

NELSON ALDRICH

Monetary Commission

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*State Banks as a means of aiding Congress to
settle the "monetary problems".*

"The monetary problems," says the Comptroller of the Currency in his last annual report, p. 105, "which confront Congress, embarrass the administrative officers of the Government, harass the business world, and bring a plague upon American politics, must ultimately find solution in required banking improvements. The time must come when banks shall be such agencies of distribution of loanable capital as will make credit everywhere equally available to the extent to which those seeking it are justly entitled. So, too, must a point be finally reached when banks shall issue all of the credit currency of the country and stand wholly responsible, instead of the Government, for its redemption in gold coin whenever and in whatever quantities presented."

The Comptroller's recommendations for remedial legislation are naturally confined to improvements of the National banking laws and the retirement of greenbacks and other United States notes. He does not believe that the existing volume of money - notes and specie - is insufficient. He is of the opinion that it is redundant, and that a lack of banking facilities

^a This paper was written in 1897, and the reference is to Report for 1896.

in the smaller towns is the principal cause of financial stringency in those parts of the country where there is a dearth of money and bankable credit. He therefore recommends, as a step in the right direction, amendments to the National banking laws that would authorize the organization of National banks in places of less than 2,000 inhabitants, with a capital stock of \$25,000 and a proportionate deposit of United States bonds to secure the redemption of their circulation, the minimum capital stock and bond deposit now required for organization being \$50,000 and \$12,500 respectively. He favors general amendments that would allow all National banks to issue notes for circulation up to the full amount of the bonds deposited therefor, make a reduction of the one per cent annual tax now imposed on average circulation to one-fourth of that rate (which would be ample to reimburse the Government for all expenses incurred for printing notes, redemption, etc.), and permit the banks to establish branches which would enable the parent banks to introduce loanable capital into places unable to support independent banks, whereby local deposits and capital would become loanable capital. I do not see that he recommends the repeal of the ten per cent tax levied upon the issue of State bank notes, although his general view is that all bank circulation should be based entirely upon banking assets and not upon Government securities. This view would, of course, make the repeal of the tax a logical ne-

necessity for entirely free banking.

"Banks," says the Comptroller, "other than national, do not issue bank notes, simply because by doing so they must incur loss through the enforcing of the ten per cent tax against the notes so issued. Upon the same grounds National banks do not issue notes when there is either a direct loss to them in so doing, or a profit too small to warrant the investment in bonds and the payment of the rate of the tax levied. While it is true that National banks are in a sense public institutions, in that they are under direct governmental supervision, they are none the less associations of private individuals formed wholly for purposes of private gain."

In respect to paper currency, the National banks and the United States Treasury are jointly engaged in the business of banking, and very much to the disadvantage of the public. Therefore Congress has been appealed to from time to time by the different political parties of the country to enact measures of financial "reforms," many of them of the most antagonistic policies - some demanding free coinage of silver, supplemented by unlimited issue of paper money direct from the United States Treasury, as a permanent, irredeemable currency; others urging the policy of leaving the National banks free to determine the volume of paper money necessary for the business of the country, and the gradual or immediate retirement and cancellation of all

United States notes of every description; still others asking for the repeal of the ten per cent tax levied on the issue of the State bank notes, in order to allow the people of each part of the country to establish banks of issue without Federal restraints. Confronted with such conflicting policies the latter mode of relief was looked upon with some favor by the leading members of the Committee on Banking and Currency of the last House of Representatives as a compromise; but they did not consider that a bill for that purpose could be passed, unless satisfactory assurances were given that a sufficient number of members of Congress from the South would be willing to vote for an act to retire the greenbacks and other Treasury notes, and some assurances were given by gentlemen who professed to know the sentiments of the people of that section of the country that such a vote could be obtained.

Existing, as we have been for more than thirty years, under a banking system established and wholly regulated by Congress it is perhaps not to be wondered at that the public at large, - including the statesmen, lawyers and bankers - seem to have forgotten that Congress does not possess all the power to legislate on the subject of banking. In none of the discussions of the financial problems, whether in the press or in Congress, has any suggestion been made that the State legislatures have any

power to relieve the situation, whereas in fact they could in a very large measure enact laws that would very materially aid in the solution of these problems. ⁹ Believing that the several States of the Union have as much power as Congress to charter banks of issue, when such banks are desired, and to exempt them from Federal taxation and supervision, I now present that remedy for consideration, as one that can be maintained upon constitutional grounds.

The power to enact laws providing for the issue of paper money and the regulation of its volume according to the demand for its circulation is not vested exclusively in Congress by the Constitution. Within well defined limits any State legislature may exercise that power according to its own discretion, regardless of any Federal restrictions, by taxation or otherwise, that Congress has imposed upon the notes of State banks issued for circulation as money.

Therefore the people of any State who are not satisfied with the existing monetary system should apply to their own legislature for desired relief as to the volume of the currency, instead of wasting their efforts in vain appeals to Congress for amendments to the National banking laws, or unlimited issues of "greenbacks," and other United States notes. To that extent such a course would relieve the two great political parties and Congress from endless discussions of the "money question," by

making it a local issue in the dissatisfied States.

The strength of the movement in the South and West for the free coinage of silver, at its fixed ratio of "16 to 1," is due not so much to a desire on the part of the people of those sections to open the mints to that metal, as to the belief that the existing volume of money is insufficient, and that the low prices of their staple products are due to that cause. Believing this, it is not strange that they strongly resent any proposition looking to the retirement of the "greenbacks" and other United States notes, and are hostile to legislation that is absolutely necessary to maintain that currency, and gold and silver coin, at par.

If these people knew their constitutional rights there would be very little opposition, on their part, to the speedy retirement of every United States paper dollar, and the maintenance of the gold standard; because banks of issue, similar to the old State banks, could be authorized by the State legislatures on as safe a basis as the National Banks, and they would be much better adapted than the latter to afford them banking facilities and the proper volume of circulation. - And, of course, they would want their bank notes to be "as good as gold."

Whether a State should or should not establish such a banking system, is merely a question of economy and policy for its legislature to determine under the State Constitution. It

could be made as safe as the present one, and far more economical and convenient to the people than one which restrains circulation to a ninety per cent limitation on the par value of United States bonds which bear but low interest, and are bought at a high premium, - the result being that in those parts of the country where loans command high rates, (the South and West), the national banks cannot afford to increase such expensive circulation as that based on United States bonds. This defect in the National bank laws, and the absurd one of taking the average circulation of the banks, are well presented in the statement of the Comptroller of the Currency, Hon. James H. Eckles, made before the Committee on Banking and Currency of the House of Representatives at the last session of the 54th Congress. He clearly demonstrated that the issue of circulating notes is now merely a matter of business concern to the banks; where interest rates are high they can use their capital to better advantage than investing it in United States bonds for currency issues. Naturally and properly "the power to provide a currency for the whole country," mentioned by Mr. Chief Justice Chase in his opinion in the Veazie Bank Case, 8 Wall. 533, is exercised by the banks only to the extent of profitable investment from a conservative business point of view, and not as a public duty.

It is generally thought that safe banking requires full

bonded security to be pledged for the ultimate redemption of bank notes. On the other hand such security is, in the opinion of the most sound financiers, not only unnecessary to well conducted banking, but a burden on the banks and their customers which tends to increase charges for loans. These drawbacks could be avoided in a State system.

Undoubtedly in States adopting a sound banking system the desire of the people would be to have the circulating notes "as good as gold," and to have Congress retire all United States notes, thereby restoring the revenues of the United States to a coin basis which, when done, would necessarily maintain the silver dollar at par with the gold dollar, if the States now complaining of the lack of currency generally adopted a State banking system. For that matter, I do not see why every State in the Union should not prefer it to the existing banks of issue, nor do I see why the Southern and Western National banks should not prefer to take out charters as State Banks rather than continue under the national bank laws. However there is no incompatibility between the two systems of banking.

If it should be objected that under the ~~the~~ State system the bank notes issued would not circulate outside of the State, the reply is that such a result would be a decided advantage to the people of the State. Under progressive banking systems notes are intended for local business only. Mr. W. L. Royal, a

lawyer of Richmond, Va., made a forcible presentation of this feature of banking in his statement before the Committee on Banking and Currency of the House of Representatives on December 19, 1896, when he was urging the repeal of the ten per cent tax as a panacea for our financial ills. He said that during the decade ending in 1860, the banks in the counties which now form the State of Virginia numbered three hundred, including branches, and maintained an average circulation of ten million dollars, always at par in coin. No one, said he, ever lost a dollar during that time on Virginia bank notes, and they did not circulate to any extent outside the State. They were immediately returned to the banks at a small discount to the foreign holder, equal to the expense of returning them, - an expense not greater, perhaps, than that of sending National bank notes to Washington for redemption.

