA. The only difference that I can think of is that it would have given the shareholders a true and correct picture.

Mr. WIGGIN. Well, it did not affect them one way or another. The stock is not worth anything until the liabilities are paid.

Mr. PECORA. What difference does it make to the bank, then, when a customer seeks to borrow money and is asked to present a verified financial statement of his condition?

Mr. WIGGIN. What is the question, Mr. Pecora?

Mr. PECORA. Perhaps Mr. Bisbee will give you the answer. If you want to answer for the witness I am willing to let the record show it, Mr. Bisbee. I am asking these questions of a man who for years was the executive head of this bank and presumably knows something about banking practices.

Mr. WIGGIN. What is the question?

(The question was thereupon read by the reporter as above recorded as follows):

Mr. PECORA. What difference does it make to the bank, then, when a customer seeks to borrow money and is asked to present a verified financial statement of his condition?

Mr. PECORA (continuing). Whether or not in presenting that financial statement he omits to state that assets carried by him are subject to liens?

Mr. WIGGIN. This is a theoretical question?

Mr. PECORA. It is more than that, Mr. Wiggin.

Mr. WIGGIN. You want my opinion or guess on a theoretical question?

Mr. PECORA. Yes.

Mr. WIGGIN. Let me think that over. Of course, as you put it, it has no bearing on this case.

Mr. PECORA. Answer it anyway. The committee will judge whether it has a bearing.

Mr. WIGGIN. Why, I think a lender of money is entitled to know when the concern's assets are pledged.

Mr. PECORA. Is not a shareholder entitled to a knowledge equivalent to that when a report is given to him purporting to represent his company's operations and state of condition?

Mr. WIGGIN. Yes; but it does not affect the stockholder one way or another.

Mr. PECORA. Each stockholder himself can judge of that better than anyone else, can he not?

Mr. WIGGIN. I can see no impropriety in listing an inventory as an asset without explaining that so many of them are hypothecated. It does not affect the stockholders at all.

Mr. PECORA. You mean that in this case it would not affect the stockholder or the shareholder of the Chase Securities Corporation to know what liens were impressed upon assets of the company in favor of the Chase National Bank because, perchance, such a shareholder was an equal shareholder in the bank. Is that what you mean?

Mr. WIGGIN. No, I do not mean that. That has nothing to do with that equal ownership. It is simply that the capital stock of any corporation has no value until the liabilities are paid. Whether the liabilities are secured or unsecured does not affect the value of the stock.

Mr. PECORA. But when a bank makes a loan to a customer on a financial statement does not the bank require the customer to include in his financial statement of assets whether or not those assets are subject to any lien?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Why does the bank want to know that? Of what value is it to the bank in such cases?

Mr. WIGGIN. Each bank wants to be in just as good a condition as any other lender.

Mr. PECORA. Do you not think similar information would be of some value to the shareholders of the Securities Corporation?

Mr. WIGGIN. I do not see that it would be of any value; but I would have no objection to giving it to them.

Mr. PECORA. Was it ever given to the shareholders in any annual report?

Mr. WIGGIN. Of the Securities Corporation?

Mr. PECORA. Yes.

Mr. WIGGIN. I do not think so. I think it was always done the same way.

Mr. PECORA. In this printed report to the shareholders of both the Chase National Bank and the Chase Securities Corporation for the year 1931 there is also included a balance sheet statement of the condition of the bank as of December 31, 1932, is there not?

Mr. WIGGIN. I think I got the date wrong to begin with. Which year are you on now, Mr. Pecora?

Mr. PECORA. As of the end of the year 1932.

Mr. CONBOY. Your question referred to the year 1931.

Mr. PECORA. For the year 1932, I meant. Thank you; 1932.

Mr. WIGGIN. The question was about the bank statement?

Mr. PECORA. In this printed report to the shareholders of both the Chase National Bank and the Chase Securities Corporation, showing the condition of those two institutions on December 31, 1932, there is included a balance sheet statement of the condition of the bank as of that date, is there not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you turn to that balance sheet statement in that report?

Mr. WIGGIN. Yes.

