

JOHN ADRIAN LARKIN,
CHAIRMAN OF THE BOARD

EDMUND P. ROGERS,
HONORARY CHAIRMAN OF THE BOARD



*Fulton Trust Company of New York,
149 Broadway,
New York 6, N. Y.*

CABLE AND WIRELESS ADDRESS:
FULTRUST, NEW YORK.

ARTHUR J. MORRIS, PRESIDENT.
PERCY W. SHEPARD, VICE PRESIDENT.
CLEMENT M. CODDER, TRUST OFFICER.
JOHN A. MACK, SECRETARY.
JOHN BROOKS, ASST. TRUST OFFICER.
HAROLD P. SPURR, ASST. SECRETARY.
CHARLES M. LISKE, ASST. SECRETARY.
CHRISTIAN J. BROWNLIE, ASST. SECRETARY.
CHESTER MATHIESON, ASST. SECRETARY.

MEMBER FEDERAL RESERVE SYSTEM

August 3, 1948

Marriner S. Eccles, Esq.
Federal Reserve Board
Federal Reserve Building
Washington, D. C.

Dear Sir:

For your information I enclose
herewith copy of a letter written today to
the Chairmen of the Congressional Committees
on Banking and Currency.

Yours very truly,

John A. Larkin
Chairman of the Board

JAL:R
Enclosures

August 3, 1948

Hon. Jesse P. Wolcott
Chairman of the House Banking and Currency Committee
House Office Building
Washington, D. C.

Dear Mr. Wolcott:

I am the Chairman of the Board of Directors of the Fulton Trust Company of New York which, as you may see from the enclosed statement, confines its activities almost entirely to personal accounts and personal trusts, and does not do any commercial business or corporate trust business.

Our capital, surplus and undivided profits amount to \$5,372,000 and our deposits average around 33 Million dollars. Our resources, consisting of U. S. Government securities, cash on hand and on deposit in the Federal Reserve Bank of New York and other banks, total \$31,947,000. We have State and Municipal bonds of approximately 2 1/2 Million; other securities of approximately 2 1/2 Million and only \$1,600,000 of loans and bills purchased, of which \$1,161,000 are secured by collateral.

We are presently required to keep 24% of our deposits in the Federal Reserve Bank of New York which leaves us only 76% of deposits from which to derive income. You can see from the foregoing that we cannot be accused of having contributed to any inflationary tendency that exists.

The book value of our stock is \$268 per share, not including reserves and with our real estate carried at only \$50,000 although it cost several hundred thousand dollars and could not be replaced today at its cost. We only earned slightly over \$8.00 a share in 1947 and our dividend was \$6.00, gradually reduced from \$12.00 over a period of 15 years. In the first six months of 1948 we have earned less than \$4.00 a share.

Our main source of income, in addition to accepting deposits and keeping 76% invested in the highest grade securities, is made up from fees

as executor or trustee, which are fixed by law, and charges for safekeeping of securities, which are limited by competition so that the charges cannot be raised.

It disturbs me and the other Directors very much indeed to read in the paper that the Congress may authorize a raising of the required reserve to be carried at the Federal Reserve Bank to as much as 36% of deposits. If a bank such as ours should be called upon to carry such a large percentage of its deposits in a reserve that brings no income, it would be impossible to earn our dividend if we continued to operate conservatively. Any such action as proposed by Congress would be an added cause for the merger of small banks into large ones, or the sale of small banks to large ones, or the liquidation of small banks, thereby reducing competition and concentrating wealth in fewer hands.

It seems to me there must be some way of restricting inflationary business loans, if there are any, other than by requiring all banks, including a bank such as ours, to carry such huge reserves.

Could not the Administration be persuaded to allow interest rates to be raised as a brake on inflationary loans? Or could not holdings of United States Government securities be considered as the equivalent of reserves of cash in the Federal Reserve Banks?

Although we could pay off all our depositors within 24 hours and have, ever since our incorporation, been in a position to do so, we are members of the Federal Deposit Insurance Corporation and pay the equivalent of \$1.00 per share per annum on that account. Therefore we do not need the latter in order to assure our depositors of the security of their deposits.

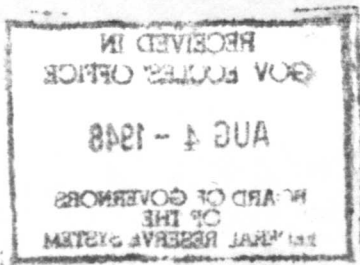
The bank is operated extremely economically. I get no salary or emolument other than director's fees of \$20.00 when I attend meetings. Nor have I asked for my expenses to be reimbursed. The highest salary paid is the salary paid the President of \$25,000 per annum (about the equivalent of what we pay the Federal Deposit Insurance Corporation). There are no other employees who get more than \$10,000, and only one at that figure, and therefore the net profits are low only because such big reserves must be carried and interest rates on Government bonds are so low.

I sincerely hope that your Committee will not recommend to the Congress a blanket increase in reserves, to be applied regardless of the type of business consistently carried on since organization, otherwise I believe you will force a lot of small banks out of business.

Yours very truly,

John A. Larkin

JAL:R
Enclosure





FULTON TRUST COMPANY OF NEW YORK

MAIN OFFICE

149 BROADWAY
(SINGER BUILDING)

NEW YORK 6, N.Y.