Compare this circulation of bank notes in Virginia with the total bank circulation in the thirteen Southern States on October 31, 1890, as shown by the Comptroller's report for that year: With a capital of \$74,000,000, the circulation was only \$15,000,000. According to her ante-bellum experience, if all forms of United States notes were to be retired, Virginia could easily keep out a State bank circulation of \$15,000,000 for its home business.

Under such a system of banking as that above described

the people of each State of the Union would regulate the volume of paper currency themselves by leaving that matter to the State banks, under proper legislative regulations such as wisdom and experience might suggest, or else themselves suffer the consequences, and not inflict disaster upon the people of other States whose prudence impelled them to apply to their State banks the best principles of financiering developed by the experience of the past thirty years through the national banking system.

In presenting this paper I purposely refrain from discussing the decision of the Supreme Court in the *Weazie Bank Case*, which maintained the constitutionality of the statutes that impose an internal revenue tax of ten per cent upon notes issued for circulation by State banks and other banks. It is not necessary to discuss it; and besides, it has been affirmed, and in all probability it will not now be reversed; because it not only secures the foundation of the national banking system, but it is also the great safeguard against "wild-cat" banking. The decision does not conflict with the scheme of State banking which I have in view. The scheme can be maintained upon the highest constitutional grounds, and on principles well settled by numerous decisions of the Supreme Court of the United States. I merely say now that it would not be a very difficult matter to draft a constitutional banking bill for passage by a State legis-

lature that would enable it to authorize the incorporation of State banks whose issue of notes for circulation would not be subject to internal revenue taxation.

I have prepared another paper, which, I think, would satisfy constitutional lawyers that this can be done in any State of the Union unless there is some prohibition in its constitution. In such case, of course, the Constitution could be amended.

Felix Brannigan

Interview with MR. T. J. RUSSELL, Manager of the LONDON AND WESTMINSTER BANK, Ltd.

- Q. Will you give us a brief account of your institution?
- A. The London and Westminster Bank was established in March, 1834. It was registered as a Limited company in March, 1880. It originated in London, and is still confined to London and its suburbs.
- Q. What is the par value of your shares, and what dividends do you pay?
- A. The par value of our shares is £ 100, of which £ 20 is paid. For the last four years dividends of 13% per annum have been declared. The present market price of the shares is between £ 50½ and £ 51.
- Q. How many stockholders have you?
- A. Upwards of 10,600.
- Q. What additional payments can be collected from your stockholders for the development of business, and what in case of liquidation?
- A. As £ 20 per share have been paid in, the shareholders are left a liability of £ 80 per share which can be collected for the development of business, or for liquidation.
- Q. Does the law require you to accumulate a certain amount of surplus?
- A. No.
- Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?
- A. There is no limit to the number of shares which any individual may hold, but the approval of directors is required before transfers can be made.
- Q. How often do your shareholders meet?
- A. Twice a year.
- Q. Does every share have a vote at the shareholders' meetings?
- A. No. Votes are distributed as follows: From 10 to 49 shares, 1 vote; from 50 to 99 shares, 2 votes; from 100 to 199 shares, three votes; from 200 shares upward, four votes.
- Q. Describe the organization and management of the bank, stating the officers and directors, and their respective functions, and for what periods of time and by whom are they elected?
- A. There are 682 officers and 15 directors, who are elected by shareholders. Three of these directors retire annually.
- Q. Is it customary to re-elect directors at the expiration of their terms?
- A. Yes.
- Q. How frequently do the directors meet?
- A. Daily.
- Q. How many branches have you?
- A. Thirty-six.

- Q. In the main, have they been created by you, or have they been formed by the absorption of independent banks.
- A. They have mainly been created by us.
- Q. How are your branches managed?
- A. By an appointed manager, who is visited periodically by the superintendent and inspectors of branches, and occasionally by directors.
- Q. Who appoints the managers of branches, and are they usually selected from subordinate officers in the same bank?
- A. The directors appoint the managers of branches, who are selected from among subordinate officers, but not necessarily in the same branch.
- Q. How frequently are you required by law to publish statements of condition?
- A. Twice a year.
- Q. How frequently is it your custom to publish them?
- A. Monthly.
- Q. In your opinion, should more frequent and fuller bank returns be published?
- A. We do not consider this necessary.
- Q. What legal or general taxes are paid by the bank?
- A. The usual parochial and general taxes.

MINUTES.

*Dec. 7, 1911 omitted
in this file.*

Washington, D. C.,
Saturday, December 2, 1911.

The Commission met at 11 o'clock, a. m., pursuant to the call of the Chairman.

Present: Messrs. ALDRICH (CHAIRMAN), BURROWS, BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

In the absence of the Vice-Chairman, and as a quorum did not appear, no formal business was transacted.

The Chairman was authorized, however, to appoint a sub-committee to consider the details of the Codification of the National Banking Laws, with Suggested Changes, prepared by the Comptroller of the Currency, and to report the result of their examination to the Commission.

The Chairman appointed on this sub-committee Mr. BURTON (CHAIRMAN), Mr. WEEKS, and Mr. BURGESS.

At 12 o'clock meridian, the Commission adjourned until 10 o'clock a. m., Monday, December 4, 1911.

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Washington, D. C.,
Monday, December 4, 1911.

The Commission met at 10 o'clock, a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

Mr. Burton moved that seven members of the Commission should constitute a quorum for the transaction of business. The motion was seconded by Mr. Burgess and unanimously adopted.

Directors of the National Reserve Association.

Mr. Weeks suggested that the provisions of the plan in regard to directors of the National Reserve Association be changed as follows:

That the Board of Directors shall consist of thirty-seven, to be composed of -----

(1) Seven ex officio members, one ex officio member being added to those already provided for in the plan. This additional ex officio member might be an additional deputy governor or some member of the Cabinet.

(2) Fifteen directors to be elected as provided by paragraph 15.

(3) Fifteen directors, one from each district, to be elected as provided in paragraph 17.

Under this suggestion, paragraph 16 would be dropped. This suggestion was discussed at length and laid aside for

further consideration.

The Commission thereupon, at 11:30 o'clock, a. m.,
took a recess until 2:30 o'clock p. m.

A F T E R R E C E S S .

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, PENROSE, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

At the suggestion of Mr. Bonyngé it was unanimously agreed that the Revised Edition of the Suggested Plan for Monetary Legislation be made the basis of discussion.

The Chairman stated that it was his idea -- if it should meet with the approval of the members of the Commission -- that with respect to provisions in the plan where there was no special objection, immediate steps be taken to place those provisions in the hands of two experts, ^{or two} one from the office of the Comptroller of the Treasury Department and one from the Department of Justice, in order that the language of the proposed monetary law might be properly framed.

The Chairman further stated that at the morning session it had also been decided that in the absence of a quorum, all decisions reached would be tentative, and that any particular provision might be reconsidered on the request of any member of the Commission.

Upon motion of Mr. Weeks it was agreed that the minutes of the meetings of the Commission be made full and complete -- something similar to the way the record is kept in the Journals of the Senate and the House of Representatives.

The Commission thereupon proceeded to further examine and discuss the proposed plan and the following subjects were considered:

With respect to the amount of authorized capital of the National Reserve Association which would be paid in under the twenty percent provision—

Dividends to be paid only on paid-in capital.

Mr. Aldrich stated the necessity for a provision that dividends shall only be paid by the National Reserve Association upon capital which has been paid in.

Length of Charter.

A proposition by Mr. Bonyngé that the time of the length of the charter be made less than fifty years was not accepted. There was considerable discussion as to whether any provision should be made whereby the charter might be altered, amended, or repealed by Congress, but no conclusion was reached upon this point.

Minimum Capital:

The subject of minimum capital was next considered, and while no definite conclusion was reached, the opinion was general that some amount -- probably \$100,000,000 -- should be provided as the minimum with which the National Reserve Association might commence its operations.

Contingent Fund for Impaired Surplus:

Subject fully discussed. No definite conclusion reached. Suggestions made that in no event should fund be used for liquidation or otherwise to stockholders, but should go to the United States Government; that fund should not be a part of the book value of the stock; that the fund should not be more than ~~five~~ **(5)** percent nor less than ~~one~~ **(1)** per cent; that the percentage should be less than in the case of ordinary bank losses.