Mr. PECORA. Under the caption of "Resources" do you find therein an item of "Loans and discounts" of \$887,187,429.74?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Presumably included in that item is this loan of seventeen million five hundred thousand and odd dollars to the Chase Securities Corporation which was secured by the collateral consisting of these one hundred and seventy-six thousand and odd shares of American Express Co. stock?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. In view of that fact might not an analyst of the report of both the bank and the securities corporation for the year 1932 find a duplication of this seventeen million five hundred thousand and odd dollars item in the joint assets of the bank and the securities corporation?

Mr. WIGGIN. Well, it is an asset on the bank statement and a liability on the securities corporation statement. The bank statement does not include the statement of the securities corporation, and that is printed at the bottom, if you will notice.

Mr. PECORA. Now, Mr. Wiggin, will you refer again to your copy of committee exhibit no. 8 of this date?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That is that photostatic sheet which you have there.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And see if I make therefrom a correct statement or summarization of it. Cash paid by the public for capital stock of Chase Securities Corporation from its inception in 1917 down to the 30th of June of this year, aggregated \$68,343,785?

Mr. WIGGIN. That is correct.

Mr. PECORA. Stated value of all the capital stock issued by Chase Securities Corporation in exchange for capital stock of other corporations which were merged with it, was \$47,027,567.65?

Mr. WIGGIN. Correct.

Mr. PECORA. That makes a total of capital, both in cash and in capital stock of absorbed companies, provided by the public to the capital funds of Chase Securities Corporation, of \$115,371,352.65, does it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, the net earnings after payment of taxes accruing to the company from its inception to the 30th day of June 1933 aggregated \$41,081,956.19.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And that added to its capital and the capital value of stock of other companies that it took in exchange in connection

with mergers, gave a total capital and net earnings to the company from its inception down to June 30, 1933, of \$156,453,308.84.

Mr. WIGGIN. That is right.

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

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, of this sum there was paid out in dividends to shareholders, that is to say, cash dividends, the aggregate sum of \$21,907,500.

Mr. WIGGIN. Correct.

Mr. PECORA. And there was also set up for reserves to cover losses or against depreciation in value of securities carried in its portfolio, from its inception down to June 30, 1933, sums aggregating \$120,138,075.87.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, that left on June 30, 1933, out of all the capital funds and earnings of the company a capital and surplus of \$14,407,732.97.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And that was divided into a capital of \$7,400,000, and surplus, including earned surplus of \$407,732.97, of \$7,007,732.97.

Mr. WIGGIN. That is correct.

Senator COUZENS. So those figures show that you lost considerably over five times as much as you earned, or I mean rather than as you paid in dividends?

Mr. WIGGIN. The mark-downs equal that, yes. But you understand they have not necessarily sold the securities.

Senator COUZENS. Have you any information as to the part of the \$120,138,075.87 which has been actually lost, and how much of it is a write-down?

Mr. WIGGIN. No.

Senator COUZENS. I assume that your records would show what part of that loss had been taken off your income-tax returns, would they not?

Mr. WIGGIN. Undoubtedly.

Senator COUZENS. You could not take any of this charge off from your income-tax returns until it had been realized, could you?

Mr. WIGGIN. That is the way I understand it.

Senator COUZENS. Would you consider that a very good record?

Mr. WIGGIN. Oh, I think that is a very unfortunate record, but this is a world trouble and we are probably better than the average. There were some security companies that were wiped out entirely, many of them.

Mr. PECORA. Do you think this record vindicates the judgment of the authorities of the bank when through the securities affiliate they engaged in issuing securities, and underwriting them, trading in them?

Mr. WIGGIN. The figures do not verify that; no, sir.

Mr. PECORA. No. These results would rather condemn that, wouldn't they?

Mr. WIGGIN. Of course, until you realize and know what you are going to get from these assets you won't know how you are to come out, or what the final result is. But I agree with you that there is nothing in these figures that is especially pleasant.

Senator COUZENS. Have you any figures which would show how much of this loss has been actually realized?

Mr. WIGGIN. Not yet. We will have to get that from New York. Unfortunately we have not got that down here now.

Senator COUZENS. I should like to have that data, because I should like to know how much of it is left in your portfolio.

Mr. WIGGIN. We will get it for you.

The CHAIRMAN. You are not likely to write off more than you are quite convinced is necessary, are you? That is, you are not likely to write off what is too exaggerated, are you?

Mr. WIGGIN. Oh, I think frequently they will write off more than is necessary.