UPTOWN OFFICE

1002 MADISON AVENUE
(BETWEEN 77TH AND 78TH STREETS)

NEW YORK 21, N.Y.

MEMBER FEDERAL RESERVE SYSTEM

PERSONAL ACCOUNTS
AND
PERSONAL TRUSTS

STATEMENT OF CONDITION

JUNE 30, 1948

Fulton Trust Company of New York

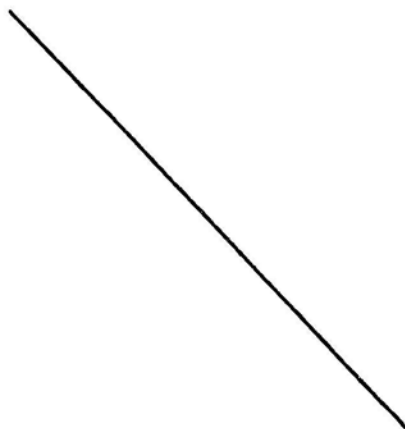
STATEMENT JUNE 30th, 1948

RESOURCES

Cash in Vault	\$ 368,011.72	}	\$31,947,025.77
Cash on Deposit in Federal Reserve Bank of New York	12,590,122.73		
Cash on Deposit in other Banks	846,255.44		
U. S. Government Securities	<u>18,142,635.88</u>		
State and Municipal Bonds	2,531,715.49		
Federal Reserve Bank of New York Stock	120,000.00		
Other Securities	2,446,196.59		
Loans Secured by Collateral	1,161,502.69		
Loans and Bills Purchased	461,700.83		
Overdrafts—Secured	\$2,717.63		
Unsecured	<u>493.50</u>	3,211.13	
Real Estate Bonds and Mortgages....	83,503.19		
Real Estate (Branch Office)	50,000.00		
Accrued Interest and Other Resources	<u>139,085.37</u>		
		<u>\$38,943,941.06</u>	

LIABILITIES

Depositors	\$33,218,313.43
Dividend No. 175 payable July 1, 1948	30,000.00
Reserved for Taxes, Expenses and Contingencies	323,418.23
Capital	\$2,000,000.00
Surplus	2,000,000.00
Undivided Profits	<u>1,372,209.40</u>
	5,372,209.40



\$38,943,941.06

Member Federal Reserve Bank of New York

DIRECTORS

JOHN ADRIAN LARKIN,
CHAIRMAN OF THE BOARD

EDMUND P. ROGERS,
HONORARY CHAIRMAN OF THE BOARD

ARTHUR J. MORRIS,
PRESIDENT.

STANLEY A. SWEET	CHARLES S. BROWN
FRANKLIN B. LORD	RUSSELL V. CRUIKSHANK
HENRY W. BULL	De COURSEY FALES
O'DONNELL ISELIN	CHARLES J. NOURSE
E. TOWNSEND IRVIN	CHARLES S. McVEIGH
STEPHEN C. CLARK	WALTER N. STILLMAN
CHARLES SCRIBNER	FREDERICK S. MOSELEY, JR.
NEWBOLD MORRIS	



PERCY W. SHEPARD,
CLEMENT M. COODER,

VICE PRESIDENT.
VICE PRESIDENT AND
TRUST OFFICER.

JOHN A. MACK,
JOHN BROOKS,

TREASURER.
SECRETARY AND ASST.
TRUST OFFICER.

HAROLD P. SPURR,
CHARLES M. LISKE,
CHRISTIAN J. BROWNLIE,
CHESTER MATHIESON,
MILTON E. MILLER,
BERNARD A. KENNEDY,

ASST. SECRETARY.
ASST. SECRETARY.
ASST. SECRETARY.
ASST. SECRETARY.
ASST. TRUST OFFICER.
ASST. TREASURER.

August 20, 1948

Mr. John A. Larkin,
Chairman of the Board,
Fulton Trust Company of New York,
New York 6, New York.

Dear Mr. Larkin:

I read with interest the copy of your letter of August 3 to Chairman Wolcott of the House Banking and Currency Committee, which you very kindly sent me. I have been delaying a reply until we could obtain and send you a copy of the printed record of my testimony before the House Banking and Currency Committee on the proposal to authorize the Board of Governors to raise reserve requirements. In the meantime, as you no doubt know, the Congress passed a substantially modified bill which has since been signed by the President.

The background of the Board's proposal is set forth in its Annual Reports for 1946 and 1947 and in a statement which I presented on behalf of the Board of Governors before the Joint Committee on the Economic Report on November 25, 1947, of which copies are also enclosed.

In response to the query in your letter as to whether the administration could be persuaded to allow interest rates to be raised as a brake on inflationary loans, these reports and my testimony before the House Banking and Currency Committee will, I trust, make clear to you the reasons why it has been felt necessary to support the 2-1/2 per cent rate on long-term Government securities.

In view also of your question as to whether holdings of United States Government securities might not be considered as the equivalent of reserves of cash in the

Federal Reserve Banks, you will no doubt also be interested in noting that in the proposals submitted in the Board's Annual Reports and before the Joint Committee on the Economic Report that there was offered a plan for permitting short-term Government securities to be counted in meeting the suggested requirements. This proposal however met with so much opposition from the banking fraternity that it was not included in the legislation finally adopted by the Congress.

Very truly yours,

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