Upon motion of Mr. Padgett it was agreed that a provision should be placed in the draft of the bill covering the subject of a contingent fund in the following language:

"When the surplus reaches twenty (20) per cent, a fund not exceeding \$2,000,000, or the equivalent of one (1) per cent of the capital may be retained by the bank as undivided profits to meet unexpected losses; and, upon the final dissolution of the bank, shall go to the Government, and shall not be included in the book value of the stock, or go to stockholders in any contingency."

Holding Majority Stock of Banks which are members of the National Reserve Association:

Subject fully discussed on the basis of a proposition made by Professor Wildman of the Northwestern University. Decision reached to pass matter until Commission should have an opportunity to examine Professor Wildman's proposition.

Bonds:

Mr. Padgett (after reading section 75 of the Revised Plan) inquired whether it was contemplated to put an excise tax on the bonds provided for in that section -- they are to be perpetual. Mr. Aldrich informed him that it applies to the bonds wherever they are and the Reserve Association is to pay that all the time independently of the ownership of the bonds.

Approximate Capital:

Mr. Weeks suggested whether ~~or not~~ the capital should not be stated as \$400,000,000 instead of \$300,000,000 and was informed by the Chairman that the Revised Plan was only a framework or memorandum and that when the law was drafted a change in the amount, in his opinion, should be made; that there is a minimum limitation but no maximum.

Capital of Subscribing Banks:

The Chairman stated that on account of criticism he had heard that possibly the provision for a minimum capital of \$25,000 might be too high. Mr. Vreeland stated that he had heard no objection to it.

Trust Companies:

The Chairman was of the opinion that in view of suggestions from the Trust Section of the American Bankers Association, the minimum of \$25,000 should be applied also to trust companies. Mr. Burton stated that he desired to

consider the question of the limitation of the capital of trust companies more fully, but he thought that there should be a minimum.

Mr. Padgett stated that there was no limitation in the laws of Tennessee as to the capital trust companies should have.

Payment of Balance of 20 per cent Subscription.

Mr. Vreeland inquired as to the time of the payment of the balance of the 20 per cent subscription provided for in section 1. The Chairman stated that his understanding was that no demand would be made for the balance of the subscription, unless there were large losses as against credit or impairment of the capital of the Reserve Association. Mr. Vreeland thought that the subscribing banks were being made liable for more than twice the amount of their stock by this provision. The Chairman stated that as he understood it banks could not call for the additional 10 per cent subscription for the purpose of increasing capital.

The discussion of the investment by banks of their capital in real estate was participated in by Messrs. Aldrich, Burton, Weeks, and Padgett, the conclusion being reached that large investments of this kind on the part of banks should not be made.

Transfer of Shares of the National Reserve Association Stock.

Mr. Burton in commenting on section 3, relative to the

transferring of the shares of the capital stock of the National Reserve Association, stated that no law would be constitutional which provided that they could not be transferred under particular conditions. Mr. Padgett called attention to the fact that the provisions of the Revised Plan merely prescribes the mode of transfer. Mr. Bonyngre agreed with Mr. Burton as to the unconstitutionality of attempting to provide that no transfer could be made.

Paid up Capital Stock.

Mr. Padgett made the following suggestion for the amendment of section 4, which was agreed to: That the words "paid up" should be inserted before the word "capital" wherever it appears with reference to the payment of dividends. For instance, where it is stated that they shall receive 4 per cent dividends the text should read "4 per cent dividends on paid-up capital stock;" and at the point where the words "after stockholders receive 5 per cent," should be inserted the words "paid-up capital stock." The purpose of this amendment is that there may be no question of construction as to whether dividends are to be received on the subscribed stock or the paid-up stock.

Dividends of Stockholders shall be **cumulative**: (Section 4)

Mr. Burton inquired as to the meaning of this provision and Mr. Padgett was of the opinion that the matter should be expressed more definitely. The Chairman stated that his understanding was that the purpose of the provision is to guarantee to subscribing banks 4 per cent on

their investment out of the earnings of any given year;
after the 20 per cent.

SUGGESTIONS.

By Mr. Burton: That, in his opinion, it is not best to place the surplus of the National Reserve Association beyond 20 per cent.

By Mr. Aldrich: That some provision should be made for the restoration of the surplus when impaired.

Mr. Mr. Burgess: That it would be well in the final draft of the bill to provide a definite limitation to the earnings of the National Reserve Association.

By Mr. Bonyng: That some provision ought possibly to be made compelling state banks to furnish a list of the owners of their stock, in order that members of the Reserve Association may be protected.

By Mr. Aldrich: That a provision should be made prohibiting ~~the~~ loaning on National Reserve Association stock.

By Mr. Aldrich: A provision should be incorporated in the final draft of the bill that no bank shall be admitted to membership in the National Reserve Association that owns stock in any other bank, nor shall it hold stock in any other bank after it becomes a member of the Reserve Association.

By Mr. Aldrich: Provision should be made whereby state banks shall have not less than \$25,000 capital actually paid-in.

By Mr. Aldrich: Provision for temporary organization of the National Reserve Association should be made by a Commission, consisting, possibly, of the Secretary of the

Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

This Commission to decide until a permanent organization is effected, the question of the limitations of the territory of the district and local associations.

The Commission thereupon adjourned at 5 o'clock p. m., until 10:30 o'clock, A. M., Tuesday, December 5, 1911.

Washington, D. C.,
Tuesday, December 5, 1911.

The Commission met at 10:30 o'clock, a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

It was decided that there should be no change made in the provisions of the Revised Plan that the combined capital and surplus of the members of each local association shall aggregate not less than \$5,000,000.

Mr. Aldrich suggested that a preliminary apportionment of the associations provided for in section 5 should be made by directors of the Reserve Association after a permanent organization was effected.

Mr. Burton was of the opinion, in which all present concurred, that the provision of section 7, exempting the National Reserve Association from state and local taxation should not be changed.

Mr. Aldrich suggested that provision be made that no real estate should be held by the Reserve Association, except for banking purposes. Mr. Aldrich also suggested that the amount of real estate held by the association should be limited. Mr. Padgett suggested that the language be qualified by inserting the words "for banking purposes."

Mr. Weeks stated that the National Banking Law made ample provision as to real estate holdings by National

banks, and suggested that a provision along similar lines be drawn to apply to the National Reserve Association. This was unanimously agreed to.

24. Mr. Padgett suggested that it should be provided that the directors should submit to the President a fair number of names from which to select the governor of the Reserve Association.

After some discussion of this proposition, it was agreed to add after the word "list" in line five the words "not less than three in number." As thus amended, the paragraph was agreed to.

8. In connection with the election of three-fifths of the Board of Directors of the local associations, Senator Burton raised the question whether the vote should be cumulative or "en bloc." There was some discussion on this point, but the language in the paragraph was not changed.

A F T E R R E C E S S .

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREBLAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, and PADGETT.

9, 10, and 11.

It was agreed to provide that the number of directors of branches should be fixed by the by-laws of each branch, but that there should not be less than twelve. One-half of this board shall be elected by the boards of the local associations, and the other half, part by the stock and part by representative vote.

21 and 22.

Agreed to without change.

23.

Was amended as follows, and as amended, was agreed to.

There shall be an auditing committee to be elected by the Board of Directors from among its number (excluding the members of the Executive Committee) of which the Secretary of the Treasury shall be chairman. This Committee will make a public report at least once a year. It shall have authority, not only to audit the books of the National Reserve Association, but of the branches.

14.

Burgess
Mr. ~~Padgett~~ suggested that the Secretary of Agriculture

be added to the ex officio members of the board. No action was taken on this suggestion.

24.

Mr. Bonyngé suggested that it be provided that the term of the Governor shall be ten years and that he be reeligible for appointment for another term.

He also thought that it should be provided that the Deputy Governors should be reeligible for appointment for another term. These suggestions were agreed to.

25.

Mr. Bonyngé suggested that the manager of the branch should be a resident of the district in which the branch is located. This was agreed to, and this paragraph was amended by inserting in the second line after the word "appointed" the words "from the district."

26.

Mr. Padgett suggested that after the word "duties" in the first line the following words be inserted "the length of service to be subject to removal." This amendment was agreed to.

28.

Referring to the third paragraph of section 28, Senator Aldrich suggested that the Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency be authorized to provide the

preliminary organization of the National Reserve Association, and to divide the country into fifteen districts.