Mr. PECORA. Mr. Wiggin, the Chase National Bank, of course, was subjected to the various examinations at the hands of examiners of the Comptroller of the Currency from time to time?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And were examinations also made periodically of the bank by examiners for the Clearing House Association of New York?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. The Chase National Bank has been a member of the Clearing House Association of New York for a great many years?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Are you familiar with the reports made by those examiners, both from the Comptroller of the Currency and from the Clearing House Association?

Mr. WIGGIN. Up to the end of my term of office, yes, sir.

Mr. PECORA. Now, in the report for the year 1928 made by the national bank examiner, do you recall a statement, in words or substance, to the effect that—

Mr. Albert Wiggin dictates the policies of the bank.

Mr. WIGGIN. I don't remember it.

Mr. PECORA. Well, if such a statement were made in the report would it have been a true statement?

Mr. WIGGIN. No; I don't think so. I think that is rather an exaggeration.

Mr. PECORA. Do you recall that in the report made by the national bank examiner for November 1, 1929, the following statement, in words or in substance, was made:

The total assets for the Chase are the largest of any institution to date by a considerable extent. Physical and operating conditions are good, with assets possessing a high degree of liquidity and with earning power excellent.

And you are referred to:

As the most popular banker in Wall Street.

And then there is this further statement:

That the national banking system has a great standard bearer in the Chase National Bank.

Are you familiar with those statements?

Mr. WIGGIN. I may have seen them but if so I have not at this time the slightest recollection of it.

Mr. PECORA. Do you think the statements made here, or the one that you were the most popular banker in Wall Street was a little exaggeration?

Mr. WIGGIN. Decidedly.

Senator COUZENS. Do you ever employ bank examiners in your bank?

Mr. WIGGIN. Well, now——

Senator COUZENS (interposing). I mean, after a bank examiner had left the Government service?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. How many ex-bank examiners have you employed in the Chase National Bank to your recollection?

Mr. WIGGIN. Well, I can only think of one, but there may be others.

Senator COUZENS. Who is the one you think of?

Mr. WIGGIN. Mr. Charles Smith.

Senator COUZENS. And was he in the Government service when you employed him?

Mr. WIGGIN. Well, we negotiated with him when he was in the Government service.

Senator COUZENS. And he is the only one that you can recall ever taking out of the Comptroller's office?

Mr. WIGGIN. He is the only one.

Senator COUZENS. Do your associates recall any other bank examiners who have been employed by the Chase National Bank?

Mr. WIGGIN. They were just reminding me of another name, but I am not sure whether he was a bank examiner or an assistant bank examiner. I do not know that I could properly include such a person.

Senator COUZENS. Well, they are all bank examiners, some being chief bank examiners and some assistant bank examiners.

Mr. WIGGIN. Sometimes they are paid by the man and sometimes paid by the Government, and I suppose one is a Government employee and the other is not.

Senator COUZENS. Where is a case where a chief bank examiner has paid a man?

Mr. WIGGIN. I was. I was an assistant bank examiner but never received anything from the Government.

Senator COUZENS. How long ago was that?

Mr. WIGGIN. Oh, a long time ago.

Senator COUZENS. I am asking that because I do not think there is any such practice permitted now.

Mr. WIGGIN. I think the law has changed the whole thing.

Senator COUZENS. Well, I did not want it to go out to the public that there is anybody paying these examiners today except the Government.

Mr. WIGGIN. Well, I don't think there is anybody else paying them now.

Senator COUZENS. And that that practice does not exist now?

Mr. WIGGIN. I don't think it does.

Senator COUZENS. From my observation it has become quite a common practice among banks throughout the country, especially during prosperous times, to employ bank examiners, and I suspect they are sometimes employed because of these fulsome compliments you commented upon a while ago.

Mr. WIGGIN. I would like to make an answer to that, but let me get one fact here [consulting an associate].

Mr. BISBEE. Senator Couzens, do you object to my suggesting a name to the witness of one who might come within your category?  
 Senator COUZENS. Not at all.

(There was a consultation between Mr. Bisbee and the witness.)

Mr. WIGGIN. It seems that there are three names suggested of men who have been assistant bank examiners, not chief bank examiners, but employment by the Government. Mr. Rovensky—

Senator COUZENS. What is his position with your bank?

Mr. WIGGIN. He is a vice president in the foreign department. And they think that Mr. Telleen was in the comptroller's department, but we are not sure about that.

Senator COUZENS. What is his position now?