Mr. Padgett suggested that it should be provided that the country shall be divided according to geographical and commercial conditions and also with regard to existing banking facilities. These suggestions were agreed to.

29, 30, 31, 32, 33, and 34.

Agreed to without change.

The Commission thereupon ~~at~~ adjourned until 10:30 o'clock, a. m., Wednesday, December 6, 1911.

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Washington, D. C.,
Wednesday, December 6, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), BURROWS, MONEY,
BURTON, BONYNGE, PADGETT, BURGESS, and PRINCE.

Purchase of Coin or Bullion:

Section 35 was taken up and agreed to down to
the first period.

With respect to the second part, it was the opinion
of Mr. Bonyngé and Mr. Burgess that the word "gold" should
be struck out, in order that either gold or silver might
be purchased, their view being that the mention of gold
included silver by implication.

The Chairman said that his understanding was the pro-
vision as it stands would not prevent the buying of silver
bullion, but merely provides the manner in which it may be
purchased, that is, in the open market. He also stated
that it applied only to domestic exchanges.

Mr. Burton thought that if the section were amended
it should be by some such expression as the following:
"or silver when required in the settlement of exchanges in
foreign countries."

Mr. Prince was in favor of letting the paragraph stand
unamended.

Mr. Padgett preferred to have it stand as it was un-

less the words "of gold and silver coin" were inserted.

Mr. Money was of the opinion that the paragraph should be left as it appears in the Revised Plan, unless the right to buy silver were mentioned specifically.

Mr. Bonyngge favored the suggested amendment of Mr. Burton.

It was finally agreed to allow section 35 remain unamended.

Rate of Exchange between the East and the West:

A general discussion was had on this subject and the Chairman was of the opinion that after the final report of the Commission had been made it might be desirable to consider the subject more fully and specifically.

During the session of the Commission Hon. Lawrence O. Murray, Comptroller of the Currency, appeared to complete arrangements for inviting State Bank Supervisors and National Bank Examiners before the Commission for the purpose of consultation on the question of bank examinations.

The Chairman, with the approval of the Commission, requested Mr. Murray to communicate with Mr. J. L. Mohundro, Chairman of the Association of Supervisors of State Banks, inviting them to appear on Thursday, December 14, 1911, and to make the necessary arrangements for the attendance of the National Bank Examiners.

It was also decided to invite two or three of the leading bankers of the country to be present at the same

time the State Supervisors and the National Bank Examiners appeared, the selection to be made by the Chairman.

The Commission thereupon took a recess until 2 o'clock p. m.

A F T E R R E C E S S .

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

36.

It was agreed to insert after the word "necessary" in the fifth line the words "in the discretion of the Secretary of the Treasury." Mr. Vreeland and Senator Burton raised the question as to the meaning of the words "cash balance." Does it include trust funds?

It was agreed that it was desirable to look into this language and also find out from the Secretary of the Treasury how many trust funds there are in the Treasury and whether they are kept separate from the general funds of the Treasury.

37 , 38,39, 40.

Agreed to without change.

41.

There was considerable discussion as to whether the language of this paragraph carried out the intention of Senator Aldrich, namely, to make the rates of discount of the National Reserve Association superior to the usury laws of the several states. Mr. Vreeland suggested that the paragraph be amended as follows: "The National Reserve As-

sociation shall have authority to fix the rates of discount from time to time, which, when so fixed, shall be published, and shall be uniform throughout the United States."

The paragraph as thus amended, was agreed to.

42.

This paragraph was amended by striking out in line three the words "to a limited amount;" by inserting a "," after the word "bank" in line four; and by substituting the word "acceptors" for the words "houses" in the same line, and as amended was agreed to.

43.

This paragraph was amended by inserting a ^{comma} ~~word~~ after the word "bonds" in line two, and by substituting the word "also" for the word "as" in the same line. As thus amended, the paragraph was agreed to.

44.

Was agreed to.

45.

This paragraph was amended by substituting for the word "subscribers" in line two the words "subscribing banks", and by striking out in line four the words "in England, France, or Germany," and by striking out the word "other" in the same line. As thus amended, the paragraph was agreed to.

46, 47, 48, and 49.

Agreed to without change.

Whereupon the Commission adjourned to 10:30 o'clock,
a. m., Thursday, December 7, 1911.

O.K. as corrected
Please make several
number of copies, to to
Comptroller Murray & me to
Andrew. A.B.S.

Washington, D. C.,
Friday, December 8, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

73, 74, and 75.

A discussion took place regarding the paragraphs relating to United States bonds, but no changes were made in them.

14, 15, 16, 17, and 18.

The Chairman asked Mr. Weeks for his proposition regarding the directors of the National Reserve Association. Mr. Weeks stated his proposition verbally and later in writing as follows: ^{Ex officio} Directors: The Secretary of the Treasury, The Secretary of Commerce and Labor, the Secretary of Agriculture, the Comptroller of the Currency, ^{Governor} ~~Manager~~ and ~~Assistant Manager~~. ^{Deputy Governor}

Fifteen directors as elected in paragraph 15.

Fifteen directors as elected in paragraph 15 from the business interests of the country. The last fifteen shall not be at the same time directors in other banking institutions.

Consideration of these proposed changes was postponed

until the session of the Commission on Monday.

During the session of the Commission Hon. Lawrence O. Murray, Comptroller of the Currency, Judge Oldham and Mr. Quinn of the Treasury Department, appeared to perfect arrangements for the drafting of the bill to ^{be} submit^{ed} to Congress. These gentlemen agreed to cooperate with the Commission in drafting the bill. At the suggestion of Mr. Murray it was agreed to invite Hon. Herbert Knox Smith, Commissioner of Corporations to act with them.

Messrs. Bonyng and Padgett were appointed as a committee to render such assistance as may be necessary.

The Secretary was authorized to procure rooms and all needed clerical and other assistance to work under the direction of the gentlemen in the charge of the preparation of the bill.

At twelve o'clock meridian, the Commission adjourned until Monday, December 11, 1911, at 10:30 a. m.

Washington, D. C.,
Monday, December 11, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

The Chairman stated his view with regard to the features which would be included in the final report of the Commission. He stated that it should be applicable to conditions in the United States and be something in which the American people would be interested. In a separate report or elsewhere as an appendix, there might be a treatment of foreign experiences.

There was general discussion of the features to be included in the report and the matter was left ~~upon~~ in the hands of the Chairman.

Mr. Padgett suggested that a joint resolution be introduced in Congress providing that the Commission should file its final report by January 22nd. No action was taken on this suggestion.

Mr. Burgess raised the question of adjournment for the Holidays. Sentiment seemed to be that those who wanted to be away should have the privilege, while those who were remaining in the city should assist in the preparation of the report.

At this point, Dr. Andrew who had come from the conference of the committee in charge of the drafting of the bill, stated that the Committee desired to know with whom the certificate of organization should be filed. It was agreed by the Commission that such certificate should be filed with the Secretary of State.

36.

Mr. Aldrich raised the question as to whether it is necessary to state in this act that the Government funds in the Reserve Association deposited shall be held to be money in the Treasury of the United States. This suggestion was referred to the Comptroller of the Currency and his Committee, who are drafting the language of the statute.

It was agreed to strike out the words "cash balance" in line 2 and to insert in lieu thereof the words "general funds", and also strike out the following words "except that when necessary the Government may designate National banks for that purpose in cities where there is no branch of the National Reserve Association."

2. The question was raised whether banks in the colonial possessions of the United States could become subscribing banks of the Reserve Association. It was agreed not to touch upon this question in the statute in terms, but the first sentence of section 2 was amended to read as follows: "All national banks, and all banks and trust companies chartered by a State, which comply with the requirements for membership hereinafter set forth (Secs. 60-64), may subscribe to the capital stock of the National Reserve Association.

In the ninth line of this section, it was also agreed to insert the word "paid-in" after the word "minimum", and

to insert the following clause after the words "\$25,000,"
"and a trust company having a minimum capital of \$100,000,".

(1) It was agreed to provide in the first section that before completing the organization of the National Reserve Association at least \$100,000,000 of capital must be paid in.

28.

The question was raised as to the expenses of the Commission which shall provide the preliminary organization of the National Reserve Association, and it was agreed that the ~~organization~~ expenses of the Commission shall be advanced by the Government and be re-paid by the National Reserve Association.

In this connection, it was also agreed that this Commission in admitting subscribing banks, must see that no banks or trust companies are admitted, who do not comply with the provisions of the act as to minimum paid-in capital.

Whereupon the Commission took a recess until 2:30 p. M.

AFTER RECESS.

The Commission met at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY? BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

49.

After a lengthy discussion as to just what provisions should be included in the statute as to the incorporation of foreign banks, as for instance, whether the maximum capital, say \$1,000,000, should be fixed, whether these banks should make reports to the Comptroller of the Currency and be governed generally by such provisions of the National Banking Act as are found applicable, etc., etc., it was agreed to refer this matter to a subcommittee, consisting of Mr. Weeks and Mr. Bonyngé, to prepare a draft of incorporation and report the same to the Commission.

53.

This section was taken up and after a full discussion was agreed to without amendment.

At the suggestion of Mr. Vreeland, the Commission proceeded to take up those provisions of the plan that had previously been considered and passed over.

(1) It was agreed to provide in the first section that the length of the charter should be fifty years, but that Congress should reserve the right to alter, revise, and amend the charter at the end of each ten years period.

Mr. Vreeland called attention to the last sentence of this section, which reads as follows: "Fifty per cent of the subscriptions to the capital stock of the National Reserve Association shall be called in cash; the balance of the subscription will remain a liability of the subscribers, subject to call." He said that he thought it desirable that the statute should state the circumstances under which the additional fifty per cent subscription could be called. No formal language was agreed upon, but it was agreed to instruct Mr. Murray and his colleagues to so draft the statute that this additional subscription could only be called when necessary to meet the obligations of the National Reserve Association.

28.

Mr. Vreeland suggested that there ought to be some general language of instruction to guide the Commission which is to provide the preliminary organization for the National Reserve Association. After full discussion of this suggestion, it was agreed that it should be provided in the statute that the fifteen branches of the National Reserve Association should be located as follows: 1 in the

New England States; three in the Eastern States; three in the Southern States; four in the Middle Western States; and four in the Western and Pacific Coast States.

Thereupon the Commission adjourned until 10:30 a. m., Tuesday, December 12, 1911.

Washington, D. C.,
Tuesday, December 12, 1911.

The Commission met at 11 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, PADGETT, BONYNGE, and BURGESS.

Several phases of the plan were discussed at both the morning and afternoon sessions, but no action was taken.

The Commission adjourned at 5 o'clock p. m., until Wednesday, December 13, 1911, at 10:30 a. m.

Washington, D. C.,
Wednesday, December 13, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

70.

Decided to incorporate a paragraph to place an obligation or duty on the Reserve Association to maintain its notes on a parity or a standard as prescribed under section ----- of the Act of January 14, 19 .

50.

Senator Nelson was called by the Commission to be heard on the following questions: Whether the National Reserve Association should allow banks to loan a part of their ^{general} deposits on real estate or confine their loans to savings deposits, and if on general deposits, what proportion of the same; also, what restrictions should be placed upon such loans and upon what percentage of the real value. Senator Nelson stated to the Commission that he had investigated this matter thoroughly and his opinion was that they should be permitted to negotiate mortgages on one-third of the cash value of farm lands; also that it was much easier to loan on farm paper than commercial paper; ~~also that he did not believe that country banks should be allowed to loan on real estate.~~ He stated that they should be permitted

34

to loan one-third of their time and interest bearing deposits on real estate, which should be improved and occupied property.

Whereupon the Commission took a recess until 2:30 p. m.

AFTER RECESS.

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

At the suggestion of the Chairman, it was agreed that each member of the Commission be assigned a special section of the plan as set forth in Senator Aldrich's speech at New Orleans on November 21, 1911, and prepare his own ideas, which will be embodied in the final report.

40.

Power of rediscount granted by Sections 38, 39, and 40 shall be exercised through the branch in the district in which the bank making application for rediscount is located.

Whereupon, at 4:30 o'clock p. m., the Commission adjourned until 10:30 a. m., Thursday, December 14, 1911.

Washington, D. C.,
Thursday, December 14, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREBLAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

At the request of the Chairman, Hon. Lawrence O. Murray, Comptroller of the Currency, caused to be present a few of the national bank examiners and state supervisors for the purpose of explaining certain features of the plan and asking their cooperation in assisting in drafting that part of the bill which relates to examinations to be conducted by the Reserve Association.

The following gentlemen spoke on the subject and their remarks are attached hereto: Mr. L. J. Mohundro, Seattle, Washington; Mr. E. F. Rorebeck, of New York; Mr. Giles L. Wilson, of Spartanburg, South Carolina; Mr. George Van Tuyl, Jr., of Albany, N. Y.; Mr. Arthur B. Chapin, of Boston, Massachusetts; Mr. F. E. Baxter, of Lima, Ohio; and Mr. B. L. Gill, of Austin, Texas.

At 1:15 p. m. the Commission took a recess until 2:30 p. m.

AFTER RECESS.

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, WEEKS, BONYNGE, and PADGETT.

Mr. *John* Perrin, *of Indianapolis,* addressed the Commission on the subject of permitting the Reserve Association to make such examinations as it deems necessary, and his remarks are attached hereto.

At the conclusion of Mr. Perrin's remarks, the Commission adjourned until 10:30 a. m. Friday, December 15, 1911.

Washington, D. C.,
Friday, December 15, 1911.

The Commission met at 10:30 a. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, MONEY, BURTON, WEEKS, BONYNGE, PADGETT, and BURGESS.

14.

Agreed to strike out the ~~words~~ number of directors in line 2 and insert the number "46" and also insert at the end of the second paragraph as ex officio members "The Secretary of Agriculture" thus making 15 directors as provided in section 15, 15 directors (non bankers) one from each district, representing commercial and agriculture interests, 9 stock directors, and 7 ex officio members, or a total of 46.

It was agreed that all directors of the Reserve Association, while serving as such, shall not be officers or directors in any or other financial institution, such as insurance companies, etc.

It was also agreed to state in the report that the Commission was considering the question of banks making loans to directors or to institutions of any description in which directors of the bank are interested, which will be treated in an appendix.

28.

The branches shall have by-laws which shall provide for the appointment of executive and other committees which shall be

subject to the approval of the National Reserve Association.

Whereupon the Commission took a recess until 2:30 p. m.

AFTER RECESS.

The Commission reassembled at 2:30 p. m.

Present: Messrs. ALDRICH (CHAIRMAN), VREELAND (VICE-CHAIRMAN), BURROWS, BURTON, WEEKS, BONYNGE, PADGETT, BURGESS, and PRINCE.

The Comptroller of the Currency and the National Bank Examiners and State Supervisors submitted their recommendations in regard to examinations conducted by the Reserve Association, which is attached hereto.

Suggested that standardization of blanks be adopted by the Reserve Association for the national and state examinations of banks.

Whereupon the Commission adjourned until Monday, December 18, 1911, at 10:30 a. m.

BANK EXAMINATIONS, STATE AND NATIONAL.

WASHINGTON, D. C., *December 15, 1911.*

To the NATIONAL MONETARY COMMISSION,

Washington, D. C.

GENTLEMEN: We have been asked to consider the question of bank examinations, both national and State, in so far as they may relate to the National Reserve Association, and after a careful consideration of the question, we beg to submit our views.

In considering the question in a broad way we have had in mind two points which seem to us very essential.

First. To avoid the added expense to the banks of building up the machinery for an entirely separate and additional system of examination.

Second. To utilize, in so far as possible and practicable, the existing machinery for bank examinations as established to-day for both national and State banks.

It was necessary to carefully consider three important points, as follows:

First. It is possible that the examinations as they exist to-day, both State and national, might not meet the requirements of the directors of the National Reserve Association.

Second. There are a few States where there is no State supervision of any kind of State banks.

Third. There are a few States where there is State supervision of State banks, but the executive officer is not privileged by law to disclose information regarding banks under his supervision.

We have considered each of the above points and, in our opinion, the plan we present obviates each difficulty and utilizes, without additional expense to the banks, the present machinery of bank examinations, both State and national.

We therefore make the following recommendations:

That the National Reserve Association shall for all member banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law; provided, however, that the standard of such examinations, both national and State, meet the requirements of the directors of the National Reserve Association.

That in all cases where the standard of examination, either national or State, is not up to the said requirements, the directors of the National Reserve Association shall make or cause to be made independent examinations.

That the Directors of the National Reserve Association have the right to examine or cause to be examined, at any time, any member bank, by its own representatives.