Mr. WIGGIN. Assistant vice president. And Mr. Biggerman.

Senator COUZENS. What is his position now?

Mr. WIGGIN. Oh, please leave Mr. Telleen's name off. That is a mistake they tell me.

Senator COUZENS. Go ahead with your answer.

Mr. WIGGIN. And Mr. Hughes.

Senator COUZENS. What is his position and, also, what is Mr. Biggerman's position?

Mr. WIGGIN. Second vice president they call it. Mr. Hughes is assistant cashier. I think, perhaps, I ought to say this: Mr. Smith is one of our senior officers, who came in, I think, in 1921. We took him in because we wanted somebody to help keep things straight and conservative. It wasn't any reward for anything he had done.

Senator COUZENS. I did not challenge any motive.

Mr. WIGGIN. No; I understand.

The CHAIRMAN. How many employees of the bank have become bank examiners; do you know?

Mr. WIGGIN. I do not think of any, but I cannot be sure.

Mr. PECORA. Mr. Wiggin, do you recall that the National Bank examiner in his report of April 1930 stated, in words or substance, as follows:

So long as A. H. Wiggin continues to dominate the policies of this institution I feel that its responsibility will be as adequately carried on in the future as in the past.

Mr. WIGGIN. I do not recall it.

Mr. PECORA. And you see again in 1930 the bank examiner referred to you as—

Dominating the policies of the institution.

And also it had been said by the examiner in 1928. He then said:

Mr. Albert Wiggin dictates the policies of the bank.

Was it an exaggeration also in 1930?

Mr. WIGGIN. I think so.

Mr. PECORA. Would you say that there was anyone who dominated the policies of the bank in 1930 or exercised greater influence in determining its policies, than you did?

Mr. WIGGIN. No, there was no one with any greater influence, but it was in 1930 when we had the governing board.

Mr. PECORA. Is that also true about 1928?

Mr. WIGGIN. There was no governing board at that time, but I do not think I dictated things at all.

Mr. PECORA. Well, was there any officer of the bank who exercised greater influence in determining or shaping the policies of the bank in 1928 than you did?

Mr. WIGGIN. Nobody had greater influence.

Mr. PECORA. Mr. Chairman, that concludes this particular line of examination. I see it is now 10 minutes to 4 o'clock, and I should like to take up a line of examination with this witness that would relate to many transactions to which the Metpotan Co. was a party. I suggest that we now take a recess until tomorrow morning.

Senator COUZENS. I should like to ask Mr. Wiggin if, through his long experience in the banking business, he would not believe it would be a wise precaution to enact a statute prohibiting bank examiners from being employed by banks for 2 years after they leave the Government service, something like what was done about practitioners or employees of the Bureau of Internal Revenue.

Mr. WIGGIN. Yes; I would see no objection to it. But it might make it more difficult to fill positions in the bank examiner's department of the Comptroller of the Currency, because I think many of them use it because of an ambition to get into a bank.

Senator COUZENS. And that ambition to get into a bank might lead them to reach a wrong conclusion as to the condition of a bank in reporting to their chief?

Mr. WIGGIN. No; I don't think that kind of fellow would get position in a bank.

Senator COUZENS. Well, of course you can't tell until after the event, as a rule.

The CHAIRMAN. There is no difficulty about getting bank examiners now.

Senator COUZENS. Nor any other kind of men.

Mr. CONBOY. Mr. Chairman, before you adjourn I should like to know something with respect to the status of counsel here. I do not think I have made any speeches in connection with the examination of the witness, and such observations as I have made from time to time have been such as I thought were germane to the examination. If it is intended that we should discontinue that entirely, we ought to be so informed. If we are to be here so as to be as helpful as we can in connection with the examination, all right. I do not like the criticism that anybody has been making speeches during the examination of the witness. I am sure the remark was not so intended, but it had an indication of that character.

Senator COUZENS. If the chairman wishes to make reply, he may go ahead and I will make my comment later.

The CHAIRMAN. We do not object to proper help being given to the witness from time to time. We just do not want too many interruptions and too many people trying to speak at the same time.

(Thereupon there was a little discussion off the record.)

The CHAIRMAN. The subcommittee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 3:52 p.m., Wednesday, Oct. 18, 1933, the committee adjourned to meet at 10 o'clock the following morning, Thursday, Oct. 19, 1933.)