That the national and State examiners be allowed such additional compensation, to be paid by the National Reserve Association, for making extra reports to it, as the directors thereof may consider just and equitable.

The plan which we recommend will in a large measure avoid the additional expense to the banks of building up another organization for their examination; it will give to the directors of the National Reserve Association, to the branches thereof, and to the local associations the information which is needed, and it reserves to the National Reserve Association the right to make independent examinations whenever the directors thereof desire to do so. The plan is simple, practicable, and workable from the start.

We have considered each of the above points and, in our opinion, the plan we present obviates each difficulty and utilizes, without additional expense to the banks, the present machinery of bank examinations, both State and national.

We therefore make the following recommendations:

That the National Reserve Association shall for all member banks accept copies of the reports of the national-bank examiners for national banks and copies of the reports of State bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law; provided, however, that the standard of such examinations, both national and State, meet the requirements of the directors of the National Reserve Association.

That in all cases where the standard of examination, either national or State, is not up to the said requirements, the directors of the National Reserve Association shall make or cause to be made independent examinations.

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That the national and State examiners be allowed such additional compensation, to be paid by the National Reserve Association, for making extra reports to it, as the directors thereof may consider just and equitable.

The plan which we recommend will in a large measure avoid the additional expense to the banks of building up another organization for their examination; it will give to the directors of the National Reserve Association, to the branches thereof, and to the local associations the information which is needed, and it reserves to the National Reserve Association the right to make independent examinations whenever the directors thereof desire to do so. The plan is simple, practicable, and workable from the start.

BANK EXAMINATIONS, STATE AND NATIONAL.

WASHINGTON, D. C., *December 15, 1911.*

To the NATIONAL MONETARY COMMISSION,

Washington, D. C.

GENTLEMEN: We have been asked to consider the question of bank examinations, both national and State, in so far as they may relate to the National Reserve Association, and after a careful consideration of the question, we beg to submit our views.

In considering the question in a broad way we have had in mind two points which seem to us very essential.

First. To avoid the added expense to the banks of building up the machinery for an entirely separate and additional system of examination.

Second. To utilize, in so far as possible and practicable, the existing machinery for bank examinations as established to-day for both national and State banks.

It was necessary to carefully consider three important points, as follows:

First. It is possible that the examinations as they exist to-day, both State and national, might not meet the requirements of the directors of the National Reserve Association.

Second. There are a few States where there is no State supervision of any kind of State banks.

Third. There are a few States where there is State supervision of State banks, but the executive officer is not privileged by law to disclose information regarding banks under his supervision.

In addition to this it will have a tendency to standardize on a higher plane all bank examinations.
Very respectfully submitted.

J. L. MOHUNDRO,
State Bank Examiner for the State of Washington.

ARTHUR B. CHAPIN,
Bank Commissioner for the Commonwealth of Massachusetts.

F. E. BAXTER,
Superintendent of Banks for the State of Ohio.

O. L. GILL,
State Commissioner of Insurance and Banking for the State of Texas.

GEO. C. VAN TUYL, Jr.,
Superintendent of Banks for the State of New York.

E. F. ROREBECK,
National Bank Examiner for the City of New York.

GILES L. WILSON,
National Bank Examiner for South Carolina and Georgia and formerly State Bank Examiner for South Carolina.

LAWRENCE O. MURRAY,
Comptroller of the Currency.

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Washington, D. C.,
Monday, December 18, 1911.

The Commission met at 10.30 A. M.

Present: Messrs. Aldrich (Chairman), Vreeland (Vice-Chairman), Burrows, Money, Weeks, Bonyng and Padgett.

55. The following paragraph was agreed to be inserted at the end of paragraph 55 of the plan: "Provided that no circulating notes shall be issued by the National Reserve Association whenever and so long as the reserve herein required shall fall below 33 1/3 per cent of such notes outstanding."

70. The following paragraph was agreed to be inserted to the end of paragraph 70: "That it shall be the duty of the National Reserve Association to maintain at all times a parity of value of their circulating notes with the standard established by the first section of the act approved March 14, 1900."

Mr. Bonyng thereupon presented to the Chairman the rough draft of the bill being prepared at the Treasury Department, which was immediately made the subject of discussion.

Title. Agreed to insert in the title of the bill after the words "United States" in line 2, "and for other purposes."

Sec. 2, line 1, after the word "Banks", agreed to strike out the word "or" and insert the words "and all."

Sec. 3. Agreed to insert in line 1, after the word "Treasury", the words "the Secretary of Agriculture," and in

line 6, after the words "shall be" insert the words "payable out of the Treasury," and to strike out the words "paid out of any money in the Treasury not otherwise appropriated,"

In the second paragraph, line 4, after the word "Association," strike out the words "in such places as the said committee may designate."

Sec. 4. Third paragraph, line 1, agreed to strike out the words "from time to time," and insert same phrase in line 2 after the word "may."

Whereupon, at 1.00 o'clock P. M., the Commission took a recess until 2.30 P. M.

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AFTERNOON SESSION.

Monday, December 18, 1911.

The Commission reassembled at 2:30 o'clock p.m.

Present: Messrs. Aldrich (Chairman), Vreeland (Vice-Chairman), Burrows, Burton, Weeks, Bonyng, Padgett, and Prince.

Mr. Bonyng suggested that when new banks come into the Association, they should pay for their stock at its book value at the time of their admission to membership. The suggestion was agreed to.

Section 2. The following suggestion of Mr. Padgett was agreed to: That in paragraph 3, under subdivision "b", after the words "population of", where they first occur, provision be made whereby cities having a population of less than 10,000 and not more than 50,000 should be required to have a paid-in and unimpaired capital of not less than \$50,000.

Upon the suggestion of the Chairman, it was agreed that no subject headings for different provisions of the bill be made, that not being the general form followed in the make-up of bills.

Section 3. The amendments made at the morning session of this date are to remain unchanged.

Section 4. Mr. Vreeland thought that at the end of the first paragraph some provision should be made for indicating clearly that, where States are mentioned, it is not intended to limit the size of the districts by State lines. The Chairman suggested the insertion of the words "having

reference to business centers," or "having reference to the accommodation of the banks in the territory." Mr. Padgett suggested that "natural divisions and commercial relations, and trade centers" be used. The Chairman further suggested the words "having relation to the natural commercial divisions in trade centers;" and Mr. Padgett further suggested the words, "In forming said districts, State lines need not be followed." After considerable discussion, it was decided to allow the matter to go over and to have the paragraph queried, to be taken up later.

Section 5 passed over.

Section 6. Subject matter of last paragraph to be taken up later. Remainder of this section agreed to.

Section 7 was agreed to, with the exception that it was thought that managers for the branches should also be provided for in the last paragraph.

Section 8. Agreed to. Mr. Padgett suggested that some provision should be made that, in the event the number of districts is increased above 15, there should be for each district two additional directors, to be elected as set forth in paragraphs 1 and 2 of this section.

Section 9. It was the unanimous opinion that paragraph 24 of the Revised Plan for Suggested Monetary Legislation should be inserted at the beginning of the section.

Section 10. To be changed and modified. Passed over.

~~Sections 11 and 12. Strike out.~~

-3-

On suggestion of Mr. Padgett, it was agreed to amend this section as follows: After the words "execute and file", insert the words "with the Secretary of State a certificate setting forth the fact of the payment of one hundred millions of dollars; and they shall further file with the Comptroller of the Currency a certificate showing the banks which have subscribed." Mr. Padgett also suggested that there should be a further provision that, as the banks subscribe after the organization is complete, the Comptroller of the Currency is to be notified of the fact.

Sections 11 and 12. Strike out.

Section 13. The following suggestion of Mr. Bonyngge was agreed to: That after the words "and under no circumstances shall they be", there be inserted the words "hypothecated or". The following suggestion of Mr. Padgett was agreed to: In line 1 of this section, after the word "capital", insert the word "stock". At the suggestion of the Chairman, it was agreed to strike out the words "acknowledged before a judge of a court of record or a notary public and shall be". The following suggestion of Mr. Padgett was agreed to: In the second paragraph of the section, in next to the last line, before the word "stock", insert the words "paid-in". In the third paragraph of this section, it was agreed to strike out the words "acknowledged before a judge of a court of record or a notary public and shall be".

Section 14. Agreed to.

Section 15. Agreed to.

Section 16. The following suggestion of the Chairman was agreed to: In line 1, strike out the words "an auditing committee", and insert the words "a board of examination"; in line 5, strike out the word "committee", and insert the word "board"; in line 6, strike out the words "audit the books", and insert the words "carefully examine the condition and the business"; and in line 7, strike out the word "report", and insert the word "statement".

Section 17. Mr. Padgett suggested that it be amended by providing that the powers and duties shall be prescribed by the by-laws of the various branches, subject to the approval of the National Reserve Association. Upon the suggestion of the Chairman, it was agreed to strike out the words "and length of service".

Section 18. It was agreed to strike out the words "and terms of office". Also, to transfer this section to place it near other provisions as to local association of officials.

Section 19. Agreed to.

It was also agreed that some provision must be made for incorporating, in a limited way, the National Reserve Association, in which event the words "articles of association", wherever they appear, shall be stricken out.

It was also agreed that after the preliminary work on the draft of the bill was complete, the provisions should

be so rearranged that the various provisions might appear in their proper and logical order.

The Commission adjourned to meet at 10:30 a.m., Tuesday, December 19, 1911.

Washington, D. C.,
Tuesday, December 19, 1911.

The Commission met at 10.30 A. M.

Present: Aldrich (Chairman), Vreeland (Vice-Chairman),
Burrows, Money, Weeks, Bonyng and Padgett.

1. Mr. Bonyng suggested that there be inserted in the
first paragraph and words "body corporate."

7. The Chairman suggested that in Section 7, the second
paragraph, and line 16, the words "commercial and agricultural"
be transposed.

8. Mr. Padgett suggested that in paragraph second of Sec.
8, line 5, to strike out the words "of banks nor" and insert
the word "or".

9. Agreed to strike out in the last line of Section 9,
the words "articles of association or the".

2. Agreed to insert in Section 2, line 12, after the
word "subscriptions" the words "or any part thereof."

The question of the impairment of the capital of the
Reserve Association was brought up by the officials of the
Treasury Department and it was decided that the contingent
fund and the privilege of the call of 50 per cent amply covered
this point.

The question was also raised as to the right of the Assoc-
iation to own real estate and to erect banking houses, and it
was decided that it did have this privilege, with no limit.

Another question was submitted by the Treasury officials - whether the Association will pay for examinations of banks, and it was suggested that the plan submitted by the State and National examiners (a copy of which was sent to the Department), covered this point.

It was decided to incorporate the following section of the report of the State and National examiners in the bill: "That the National Reserve Association shall for all subscribing banks accept copies of the reports of the national bank examiners for national banks and copies of the reports of State bank examiners for State banks and trust companies, where the furnishing of such information is not contrary to law; provided, however, that the standard of such examinations, both national and State, must meet the requirements of the directors of the National Reserve Association."

Sec. 20. Agreed to change so as to read as follows:

"The earnings of the National Reserve Association shall be disposed of in the following manner:

"After the payment of all expenses and taxes the shareholders shall be entitled to receive annually four per centum on the paid-in capital, which minimum dividend shall be cumulative. Further net earnings shall be paid into a contingent fund which shall be maintained at an amount equal to one per centum on the paid-in capital, but not to exceed in any event two million dollars, and which shall be used to meet any

possible losses; and such fund shall upon the final dissolution of the National Reserve Association go to the United States, and shall not under any circumstances be included in the book value of the stock, or go to the shareholders. After the contingent fund has been established one-half of all additional net earnings shall be paid into the surplus fund of the National Reserve Association until said fund shall amount to twenty per centum of the paid-in capital, one-fourth shall be paid to the United States as a franchise tax, and one-fourth shall be paid to the shareholders, but when the shareholders' dividends shall amount to five per centum per annum on the paid-in capital they shall receive no additional dividends. After the shareholders receive five per centum on the paid-in capital, one-half of the net earnings shall be added to the surplus fund, ^{and} one-half shall be paid to the United States as a franchise tax. After the shareholders receive five per centum per annum on paid-in capital and the surplus fund of the National Reserve Association amounts to twenty per centum of that capital, all excess earnings shall be paid to the United States as a franchise tax."

Agreed to change the location of Section 21, and have same follow section 1, with the following change in the first paragraph of same: "Upon duly making and filing a certificate by the board of directors of the National Reserve Association

to the effect that one hundred million dollars of the capital stock of the Association have been fully paid in, the said Association shall become as and from date of the filing of the said certificate a body corporate and as such and by that name shall have power ---"

Sec. 24. Agreed to strike out in line 1 the words "a local association may by a vote of two-thirds of its members" and insert the words "The National Reserve Association may."

Sec. 27. Insert "The National Reserve Association shall be the principal fiscal agent of the United States."

To follow Section 31. "Power of rediscount and discount, granted by Sections 29, 30 and 31, to the National Reserve Association shall be exercised through the branch in the district in which the bank making application for rediscount is located."

Sections 29, 30 and 31. Agreed to insert in each of these sections after the words "National Reserve Association" in line 1, the words "through its branches."

Sec. 43. Strike out the last sentence and insert the following: "The National Reserve Association shall pay⁺the national and state examiners for services rendered to it such compensation as the directors thereof may consider just and equitable."

Whereupon, at 1.30 P. M., the Commission took a recess until 2.30 P. M.

AFTER RECESS.

The Commission met at 2.30 P. M.

Present: Aldrich (Chairman), Vreeland (Vice-Chairman), Burrows, Money, Weeks, Bonyng, Padgett and Prince.

Sec. 53. Insert in line 2, after the word "period" the word "of", and in line 6, after the word "millions" the words "of dollars."

Section 5. In line 3, after the word "committee" strike out the words "or the National Reserve Association," and in line 6, after the word "provided," strike out the words "that not more than one such association shall be formed in any city, and". Strike out all of Section 5 after the second paragraph and insert the following: "The banks uniting to form such local associations shall, by the president or vice-president, acting under authority from the board of directors, make in duplicate and file with the Comptroller of the Currency and with the National Reserve Association a certificate setting forth the names of the banks composing the association, the principal place of business of the association, and the name of the association, which name shall be subject to the approval of the National Reserve Association. Upon the filing of such certificate the local association therein named shall become a body corporate, and by the name so designated and approved may sue and be sued and exercise the powers of a body corporate for the purposes authorized by this act, and not otherwise."

Sec. 54. Insert the following: That banking corporations for carrying on the business of banking and in aid of the commerce of the United States or its citizens with foreign countries and to act as financial agents of the United States may be formed by any number of persons, not less in any case than five, who shall enter into articles of association which shall specify in general terms the object for which the banking corporation is formed and may contain any other provisions not inconsistent with the provisions of this act which the banking corporation may see fit to adopt for the regulation and conduct of its business and affairs, which said regulations shall be signed, in duplicate, by the persons uniting to form the banking corporation and one copy thereof shall be forwarded to the Comptroller of the Currency and the other to the Secretary of State, to be filed and preserved in their offices.

Sec. 55. That the persons uniting to form such banking corporation shall under their hands make an organization certificate which shall specify, first, the name assumed by such banking corporation which name shall be subject to approval by the Comptroller; second, the foreign country or countries or the dependencies or colonies of foreign countries or of the United States where its operations of discount and deposit are to be carried on; third, the place in the United States where its home office shall be located; fourth, the amount of its capital stock and the number of shares into which the same shall be divided;

fifth, the names and places of residence of the shareholders and the number of shares held by each of them; and, sixth, a declaration that said certificate is made to enable such persons to avail themselves of the advantages of this act.

Sec. 56. That no banking corporation shall be organized under this act with a less capital than two million dollars.

Sec. 57. That every banking corporation formed pursuant to the provisions of this act shall from the date of the execution of its organization certificate be a body corporate, but shall not be authorized to receive deposits in the United States nor compete with banks in the United States organized either under national or State laws for domestic business not necessarily related to the business being done in foreign countries or in the dependencies of the United States. Such banking corporations shall not have any power to issue or circulate notes under any of the provisions of the laws relating to national banks doing business within the United States. Such banking corporations shall have full power to make acceptances of drafts, bills of exchange or other commercial paper and maturing subsequent to the date of acceptance. Every such banking corporation shall have power to purchase or sell securities of the United States or of any State in the Union or of foreign governments or subdivisions or municipalities of foreign countries. Each banking corporation organized hereunder shall have power to establish and maintain for the transaction of its business a branch or branches in foreign countries, their dependencies

or the dependencies of the United States at such places and under such regulations as the board of directors may determine to be expedient.

A majority of the members of the board of directors of such banking corporation shall be citizens of the United States. Each director shall own in his own right at least one hundred shares of the capital stock of the banking corporation of which he is a director.

Sec. 58. The annual meeting of every such banking corporation shall be held at its home office in the United States, and every such banking corporation shall keep at its home office books containing the names of all stockholders of such banking corporation and members of its board of directors, together with copies of the reports furnished by it to the Comptroller of the Currency exhibiting in detail and under appropriate heads the resources and liabilities of the banking corporation. Every such banking corporation shall make reports to the Comptroller of the Currency at the same time as national banks make their reports under existing statutes and shall be subject to examination, when deemed necessary by the Comptroller of the Currency, through bank examiners appointed by the Comptroller.

Sec. 59. Any bank doing business in the United States and being the owner of stock in the National Reserve Association may subscribe to the stock of any banking corporation organized under the provisions of this act, but the aggregate of such stock held by any one bank shall not exceed ten per cent of the capital stock of the subscribing bank.

Sec. 60. That the provisions of all laws relating to national banking associations organized thereunder so far as applicable and not inconsistent with the provisions of this act shall govern and control banking corporations organized hereunder.

Repeal Aldrich-Vreeland bill, etc., etc.

Whereupon, at 4.30 the Commission adjourned, to meet Wednesday, December 20, 1911, at 10.30 A. M.

Washington, D. C.,
Wednesday, December 20, 1911.

The Commission met at 10.30 A. M.

Present: Aldrich (Chairman), Vreeland (Vice-Chairman),
Burrows, Money, Burton, Weeks, Bonyge, Padgett.

Mr. Arthur Reynolds, of the Des Moines National Bank,
of Des Moines, Iowa, and Mr. Pierre Jay, of the Bank of Man-
hattan Company, New York City, addressed the Commission on
the subject of permitting National banks to establish savings
departments under the Plan, and their remarks are attached
hereto.

The Commission took a recess at 1.00 until 2.30 P. M.

A F T E R R E C E S S .

The Commission met at 2.30 P. M.

Present: Aldrich (Chairman), Vreeland (Vice-Chairman),
Burrows, Money, Burton, Weeks, Bonyng and Padgett.

The Commission immediately took up a draft of the bill
prepared by the Treasury Department officials, and made it
the subject of discussion during the entire afternoon session,
agreeing to the following changes:

Sec. 2, par. Fourth, line 2, strike out the word "and"
after the word "law" and insert "or."

Par. Fifth, line 2, after the word "manner" strike out

the word "hereinbefore" and insert the word "hereinafter."

Sec. 3. Line 11, after the word "capital" insert the word "stock."

Line 12, after the word "subscriptions" insert the words "or any part thereof."

Last line, last paragraph, strike out the word "before."

Sec. 5. Last paragraph, last line, after the word "Association" insert the words "whenever, in their opinion, the business of the country so requires."

Sec. 6. Second paragraph, line 13, after the word "the" strike out the words "associated banks" and insert the words "local association," and in the last line of same paragraph, after the word "act" insert the words "and not otherwise."

Third paragraph, line 2, after the word "be" strike out the word "created" and insert the word "authorized."

Sec. 7. Second paragraph, line 1, after the word "when" strike out the words "appointed or".

Sec. 8. Second paragraph, line 1, after the word "board" insert the words "of directors," and in line 6 make the word "Bank" "banks."

Same paragraph, lines 15 and 16, change the arrangement of the words "industrial, commercial, agricultural," so they will read "Agricultural, commercial, industrial," and in line 17, after the word "officers" strike out the word "or" and insert the word "nor."

Third paragraph, line 1, strike out after the word "when" and words "appointed or".

Sec. 9. Second paragraph, lines 3 and 4, change the arrangement of the words "industrial, commercial, agricultural" so they will read "agricultural, commercial, industrial."

Fifth paragraph, line 3, after the words "nor of any of" strike out the word "the" and insert the word "its."

Sec. 10. Last line, strike out the words "articles of association or the".

Sec. 15. Line 7, before the word "branches" strike out the word "the" and insert the word "its."

Sec. 16. Line 5, after the words "time by the" strike out the words "same authority" and insert the words "governor with the approval of the executive committee of the National Reserve Association."

Sec. 18. Line 6, after the word "shareholders" strike out the words "and creditors" and in line 8, strike out the words "verified by the oath of the governor or deputy governor."

Sec. 19. Second paragraph, line 10, after the word "Association" strike out the word "go" and insert the words "be paid", and in line 12, after the words "stock or" strike out the word "go" and insert the words "be paid. Also in line 20, after the word "capital" strike out the word "but"

and insert the word "provided" and in line 21, after the word "year" strike out the word "but" and insert a semi-colon, and in line 26, after the word "shall" strike out the word "go" and insert the words "be paid."

Section 23. Last line, after the word "act" insert the word "provided" and then insert the entire section 22.

Sec. 27. Line 5, before the word "notes" strike out the word "only."

Sec. 30. Line 2, strike out the words "by sections 27, 28, and 29", and insert in line 3, after the word "Association" the words by sections twenty-seven, twenty-eight and twenty-nine of this act."

Make a new section between 31 and 32, and insert the following: "National banks shall be authorized to accept commercial paper drawn upon them, having not more than four months to run, properly secured, and arising out of commercial transactions. The amount of such acceptances outstanding shall not exceed one-half the capital and surplus of the accepting bank, and shall be subject to the restrictions of section fifty two hundred of the Revised Statutes."

Sec. 33. Line 2, after the word "bonds" insert a semi-colon, and in line 3 strike out the words "having not more than one year to run" and insert the same words in line 5 after the word "government."

Sec. 35. Line 4, after the word "board" insert the

words "of directors", and inline 6 after the word "must" strike out the words "have arisen" and insert the word "arise."

Sec. 36. Line 4, after the word "purchasing" strike out the word "and" and insert a coma, and in line 8, after the word "exchange" strike out the words "which have arisen" and insert the word "arising."

Sec. 37. Line 10, after the words "by the" strike out the word "directors" and insert the word "manager," and in line 11, after the word "originates" strike out the words "or an executive committee thereof."

Sec. 38. Paragraph Fourth, line 2, before the word "association" strike out the word "the" and insert the word "said."

Sec. 39. Strike out the entire paragraph entitled "Third."

Sec. 42. Line 1, after the words "of the" insert the words "National Reserve".

Sec. 43. Line 5, after the word "Currency" insert the words "by said association."

Make a new paragraph between Sections 44 and 45, as follows: "All reports of national bank examiners in regard to the condition of banks shall hereafter be made in duplicate, and one copy shall be filed with the National Reserve Association for the confidential use of its executive officers and branch managers."

Sec. 45. Line 8, after the word "requirements" strike out the word "of" and insert the words "prescribed by".

Sec. 46. Line 3, after the word "May" strike out the words "if they choose."

Sec. 47. Line 1, after the word "association" strike out the word "must" and insert the word "shall," and in line 10 strike the word "fast" and in line 11 strike the first word "as."

Sec. 48. Line 3 strike out the words "United States " the second time they are used and insert ~~them~~ after the word "bonds" the words "of the United States."

Sec. 49. Line 4, after the words "lawful money" insert the words "gold bullion or foreign gold coin."

Sec. 55. Line 6, after the word "million" insert the word "dollars."

Whereupon, at 5.30. P. M., the Commission adjourned to meet Thursday morning, December 21, 1911, at 10.30 A. M.

Washington, D.C.,

Thursday, December 21, 1911.

The Commission met at 10:30 a.m.

Present, Messrs. Aldrich (Chairman), Vreeland (Vice-Chairman), Burrows, Money, Burton, Weeks, Bonyngé, and Padgett.

Section 3. Line 14, after the words "two hundred", strike out the words "and fifty"; line 17, after the words "two hundred", strike out the words "and fifty"; line 18, after the words "not more than", strike out the word "four" and insert the word "three"; in line 19, after the words "not less than" strike out the word "four" and insert the word "three"; line 21, strike out the word "four" and insert the word "three"; in the same line after the word "inhabitants", insert the words "and not more than four hundred thousand inhabitants"; line 22, after the words "not less than", strike out the word "five" and insert the word "four"; in the last line, after the word "dollars", insert the words "and if located in a city having a population of more than four hundred thousand inhabitants shall have a paid-in and unimpaired capital of not less than five hundred thousand dollars."

Section 39. Agreed to insert the following paragraph at the close of this section: "National banks may loan not more than thirty per centum of their time deposits, as herein defined, upon improved and unencumbered real estate, such loans not to exceed fifty per centum of the actual value of